

# Uniparts India Limited



## Uniparts India Ltd

**Issue Opens On**  
November 30, 2022

**Issue Closes On**  
December 02, 2022

**Price Band (INR)**  
548 - 577

**Issue Size (INR Mn)**  
7,936 – 8,356

**Rating**  
SUBSCRIBE

Uniparts India Ltd. is a global manufacturer of engineered systems and solutions and is 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. It has a presence across over 25 countries. Uniparts is a concept-to-supply player for precision products for off-highway vehicles with a presence across the value chain. Unipart's product portfolio includes core product verticals of 3-point linkage systems (3PL) and precision machined parts (PMP) and adjacent product verticals of power take-off, fabrications and hydraulic cylinders or components thereof. Uniparts had an estimated 16.68% market share of the global 3PL market in FY22 in terms of value and an estimated 5.92% market share in the global PMP market in the CFM sector in FY22 in terms of value. Uniparts has a global business model based on International Sales, Local sales from dual shore manufacturing facilities in India and US, export sales from Indian locations directly to overseas customers, and sales from Uniparts' warehousing facilities in their respective domestic markets.

### OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	14.5
Net offer (# shares)	14.5
Price band (INR)	548 - 577
Post issue MCAP (INR Mn)	24,733 – 26,042

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	December 02, 2022
Finalization of Basis of Allotment with Stock Exchange	On or about 7 <sup>th</sup> Dec' 22
Initiation of Refunds	On or about 8 <sup>th</sup> Dec' 22
Credit of Equity Shares to Demat accounts	On or about 9 <sup>th</sup> Dec' 22
Commencement of Trading of Eq.shares on NSE	On or about 12 <sup>th</sup> Dec' 22

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	72,40,971	4,178	50%
NIB	21,72,291	1,253	15%
Retail	50,68,680	2,925	35%
<b>Net Offer</b>	<b>1,44,81,942</b>	<b>8,356</b>	<b>100%</b>

Source: IPO Prospectus

Objects of the Offer: The net proceeds will be utilized for the following purpose
To carry out the Offer for Sale of up to 14.5 mn Equity Shares by the Selling Shareholders
Achieve the benefits of listing the Equity Shares on the Stock Exchanges

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	75.5%	65.8%
Others	24.5%	34.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IPO Prospectus

Particulars (In INR Mn)*	FY20	FY21	FY22
Revenue	9,072	9,031	12,274
EBITDA	1,278	1,639	2,717
EBITDA Margin	14.09%	18.15%	22.13%
PAT	626	931	1,669
PAT Margin	6.90%	10.31%	13.60%
Net Worth	4,642	5,601	6,852
RONW	13.5%	16.6%	24.4%

Source: IPO Prospectus, \* Restated Statement  
Note: EBITDA includes other income as per RHP

# Uniparts India Ltd

## Company Overview

Uniparts is a global manufacturer of engineered systems and solutions and is one of the leading suppliers of systems and components for the off-highway market in the agriculture and construction, forestry and mining (CFM) and aftermarket sectors. It has presence across over 25 countries. Uniparts is a concept-to-supply player for precision products for off-highway vehicles (OHVs) with presence across the value chain. The company's product portfolio includes core product verticals of 3-point linkage systems (3PL) and precision machined parts (PMP), as well as adjacent product verticals of power take off (PTO), fabrications and hydraulic cylinders or components thereof. Uniparts has a leading presence in the manufacture of 3PL and PMP products globally on account of it serving some of the largest global companies. Most of Uniparts' products are structural and load-bearing parts of equipment and are subject to strict tolerances, specifications and process controls. A series of precision engineering process steps converge into the manufacturing of these products. Uniparts had an estimated 16.68% market share of the global 3PL market in FY22 in terms of value and an estimated 5.92% market share in the global PMP market in the CFM sector in FY22 in terms of value. The company also caters to the aftermarket segment especially for 3PL product range. Uniparts provides replacements of 3PL parts to organized aftermarket retailers and distributors in North America, Europe, South Africa and Australia.

Uniparts offers fully integrated engineering solutions from conceptualization, development and validation to implementation and manufacturing of products. The conceptualization stage involves acquiring market intelligence, assessing customer requirement and formulating customized strategy for individual customers. The development phase includes product designing, material procurement and processing. This is followed by the validation phase, which involves prototyping, testing and feasibility analysis. Uniparts' in-house manufacturing and implementation competencies include forging, machining, fabrications, heat treatment, surface finish, logistics, quality and testing, design and validation. By means of servicing its aftermarket segment customers, Uniparts' products find indirect access to a large set up of retail stores across geographies for aftermarket components. Within the aftermarket category, Uniparts is focused on the 'will-fit' parts segment, sold to distributors and retail chain stores.

### Core products

**3PL:** The 3-PL systems 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 3 coupling points. The systems are engineered and customised to each tractor model and region in which the tractor is used as the specifications vary from region to region. These systems are subject to validation and have to comply with international standards. The 3PL comprises different parts: Two lower arms called draft link or lower link, forming two out of the three coupling points; Two lift rods connecting the two lower links with two lift arms, which are not part of the 3PL but form part of the hydraulic lift. The hydraulic lift is powered and allows lowering and lifting of the 3PL; One top link or center link, acting as a connecting rod and forming the third coupling point; and Stabilizer systems controlling the lateral movement of the lower links.

**PMP:** PMP is a group of products that are components requiring stringent material and manufacturing specifications and controls. These include among others, precision machined components such as pins, bushes and bosses used in articulated joints. These are structural and load-bearing parts of the equipment and are subject to strict tolerances, specifications and process controls. The product varies in design and technical specification between different applications. One of the key differences of this product range as compared to 3PL is that PMP parts are predominantly individual parts with significant load bearing capability and not a complete assembly of multiple parts, as compared to a 3-point linkage system comprising of multiple assemblies. Due to the complex design and high degree of precision required in PMP products, they lack standardization and the number of variants in this product vertical is very high.

