

## Company Overview

Uniparts India Ltd., established in 1994, is a global manufacturer of engineered systems and solutions. The Company offers systems and components for the off-highway market in the agriculture and construction, forestry and mining (“CFM”) segment, and aftermarket sectors to over 25 countries across the globe. It is a concept-to-supply player for precision products for off-highway vehicles (“OHVs”) with a significant 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 offer fully integrated engineering solutions from conceptualization, development, and validation to implementation and manufacturing of the products. The Company is a leading manufacturer of 3PL and PMP products and supplies to many reputed global companies. In FY2022, it is estimated that Uniparts commanded a 16.68% market share of the global 3PL market and an estimated 5.92% market share in the global PMP market in the CFM sector, both in terms of value. The Company also caters to the aftermarket segment, especially for the 3PL product range. Uniparts also provide replacements of 3PL parts to organized aftermarket retailers and distributors in North America, Europe, South Africa, and Australia.

## Objects of the issue

The IPO proceeds of the fresh issue will be used towards the following purposes:

- ⇒ To carry out the offer for sale.
- ⇒ To achieve the benefits of listing the equity shares on the stock exchanges.

## Investment Rationale

### Strategically located manufacturing and warehousing facilities offer scale and flexibility

Uniparts India has 6 manufacturing plants which are strategically located across India and the United States of America. The Company’s aggregate installed capacity across these manufacturing facilities is 67,320 metric tonnes per annum as of 30th June 2022. Due to the company’s dual-shore capabilities, the company can undertake manufacturing of products at different locations and service customer requirements from alternate locations, providing customers the benefit of regular supply and cost-competitive manufacturing operations. The Company has three international warehousing facilities in Germany and the United States that allows it to service and grow in these markets efficiently by becoming a local supplier to global original equipment manufacturers (OEMs). Uniparts’ proximity to its key customer groups provides it with a strategic advantage in ensuring cost-effectiveness, quicker delivery, and faster turnaround times. With the Company’s continuous investments in facilities and capabilities, they have been able to develop an efficient, technology-driven manufacturing process that has led them to manufacture products as per the requirements and specifications of the customers in a cost-effective manner.

### Enhanced engineering, innovation, and design competence strengthens product portfolio

The Company focuses on process and product innovation and value engineering solutions to meet the requirements of a wider range of vehicles, geographies, applications, and other customer specifications. This has helped the Company to strengthen and diversify its customer and product portfolio. Uniparts’ has continuously improved 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. The Company has continuously worked with its key customers to upgrade and customize the 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.

## Valuation and Outlook

The global market for 3PL systems (~56% of FY2022 revenues) is expected to grow at a CAGR of 6% - 8% through CY2026, aided by strong global tractor production volumes. With India accounting for about 50% of the global tractor production, we believe that Uniparts India is in a sweet spot to leverage this opportunity going forward. Additionally, multiple business drivers such as fully integrated engineering solutions, long-term relationships with OEMs, the strategic location of manufacturing and warehousing facilities, global footprint, and geographically diversified revenues should provide further tailwinds to the business. However, an unexpected slowdown in tractor production due to economic headwinds and the company’s high dependency on its top customers for revenues continue to remain key risks. On the upper end of the price band, the issue is valued at a P/E of around 15.1x which we feel is fairly valued, given the fact that the company has healthy RoCE and RoAE ratios (31% and 26.8%, respectively for FY2022) along with low debt. We, therefore, recommend “**SUBSCRIBE**” to the IPO.

Issue Details	
Offer Period	30 <sup>th</sup> Nov - 2 <sup>nd</sup> Dec, 2022
Price Band	INR.548 to INR.577
Bid Lot	25
Listing	BSE & NSE
Issue Size (no. of shares in mn)	14.48/15.25
Issue Size (INR. in bn)	8.36
Face Value	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
	JM Financial Ltd
	Axis Capital Limited
BRLM	DAM Capital Advisors Limited
Registrar	Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
Promoter and Promoter Groups	75.54%	65.79%
Public	22.49%	32.24%
Employee Trust	1.98%	1.98%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Uniparts India Ltd.