### Other products

**Hydraulic cylinders:** Hydraulic cylinders are used as actuators to move mechanized components, by generating linear motion along an Axis. Although all or several of Uniparts' customers possess in-house competence for manufacturing hydraulic cylinders, there is still significant demand, in particular in international markets, for hydraulic cylinders due to increased mechanization and transitions in technology, due to factors such as size and weight of equipment, complexity of equipment and the application, comfort, and safety. Uniparts seeks to focus on applications that are synergetic to its existing applications and existing customers. An example for synergies with existing activities are hydraulic top links, which are a special design used in the 3PL application by the aftermarket as a retro fit and also by OEMs in lieu of mechanical top links. Another example is lift cylinders, which are used in the hydraulic lift of a tractor. In addition, many of Uniparts' PMP applications interface with cylinders. The development of such synergetic products allows Uniparts not only to enter the hydraulic segment but also to extend market share in existing 3PL and PMP verticals. Uniparts' increasing diversification into the hydraulic cylinders vertical is part of its strategy to increase the content and customer spend per vehicle.

**PTO:** PTO is a device used to drive implements such as rotary tillers, mowers and other equipment requiring a mechanical drive by the tractor. The PTO transmits power from the tractor to the implement and is used to distribute the power within the machine. The PTO is implement-specific and part of the implement and, therefore, each implement has one main shaft and, in many cases, secondary shafts to distribute the power within the implement. Uniparts is currently focused on producing PTO for the agriculture sector, which allows the transfer of power from the tractor to the implement.

# Uniparts India Ltd

## Company Overview

### Other Products (continued)

**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 also utilize processes such as bending, welding and surface finishing. The design of such parts typically varies and is dependent on the type of vehicle and OEM's specifications. Examples of fabrication parts include hitch frames, A-frames, front-end loader parts, grain lifters and engine frames. Uniparts' current focus is on applications and products which are not produced by its customers in-house. These products such as trailer hitches, front hitch components, engine frame, grain lifter and front end loader parts are synergetic to products and vehicles Uniparts currently services.

### Global Business model

Uniparts' global business model has contributed significantly in the evolution of relationships with its key customers, as the company is able to serve multiple delivery locations and provide multiple delivery options with flexible lead times and costs, allowing to better serve customers with multiple price points based on different delivery models. Uniparts has a track record of nurturing customer relationships, commencing from a single geography or a particular product and gradually evolving over the years to a multi-geography or multi-product association with a long-term strategic alignment. Uniparts dual-shore multiple delivery model includes:

1. International Sales: sales in regions outside India
2. Local Deliveries: Sales from Uniparts' dual shore manufacturing facilities in India and United States, in their respective domestic markets
3. Direct Exports: Export sales from Indian locations directly to overseas customers
4. Warehouse Sales: Sales from Uniparts' warehousing facilities in their respective domestic markets

### Manufacturing facilities

Overall, Uniparts has 5 manufacturing facilities in India – 2 in Ludhiana, Punjab, 1 at one at Visakhapatnam, Andhra Pradesh, and 2 at Noida, Uttar Pradesh. Uniparts has also set-up a distribution facility in Noida, Uttar Pradesh. In the US, Uniparts has a manufacturing, warehousing and distribution facility at Eldridge, Iowa, and distribution facility at Augusta, Georgia. The Iowa plant was acquired pursuant to acquisition of Olsen Engineering LLC in 2005, now known as Uniparts Olsen Inc. Uniparts has set up a warehousing and distribution facility in Hennef, Germany, which serves as its base for serving key European customers.

3PL manufacturing facilities: Uniparts has 4 manufacturing facilities in India, producing 3PL. The 2 facilities in Noida, Uttar Pradesh serve as the hub for the domestic market and also serve export customers. Visakhapatnam, Andhra Pradesh facility primarily serves export customers. The SKG, Ludhiana, Punjab facility primarily serves the Indian domestic 3PL market.

PMP manufacturing facilities: Uniparts has 4 manufacturing facilities producing PMP in India, 1 each at Visakhapatnam, Andhra Pradesh and Farmparts, Ludhiana, Punjab, and 2 at Noida, Uttar Pradesh. In addition, Unipart's facility at Eldridge, Iowa, United States serves the North American market, with local production as well as warehousing of products manufactured in and exported from India.

Uniparts has hydraulic cylinder manufacturing capabilities at its Visakhapatnam, Andhra Pradesh facility.

Uniparts manufactures PTO components at Farmparts, Ludhiana, Punjab facility as well as at the facility located at B-208, Noida, Uttar Pradesh for OEMs as well as for sale in the aftermarket.

The company primarily manufactures fabrication components at its SKG facility at Ludhiana, Punjab for OEMs as well as for sale in the aftermarket segment.

### Client Profile

Uniparts has a long-term relationship with global OEM players in the agriculture and CFM sectors, such as Tractors and Farm Equipment Limited (TAFE), Doosan Bobcat North America (Bobcat), Claas Agricultural Machinery Private Limited (Claas Tractors), Yanmar Global Expert Co., Ltd (Yanmar) and LS Mtron Limited. Uniparts services several organized aftermarket players and large farm and fleet retail store chains in Europe and the US, such as Kramp Groep B.V. (Kramp) and Tractor Supply Company (TSC). In FY22, Uniparts' customer base comprised over 125 customers in over 25 countries globally. Bobcat, TAFE and Kramp are some of the customers with whom Uniparts has had relationships for over 15 years, while with customers like Yanmar, Uniparts has a relationship with for over 10 years. More recently, Uniparts has added TSC and Kobelco Construction Equipment India Private Limited (Kobleco) as its customers. Customers that Uniparts has acquired 2017 onwards, accounted for 6.97%, 11.13% and 9.73%, respectively, of the company's revenue from operations in FY20, FY21, and FY22, respectively.

# Uniparts India Ltd

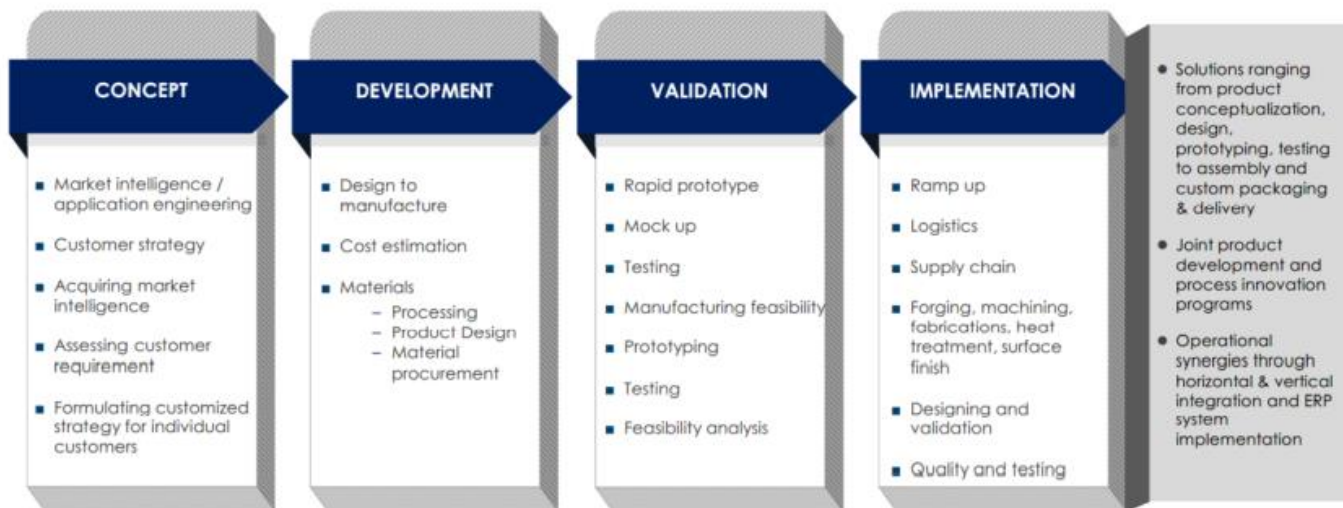
## Revenue segmentation

Revenue Segmentation	FY19	FY20	FY21	FY22
<b>Revenue split across market segment</b>				
Agriculture segment	60.6%	60.0%	69.8%	70.5%
CFM segment	35.0%	35.8%	26.3%	24.8%
Others	0.3%	0.4%	0.1%	0.5%
<b>Revenue split across product vertical</b>				
3PL	47.5%	47.2%	56.1%	55.7%
PMP	46.8%	47.7%	37.6%	36.4%
PTO applications	0.9%	0.7%	0.9%	1.0%
Fabrication	0.7%	0.9%	0.9%	1.1%
Hydraulic cylinders	0.1%	0.1%	0.1%	0.1%
Others	4.1%	3.5%	4.4%	5.7%
<b>Revenue split across geographies</b>				
Americas	56.2%	57.2%	48.2%	46.9%
Europe	18.1%	18.2%	23.3%	25.3%
India	12.6%	12.6%	15.9%	13.4%
Japan	4.6%	4.6%	4.5%	4.9%
Rest of the world	2.4%	1.7%	2.5%	3.1%
Asia-Pacific	2.1%	1.8%	1.9%	2.2%

Source: IPO Prospectus

## Concept to Supply solutions value chain

Uniparts offers fully integrated engineering solutions from conceptualization, development and validation to implementation and manufacturing. The conceptualization stage involves acquiring market intelligence, assessing customer requirement and formulating customized strategy for individual customers. The development phase includes product designing, material procurement and processing. This is followed by the validation phase, which involves prototyping, testing and feasibility analysis. Uniparts' in-house manufacturing and implementation competencies include forging, machining, fabrications, heat treatment, surface finish, logistics, quality and testing, design and validation.



Source: IPO Prospectus

# Uniparts India Ltd

## Industry Overview

### Global 3-Point Linkage (3PL) Market

The world market for 3-point linkages was estimated at USD 360 mn – USD 370 mn in 2021 and is expected to grow by nearly 6% - 8% between 2021 and 2026. The growth is expected to be driven by growth in tractor production volumes in North America, India and Europe, and steady growth in China and Japan.

#### Compound Annual Growth Rates (CAGR) - Tractor

CAGR	North America	Europe	Japan	China	India	Total
Review (2016-2021)	6.9%	3.3%	4.6%	-10.0%	11.7%	4.4%
Outlook (2021-2026)	4.0%	4.4%	2.4%	3.0%	4.7%	4.1%

Source: IPO Prospectus

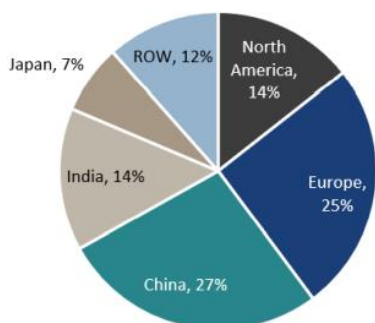
#### Compound Annual Growth Rates (CAGR) – 3PL

CAGR	North America	Europe	Japan	China	India	Total
Review (2016-2021)	9.8%	6.4%	7.8%	-8.2%	15.0%	5.1%
Outlook (2021-2026)	7.5%	7.5%	5.6%	6.3%	7.8%	7.1%

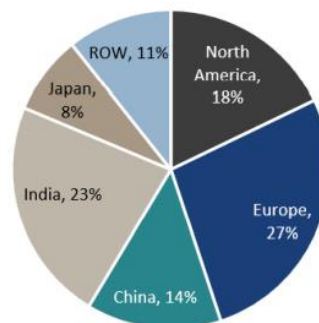
Source: IPO Prospectus

In 2021, nearly 50% of the global production of tractors took place in India, followed by 12% in China. Although India and China have a share of nearly 62% of world tractor production their share in global 3PL demand by value is only around 36%. This is primarily due to two key reasons: higher ratio of lower HP tractors in the total population and lower per-assembly price of 3PL in these regions. North America, being one of the most mature tractor markets, contributes around 11% of world tractor demand, and is estimated to contribute almost 18% of the total demand for 3PL in the world in 2021. The demand for 3PL (which is intricately linked to tractor demand) is set to grow at a steady, healthy pace. During 2021-2026, global tractor production is estimated to grow at a CAGR of 4.1%.