## Income Statement (Rs in million)

Particulars	Q1FY23	FY22	FY21	FY20
<b>Revenue</b>				
Revenue from Operations	3,468	12,274	9,031	9,072
<b>Total Revenue</b>	<b>3,468</b>	<b>12,274</b>	<b>9,031</b>	<b>9,072</b>
<b>Expenses</b>				
Cost of Materials Consumed	1,398	5,013	3,382	3,323
Change in inventory of Finished Goods, Work-in-Progress, Stock-in-trade and Scrap	(165)	(997)	147	(35)
Employee benefit expenses	587	2,197	1,854	2,118
Other expenses	896	3,381	2,454	2,705
<b>Total Operating Expenses</b>	<b>2,716</b>	<b>9,594</b>	<b>7,838</b>	<b>8,110</b>
<b>EBITDA</b>	<b>752</b>	<b>2,680</b>	<b>1,194</b>	<b>962</b>
Depreciation and amortisation expense	96	366	373	354
Other income	9	36	445	316
<b>EBIT</b>	<b>665</b>	<b>2,350</b>	<b>1,267</b>	<b>924</b>
Finance costs	13	57	81	180
Exceptional Item	-	-	-	-
<b>PBT</b>	<b>652</b>	<b>2,293</b>	<b>1,186</b>	<b>744</b>
Current tax	162	655	238	128
Current tax - for earlier periods				
Deferred Tax charge	(16)	(31)	16	(29)
MAT Credit	-	-	-	19
<b>Total tax</b>	<b>147</b>	<b>624</b>	<b>254</b>	<b>118</b>
<b>PAT</b>	<b>505</b>	<b>1,669</b>	<b>931</b>	<b>627</b>
<b>Diluted EPS</b>	<b>11</b>	<b>37</b>	<b>21</b>	<b>14</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs in million)

Particulars	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	552	849	1,528	1,305
Cash flow from investing activities	(66)	(326)	(157)	(538)
Cash flow from financing activities	(325)	(493)	(1,414)	(769)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>162</b>	<b>30</b>	<b>(44)</b>	<b>(3)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>140</b>	<b>30</b>	<b>(44)</b>	<b>(3)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>316</b>	<b>140</b>	<b>108</b>	<b>170</b>

Source: RHP, BP Equities Research



## Uniparts India Ltd.

## Balance Sheet (Rs in million)

Particulars	Q1FY23	FY22	FY21	FY20
<b>Equity and Liabilities</b>				
Share Capital	446	446	446	446
Other Equity	6,693	6,406	5,155	4,195
<b>Net worth</b>	<b>7,139</b>	<b>6,852</b>	<b>5,601</b>	<b>4,642</b>
<b>Financial Liabilities</b>				
Borrowings	47	49	57	216
Lease liabilities	228	234	279	347
Provisions	168	167	156	138
Deferred tax liabilities	222	248	276	241
Other non-current liabilities	10	10	9	9
<b>Total Non Current Liabilities</b>	<b>676</b>	<b>708</b>	<b>777</b>	<b>951</b>
<b>Current Liabilities</b>				
Borrowings	1,100	1,224	1,221	2,349
Derivative Instruments	28			54
Lease liabilities	72	72	65	72
Trade Payables				
(a)Micro and small enterprises	461	364	380	146
(b)Other than micro and small enterprises	576	532	521	380
Other Financial Liabilities	2			
Other liabilities	364	337	271	321
Current Tax Payable	153	168	42	8
Provisions	64	55	55	63
<b>Total Current Liabilities</b>	<b>2,820</b>	<b>2,751</b>	<b>2,555</b>	<b>3,395</b>
<b>Total liabilities</b>	<b>3,496</b>	<b>3,459</b>	<b>3,331</b>	<b>4,346</b>
<b>Total Equity and Liabilities</b>	<b>10,635</b>	<b>10,312</b>	<b>8,933</b>	<b>8,987</b>
<b>Assets</b>				
Property, plant and equipment	2,021	2,062	2,002	2,070
Right-of-Use assets	524	532	578	662
Capital work in Progress	66	22	23	93
Goodwill	630	618	590	598
Other Intangible assets	30	35	54	68
Intangible Assets Under Development	0			6
Other Financial Assets	49	47	44	50
Current Tax Assets(Net)	59	148	113	112
Other non current assets	21	26	22	4
<b>Total Non current assets</b>	<b>3,400</b>	<b>3,491</b>	<b>3,427</b>	<b>3,665</b>
Inventories	4,648	4,419	3,391	3,529
<b>Financial Assets</b>				
Investments			13	
Trade Receivables	1,940	1,942	1,675	1,228
Cash and cash equivalents	314	140	108	169
Other balances with banks	1			0
Derivative Instruments		36	35	
Loans	3	3	3	2
Other Financial Assets	0	1	0	0
Other current assets	328	280	280	393
<b>Total Current Asset</b>	<b>7,235</b>	<b>6,821</b>	<b>5,506</b>	<b>5,322</b>
<b>Total Assets</b>	<b>10,635</b>	<b>10,312</b>	<b>8,933</b>	<b>8,987</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ The Company is exposed to foreign currency exchange rate fluctuations, which may harm its results of operations.
- ⇒ The Company is affected by the cyclical effects in the agriculture and CFM sectors.
- ⇒ The Company's business may be negatively impacted due to revenue concentration on select customers.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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