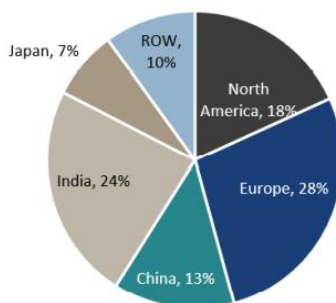
World 3PL Market (275-295 million USD) in 2016



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



World 3PL Market (505-525 million USD) in 2026P



Source: IPO Prospectus

## Uniparts India Ltd

### Industry Overview

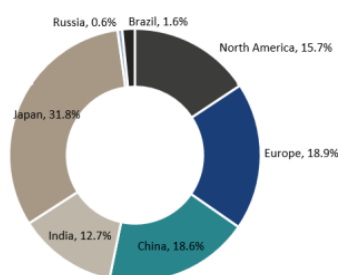
#### Global Precision Machine Part (PMP) Market

The structure of PMP industry is fragmented in a few geographies, whereas organised in other geographies. PMP manufacturers are generally private players. Therefore, it is difficult in mapping the industry players and evaluate competitive benchmarking.

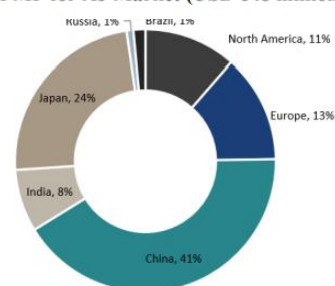
The global market of PMP for articulated joints was an estimated USD 648 mn in 2021. 85% and above of the demand is from four key geographies China, Japan, Europe and North America. The demand for such products is expected to grow at a healthy 6% - 8% CAGR in the 5-year period between 2021 – 2026. The growth will be driven by strong volume growth in construction equipment production in key markets such as Japan and Europe.

PMP production (value) during 2021-2026 is expected to grow at a good pace even on a high base in certain geographies. Growth is expected to be seen mainly from Japan (7% - 9% CAGR between 2021-2026), and India (7-9% CAGR between 2021-2026). Higher volume growth of construction equipment in North America, due to increase in government investments in various infrastructure development projects such as re-building roads and bridges, modernizing public works systems and boosting broadband internet, among other major improvements to the nation's infrastructure. In India, growth will be driven by the occurrence of online retail amenities, accessibility of machinery on a rental basis, increasing government funds in infrastructure development, augmentation in capital investments.

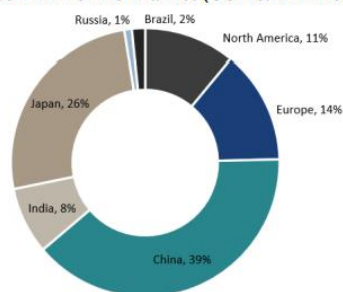
Worldwide PMP for articulated joints (“AJ”) Market (USD 321 million) in 2016



Worldwide PMP for AJ Market (USD 648 million) in 2021



Worldwide PMP for AJ Market (USD 897 million) in 2026P



Source: IPO Prospectus

#### Compound Annual Growth Rates (CAGR) – PMP

CAGR	North America	Europe	Japan	China	India	Russia	Brazil	Total
Review (2016-2021)	8.0%	7.3%	8.6%	35.1%	4.2%	23.0%	13.0%	15.1%
Outlook (2021-2026)	5.9%	7.2%	8.4%	5.5%	7.5%	8.3%	8.4%	6.7%

Source: IPO Prospectus

Major OEMs are developing technically intensive products, processes and applications which has led to higher mechanization of the construction equipment. This is expected to aid the growth of PMP industry.

#### Compound Annual Growth Rates (CAGR) – Construction Equipment

CAGR	North America	Europe	Japan	China	India	Russia	Brazil	Total
Review (2016-2021)	4.3%	1.8%	5.5%	30.0%	1.2%	17.4%	6.1%	6.9%
Outlook (2021-2026)	2.7%	4.0%	2.3%	2.2%	4.4%	5.4%	5.7%	3.3%

Source: IPO Prospectus

## Uniparts India Ltd

### INVESTMENT RATIONALE

**Tapping into the growth opportunities in core products of 3PL and PMP:** The world market for 3PL was between USD 360 mn and USD 370 mn in 2021 and is expected to grow at nearly 6% and 8% between 2021 – 2026, buoyed by robust growth in tractor production volumes in North America, India and Europe, steady growth in China and Japan. A major driver of 3PL demand is tractors and the demand for 3PL is set to grow at a steady, healthy pace. Although India and China have a share of nearly 62% of the world tractor production, their share in global 3PL demand is only around 36%. North America, being one of the most mature tractor markets, contributes around 11% of the world tractor demand, and contributed almost 18% of the total demand for 3PL in the world in 2021. The global market for PMP for articulated joints was USD 648 mn in 2021, with 80% and above of the demand from four key geographies China, Japan, Europe and North America. The demand for PMP products is expected to grow at a CAGR of 6% and 8% between 2021 and 2026, powered by strong volume growth in construction equipment production in key markets such as Japan and Europe. Uniparts believes it is well-positioned to benefit from increasing mechanization in the agriculture and CFM sectors, in particular through leveraging its global business model, which allows it to efficiently serve OEMs across multiple global locations, contributing to their increasing efforts to rationalize their supply chain and asset/working capital management.

**Potential to expand the addressable market:** Uniparts can leverage its manufacturing and warehousing infrastructure, global footprint and value proposition to expand further in newer geographies, adjacent product verticals, acquire additional customer accounts as well as increase wallet share among existing customers. Uniparts intend to achieve this by focussing on increasing the share of customer spend per vehicle by manufacturing additional 3PL products for more than 60 horsepower vehicles, PMP products for large construction equipment, fabrication solutions such as agriculture implements and construction attachments, and new PTO applications. Uniparts is also actively exploring adjacent vehicle and equipment types such as utility task vehicles and all-terrain vehicles where the company has developed prototypes of system solutions that are currently in trial phase. Uniparts believes there are opportunities for these solutions both in the aftermarket segment as well as with OEMs.

**Integrated provider of complete product assemblies and systems:** Uniparts has evolved from being a components supplier to now being an Integrated provider of complete product assemblies and systems, and concept-to-supply solutions across the OHV component value chain. Uniparts offers offer fully integrated engineering solutions from conceptualization, development and validation to implementation and manufacturing.

**Differentiated offerings vs. competition:** Uniparts has in-house value engineering and process innovation capabilities. This is supported by product development programs undertaken jointly with some of its key customers, translating into a diversified presence across sectors, markets and product verticals. Uniparts has the ability to offer end-to-end solutions to its customers (such as entire 3PL assemblies), instead of individual components. It's emphasis on the global business model to meet customers' varying requirements, differentiates the company from competition and also effectively functions as an entry barrier for suppliers that do not have the benefit of a global business model of the kind that Uniparts has built and developed over the years.

### Future Growth Strategies

**Leverage integrated precision engineering capabilities and established global business model, to tap additional business opportunities and expand the addressable market:** Uniparts has established an end-to-end and scalable business model which caters to a number of requirements of its customers in the OHV market. Uniparts intends to leverage its manufacturing and warehousing infrastructure, global footprint and value proposition to expand further in newer geographies, adjacent product verticals, acquire additional customer accounts as well as increase wallet share among its existing customers. Uniparts intends to achieve this by focusing on increasing the share of customer spend per vehicle by manufacturing additional 3PL products for more than 60 horsepower vehicles, PMP products for large construction equipment, fabrication solutions such as agriculture implements and construction attachments, and new PTO applications. Uniparts is also actively exploring adjacent vehicle and equipment types such as utility task vehicles and all-terrain vehicles where it has developed prototypes of system solutions that are currently in trial phase. Uniparts believes there are opportunities for these solutions both in the aftermarket segment as well as with OEMs. Uniparts further believes that there exist significant opportunities to cross-sell its products and offer the same product to additional locations of its existing customers with the help of its established capabilities and manufacturing, warehousing and distribution infrastructure. Uniparts has multiple such global customers wherein the company services their different business divisions, several manufacturing plants in multiple global geographies. Uniparts' experience in servicing aftermarket customers and large retail store chains provides it with additional opportunities in large adjacent product spaces and in particular in agriculture segment.



## Uniparts India Ltd

### Future Growth Strategies (Continued)

**Focus on higher value added products and enhanced service offerings to improve the margin profile:** Uniparts continually evaluates product and service opportunities enabling movement towards higher value-addition and improving margin profile of revenue portfolio. Uniparts' EBITDA margins have increased from 14.09% in FY20 to 18.15% in FY21, and 22.13% in FY22. Uniparts endeavours to ensure that new business opportunities are margin accretive. The company intends to continue to increase the proportion of its warehousing sales in the overall sales model mix, as this delivery model carries premium and is margin accretive. Uniparts regularly evaluates its existing manufacturing portfolio as well and undertakes calibrated relocation of manufacturing any identified products to optimize cost structure and resulting margins. As part of Unipart's strategy of improving the margin profile of the portfolio, it intends to further expand the product portfolio with solutions for adjacent vehicle and equipment types such as utility task vehicles and all-terrain vehicles as well as focus on PMP products with a technology focus, such as, plungers and transmission components.

**Target new customer accounts and expand existing customer accounts:** Uniparts intends to increase sales and customer penetration by targeting new customer accounts and expanding its existing customer accounts in the company's principal markets by offering its entire range of products. Uniparts intends to continue to consolidate and develop its relationships with large and renowned global OEMs whose product portfolios are spread across industries such as agriculture, CFM and industrial equipment, as well as its value engineering and process innovation competencies so as to be able to enter new and related markets and acquire, evolve and strengthen customer relationships. Uniparts intends to offer its customers additional 3PL and PMP products to meet its customers' requirements and thereby growing its share of customers' spend per vehicle. In particular, the CFM sector offers the opportunity to target new customers for Uniparts' products. Between 2021 and 2026, growth is expected to be driven by North America, Europe and India due to higher expected investment in infrastructure projects. Uniparts will be able to capitalize on its reputation for quality, consistent performance and customer satisfaction in its existing markets and product verticals to target new customers.

**Enhance engineering, innovation and design competence:** Uniparts endeavours to focus on process and product innovation and value engineering solutions in order to meet the requirements of a wider range of vehicles, geographies, applications and other customer specifications, so as to strengthen and diversify its customer and product portfolio. Towards this objective, Uniparts seeks to continue to improve its in-house value engineering, testing, design and process innovation capabilities through human resource and technical development, as well as exploring opportunities for collaboration and inorganic growth and continuing to work closely with its key customers to upgrade and customize its products, in particular, to increase sales of 3PL products in the higher horsepower (more than 60HP) tractor segment and of PMP, hydraulic cylinders and PTO applications, while maintaining and improving market share in the 3PL and PMP verticals.

**Grow inorganically through strategic acquisitions and alliances:** Uniparts intends to continue its strategy to explore opportunities for forward integration, including selectively evaluating targets for strategic acquisitions and investments, in order to strengthen its position as an integrated, full system solutions provider for the agriculture and CFM sectors. Through this objective, the company seeks to strengthen its product platform and customer portfolio. Uniparts intends to focus on acquiring businesses with high growth and performance potential, along with their existing customer relationships and product and process competencies, and to integrate and grow their businesses through enhanced quality and delivery parameters, engineering support, integration of IT systems and ERP platforms with manufacturing support from India, coupled with management know-how and experience. In particular, Uniparts intends to explore opportunities in Europe, which would give the company a manufacturing base in the continent, as well as opportunities in the United States to complement its existing business. Uniparts may also seek to expand its international warehousing and distribution operations, based on demand and delivery logistics in various geographies, to fuel its growth going forward. Uniparts believes that it has been successful in acquiring and integrating overseas assets and ventures in the past and will continue to benefit from such initiatives, thereby expanding the product portfolio, market share, customer base and geographical footprint.

# Uniparts India Ltd

## Key Strengths

**Leading market presence in global off-highway vehicle systems and components segment:** Uniparts is a global manufacturer of engineered systems and solutions and is one of the leading suppliers of systems and components for the off-highway market in the agriculture and CFM and aftermarket sectors on account of its presence across 25 countries. Uniparts has a leading presence in the manufacture of 3PL and PMP products globally as the company serves some of the largest global companies, including Bobcat, TAFE and Yanmar. Uniparts has a presence in key markets worldwide, including North and South America, Europe, Australia, Japan and India. Uniparts had an estimated 16.68% market share of the global 3PL market in FY22 in terms of value and an estimated 5.92% market share in the global PMP market in the CFM sector in FY22 in terms of value. Uniparts has been able to leverage its leadership position and customer confidence to expand into the large construction equipment market, with customers such as Kobelco. Uniparts also covers the segment of organized aftermarket and large farm retail stores by servicing its customers including Kramp and TSC. The company believes its leading presence in the 3PL and PMP verticals inspires customer confidence in the company's products, which is expected to fuel growth going forward.

**Engineering-driven, vertically integrated precision solutions provider:** Uniparts provides comprehensive solutions and manufactures high-quality, critical products and components for OHV industry. Most of its products are critical, structural and load-bearing parts of equipment and are subject to strict tolerances and specifications. A series of precision engineering process steps converge to manufacture these products. Uniparts is present across various levels of the OHV component value chain, providing concept-to-supply solutions for its customers. Uniparts' significant backward and forward integration reduces its dependence on external supply and support services and enables the maintenance of quality controls required to service global OEMs and aftermarket players. Over the years, Uniparts 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, becoming an integral part of certain customers' global supply chains. As part of Uniparts' transition from being solely a component manufacturer to solutions provider and further to a systems integrator, it has over the years introduced several products to its product portfolio including rear hitch, front hitch, hydraulic lift arms, PTOs and trailer hitch which allow it to offer integrated system solutions to meet its customer requirements and move up the value chain.

**Global business model optimizing cost-competitiveness and customer supply chain risks:** Uniparts' global business model serves as 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, while at the same time helping to manage costs and increase margins. Uniparts has grown its global business model in a scalable manner optimized to provide premium-priced Local Deliveries manufactured on-shore in smaller lots and with shorter lead times, as well as cost-competitive offshore deliveries from India with longer lead times and inventory cycles. Uniparts' India-led manufacturing and overseas-led warehousing coupled with localized customer service capabilities have been a key driver for the growth of its operations. Uniparts' global business model also enables it to diversify its margins based on different delivery models for the same product. Uniparts maintains inventory in its warehouses which helps mitigate supply chain risks for the customers and reduces the long lead time involved in the transit of cargo internationally. Uniparts' facilities in India, the United States and Europe are strategically located in proximity to several global OEMs in the OHV industry. Uniparts provides timely deliveries tailored to customer specifications in terms of their production schedules, geographical needs, applications, vehicle sizes and technical specifications, and also provides customized packing, warehousing and kitting solutions and logistical support to its customers. Uniparts' revenues are diversified across geographies, given its presence in Indian and international markets, across industry sectors and across product verticals.

**Long-term relationships with key global customers, including major OEMs, resulting in a well-diversified revenue base:** Uniparts has developed long-term relationships with global customers in the agriculture and CFM sectors, such as TAFE, Claas Tractors and Kramp. Four of its top five customers in FY21 have been Uniparts' customers for over 10 years. TAFE and Kramp are some of the customers with whom the company has had relationships for over 15 years, while with customers like Yanmar, Uniparts has developed relationships for over 10 years. Customers the company acquired 2017 onwards, accounted for 6.97%, 11.13% and 9.73% of revenue from operations in FY19, FY20, FY21, and FY22, respectively. One such customer became a part of Uniparts' top 5 customers by revenue in FY22 reflecting the company's ability to develop and strengthen relationships with customers. Uniparts' relationship with global OEM customers will enable it to access a corresponding share of the OHV market in the future. Uniparts has been recognized by its customers as a key supplier and were awarded the "Most Versatile Supplier 2020" by Kubota India. Uniparts believes that its entrenched relationship with customers resulting from its global business model, dual-shore manufacturing, along with the criticality, volume and type of components the company supplies to them act as effective barriers to entry for other suppliers.

**Healthy financial position with robust financial performance metrics:** Over the years, Uniparts' revenue from operations have remained stable despite the impact of the COVID-19 pandemic on business operations. Uniparts has a strong balance sheet position with net worth of INR 7,139 mn as of June 30, 2022 and has been able to maintain a low debt position with net debt to equity of 0.12 as of June 30, 2022. Uniparts has prudently utilized its resources, which has enabled it to fund its capital expenditure through internal accruals and has been able to reduce its total debt. Uniparts' strong operational and financial performance will allow it to capitalize on the strong tailwinds in the engineering solutions industry.

## Uniparts India Ltd

### Key Strengths (continued)

**Strategically located manufacturing and warehousing facilities that offer scale and flexibility:** Uniparts operates six strategically located manufacturing facilities spread across India and the United States. As on June 30, 2022, Uniparts' aggregate installed capacity across these manufacturing facilities was 67,320 metric tonne per annum. Uniparts' dual-shore capabilities, which is its ability to undertake manufacturing products at different locations, allows it to service customer requirements from alternate locations, providing customers the benefit of regular supply and cost-competitive manufacturing operations. Over the years, Uniparts has built significant in-house end-to-end manufacturing process capabilities and expertise ranging from a forge shop, precision machining on computer numerical control (CNC) and vertical machining center (VMC), welding (including butt and robotic welding), induction hardening, grinding, thread rolling, hobbing, broaching, shot blasting, heat treatment (continuous furnace, pit furnace and sealed quench furnace), surface finishing (including plating and painting) and electrophoretic deposition (ED) coating amongst others.

### Key Risks

**The company will not receive any proceeds from the Offer for sale:** Selling Shareholders will receive the entire proceeds from the Offer for Sale (after deducting applicable Offer expenses) and Uniparts will not receive any part of the proceeds of the Offer.

**Revenue concentration with a few customers:** Revenue from top 10 customers across product segments and geographies constituted 74.62%, 73.08% and 70.42% of revenue from operations for FY20, FY21, and FY22, respectively.

**Cyclicality in the agriculture and the construction, forestry and mining (CFM) sectors:** Demand for Uniparts' products is directly related to the production and sales of off-highway vehicles (OHVs) by its major customers. OHV production and sales may be affected by general economic or industry conditions, including seasonal trends in the agricultural sector and cyclical effects in the construction, forestry and mining (CFM) sector, recessionary trends in the global and domestic economies, volatility in new housing construction as well as evolving regulatory requirements, government initiatives, trade agreements and other factors.

**Availability and cost of raw materials and labour may adversely affect Uniparts' business, financial condition, results of operations and prospects:** Availability and cost of raw materials, particularly steel, power and fuel as well as employee benefit expenses can significantly impact the business. Steel purchases accounted for 63.80%, 59.18%, 62.61% of Uniparts' total raw material purchases in FY20, FY21, FY22, respectively.

**Dependence on Subsidiaries, Uniparts USA Limited (UUL) and Uniparts Olsen Inc. (UOI):** Uniparts conducts a significant portion of its operations, especially in the U.S., through subsidiaries UUL and UOI, which contributed 52.28%, 43.05% and 40.18% of revenue from operations in FY20, FY21, FY22, respectively. Uniparts, therefore, relies on UUL and UOI for expanding market share and business in the U.S. for U.S. produced products and products from its Indian manufacturing facilities.

**Uniparts had sustained negative cash flows from operations in the past:** Uniparts had negative net cash flows in FY20 and FY21. Any negative cash flows in the future would adversely affect cash flow requirements, which may adversely affect ability to operate the company's business and implement its growth plans, thereby affecting the financial condition.

**Downward revision in growth forecasts for the precision machine parts and construction equipment industries:** Global production value for PMP for articulated joints is expected to grow at CAGR of 6% - 8% during 2021 - 2026, registering a decrease in the growth rate compared to 2016 - 2021 period which was a CAGR of 15.1%. Key driver for the construction equipment industry is the investment in infrastructure projects. From 2021 - 2026, growth is expected to be driven by Europe and India due to higher expected investment in infrastructure projects. However, stable growth in major geographies such as North America, China and Japan may limit the growth of construction equipment industry at 2% - 4% from 2021 to 2026.

**Inability to address larger markets for precision machine parts products could have an adverse impact on growth prospects:** Global market of the PMP for articulated joints was an estimated USD 648 mn in 2021, with 85% and above of the demand from four key geographies China, Japan, Europe and North America. China, being the largest market globally, contributes around 41% to the total market share and is expected to grow at a CAGR of 5% - 7% from 2021 - 2026. Uniparts has limited sales of PMP products to customers in the Asia-Pacific region including to customers in China. Uniparts' sale of PMP products in the Asia-Pacific region which includes China, Israel, South Korea, Thailand, Turkey and Singapore accounted for 0.61%, 0.12%, 0.29% in FY20, FY21, and FY22, respectively.

## Uniparts India Ltd

### Outlook and Valuation

The global 3PL and PMP markets are expected to grow at CAGR of 7.1% and 6.7%, respectively over 2021 to 2026E. Uniparts India is differentiated from its competitors in its ability to offer end-to-end solutions to its customers instead of individual components and its emphasis on the global business model to meet the customers' varying requirements. Uniparts believes that none of its peers operates in the full spectrum of Uniparts' customer base, geographical market, product range and price points. Uniparts is in a position to expand the addressable market by leveraging its manufacturing and warehousing infrastructure, global footprint and value proposition. The company can benefit from opportunities to cross-sell its products and offer the same product to additional locations of existing customers. Uniparts is also focusing on higher value addition products to improve its margin profile, which is also seen in the improvement in YoY margins in FY21 and FY22.

The current Offer is an Offer for Sale so the Company will not receive any proceeds from the IPO. However, the post-IPO Promoter shareholding will remain at a comfortable level of 65.8%, ensuring adequate promoter skin in the game.

Compared to the listed peers, Uniparts is significantly smaller in size in terms of revenue but has superior ROCE and ROE profiles along with a lower Net Debt/ EBITDA level. Considering the upper limit of the price band and FY22 EPS, Uniparts IPO is valued at a P/E multiple of 15.6x. This is at the lower end when compared to multiples at which the listed peers are trading.

**Considering the industry growth opportunities, differentiated offerings of Uniparts, expansion of the addressable market and focus on value addition, we recommend that Uniparts India Limited IPO be rated 'SUBSCRIBE'.**

### Peer Comparison

Certain key players for PMP include General Grind & Machine (headquartered in Illinois, United States), Società Italiana Boccole Srl (headquartered in Bologna, Italy), Vishal Engineers (headquartered in Haryana, India), while those for 3PL include CBM Group (headquartered in Modena, Italy), GNK Walterscheid plc (headquartered in Lohmar, Nordrhein-Westfalen, Germany), Maxiforja Componenetes Automotivos (headquartered in Canoas, Brazil), Sudtrac Linkages (headquartered in Haryana, India), Delica Co., Ltd. (headquartered in Matsumoto, Japan). Financial data for these companies are not available for comparison.

#### Comparative parameters of some key listed industry peers (FY22)

Parameter (FY22)	Uniparts India Limited	Balkrishna Industries Limited	Bharat Forge Limited	Ramkrishna Forgings Limited
Revenue (INR mn)	12,274	82,951	1,04,611	23,202
EBITDA margin	22.1%	29.5%	22.6%	22.3%
PAT margin	13.6%	17.3%	10.3%	8.5%
ROCE	31.0%	22.2%	15.8%	13.4%
ROE	26.8%	22.2%	17.8%	20.2%
Net Debt/ EBITDA	0.42	0.73	1.29	2.90

Source: IPO Prospectus, KRChoksey Research.

#### Comparison with listed industry peers (FY22)

Parameters (FY22)	Uniparts India Limited	Balkrishna Industries Limited	Bharat Forge Limited	Ramkrishna Forgings Limited
Face value (INR)	10	2	2	2
Closing price as on 28 <sup>th</sup> November 2022 (INR)	577*	2,045	859	228
Revenue from Operations (INR mn)	12,274	82,951	1,04,611	23,202
Diluted EPS (INR)	36.98	74.25	23.23	12.43
P/E	15.6*	27.5x	37.0x	18.3x
RONW	24.4%	20.7%	16.3%	18.4%
NAV per Equity share	151.82	358.63	142.33	67.45

Source: IPO Prospectus, KRChoksey Research

\* Uniparts P/E calculated based on upper limit of price band

## Uniparts India Ltd

### Financials

Income Statement (INR Mn)	FY20	FY21	FY22
<b>Total Revenue from Operations</b>	9,072	9,031	12,274
YoY Growth (%)	NA	-0.4%	35.9%
<b>EBITDA</b>	1,278	1,639	2,717
<b>EBITDA Margin (%)</b>	14.1%	18.2%	22.1%
Depreciation	354	373	366
<b>EBIT</b>	924	1,267	2,350
Interest expense	180	81	57
<b>PBT</b>	744	1,186	2,293
Tax	118	254	624
<b>PAT</b>	626	931	1,669
<b>Basic EPS (INR)</b>	14.2	21.1	37.7

Source: IPO Prospectus, KRChoksey Research

EBITDA includes other income as per RHP

Balance Sheet (INR Mn)	FY20	FY21	FY22
Equity Share Capital	446	446	446
Other Equity	4,195	5,155	6,406
<b>Equity attributable to equity holders of holding Company</b>	<b>4,642</b>	<b>5,601</b>	<b>6,852</b>
<b>Liabilities</b>			
Borrowings	216	57	49
Lease liabilities	347	279	234
Provisions	138	156	167
Deferred tax liabilities (Net)	241	276	248
Other non-current liabilities	9	9	10
<b>Total non-current liabilities</b>	<b>951</b>	<b>777</b>	<b>708</b>
Borrowings	2,349	1,221	1,224
Lease liabilities	72	65	72
Derivative instruments	54	0	0
Trade payables	527	901	896
Other liabilities	321	271	337
Provisions	63	55	55
Current tax liabilities (Net)	8	42	168
<b>Total current liabilities</b>	<b>3,395</b>	<b>2,555</b>	<b>2,751</b>
<b>Total equity and liabilities</b>	<b>8,987</b>	<b>8,933</b>	<b>10,312</b>
<b>Assets</b>			
Property, plant and equipment	2,070	2,002	2,062
Right-of-use assets	662	578	532
Capital work-in-progress	93	23	22
Goodwill	598	590	618
Other intangible assets	68	54	35
Intangible assets under development	6	0	0
Other financial assets	50	44	47
Current tax assets (Net) - non current	112	113	148
Other non-current assets	4	22	26
<b>Total non-current assets</b>	<b>3,665</b>	<b>3,427</b>	<b>3,491</b>
Inventories	3,529	3,391	4,419
Investments	0	13	0
Trade receivables	1,228	1,675	1,942
Cash and cash equivalents	169	108	140
Other balances with banks	0	0	0
Derivative instruments	0	35	36
Loans	2	3	3
Other financial assets	0	0	1
Other current assets	393	280	280
<b>Total current assets</b>	<b>5,322</b>	<b>5,506</b>	<b>6,821</b>
<b>Total assets</b>	<b>8,987</b>	<b>8,933</b>	<b>10,312</b>

Source: IPO Prospectus, KRChoksey Research

# Uniparts India Ltd

**ANALYST CERTIFICATION:**

I, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**Terms & Conditions and other disclosures:**

KRChoksey Shares and Securities Pvt. Ltd. (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst, of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst, do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to [research.insti@krchoksey.com](mailto:research.insti@krchoksey.com)

Visit us at [www.krchoksey.com](http://www.krchoksey.com)

**KRChoksey Shares and Securities Pvt. Ltd.**

**Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.