



IPO Report

28th Nov' 22

Snapshot

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 ("CFM") and aftermarket sectors on account of company's presence across over 25 countries. Company is a concept-to-supply player for precision products for off-highway vehicles ("OHVs") with presence across the value chain.

VALUATION

Company is bringing the issue at price band of Rs 548-577 per share at p/e multiple of 16x on FY22 basis.

Company having leading market presence in global off-highway vehicle systems and components segment is engineering driven, vertically integrated precision solutions provider. Company's global business model optimizing cost-competitiveness and customer supply chain risks along with long-term relationships with key global customers, including major OEMs, resulting in a well-diversified revenue base. Also, company's healthy financial position with robust financial performance metrics makes this issue an attractive destination to deploy the funds in.

Hence, looking after all above, we recommend "Subscribe" on issue.

Price Band (Rs./Share)	548-577
Opening date of the issue	30th Nov 2022
Closing Date of the issue	02nd Dec 2022
No of shares pre issue	45,133,758 Eq Shares
Issue Size	Rs 794-836 Cr
Offer For Sale	14,481,942 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	25

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 7,240,970 Eq Shares)
Non-Institutional	15% of the offer (Approx 2,172,292 Eq Shares)
Retail	35 % of the offer (Approx 5068680 Eq Shares)
Lead managers	Axis Capital, DAM Capital Advisors
Registrar to the issue	Link Intime India Pvt Ltd.

WHAT WE LIKE

Leading market presence in global off-highway vehicle systems and components segment

Uniparts India Ltd have a leading presence in the manufacture of 3PL and PMP products globally on account of company serving some of the largest global companies, including Bobcat, TAFE and Yanmar. Company have a presence in key markets worldwide, including North and South America, Europe, Australia, Japan and India. Company had an estimated 16.68% market share of the global 3PL market in Fiscal 2022 in terms of value and an estimated 5.92% market share in the global PMP market in the CFM sector in Fiscal 2022 in terms of value.

Long-term relationships with key global customers, including major original equipment manufacturers, resulting in a well-diversified revenue base

Company have developed long-term relationships with global customers in the agriculture and CFM sectors, such as TAFE, Claas Tractors and Kramp. Four of company's top five customers (based on contribution to company's revenue from operations during Fiscal 2021) have been company's customers for over 10 years. TAFE and Kramp are some of the customers with whom company have had relationships for over 15 years, while with customers like Yanmar, company have developed relationships for over 10 years.

Healthy financial position with robust financial performance metrics

Company's EBITDA margin was 14.09%, 18.15%, 22.13% and 21.95%, respectively, for such periods while its restated profit for the year / period margin was 6.90%, 10.31%, 13.60% and 14.56%, respectively, for such periods. As of March 31, 2020, 2021 and 2022, and as of June 30, 2022, company's RoCE was 13.98%, 19.78%, 31.00% and 8.83% respectively, while its RoAE was 14.12%, 18.19%, 26.80% and 7.22% respectively. Company have a healthy balance sheet position with net worth of ₹ 7,139.31 million as of June 30, 2022 and have been able to maintain a low debt position. As of March 31, 2020, 2021 and 2022, and as of June 30, 2022, company's net debt equity ratio was 0.52, 0.21, 0.17 and 0.12, respectively. Company have prudently utilized its resources, which has enabled company to fund its capital expenditure through internal accruals and have been able to reduce company's total debt. Further company's net debt to EBITDA ratio was 1.87, 0.71, 0.42 and 1.09 as of March 31, 2020, 2021 and 2022 and as of June 30, 2022, respectively.



COMPANY BACKGROUND

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. Company have a leading presence in the manufacture of 3PL and PMP products globally on account of serving some of the largest global companies. Most of company's products are structural and load bearing parts of the equipment and are subject to strict tolerances, specifications and process controls. A series of precision engineering process steps converge in to manufacturing of these products. Company had an estimated 16.68% market share of the global 3PL market in Fiscal 2022 in terms of value and an estimated 5.92% market share in the global PMP market in the CFM sector in Fiscal 2022 in terms of value.

Company also cater to the aftermarket segment especially for 3PL product range. Company provide replacements of 3PL parts to organized aftermarket retailers and distributors in North America, Europe, South Africa and Australia.

As of June 30, 2022, company have a global footprint and served customers across countries in North and South America, Europe, Asia and Australia, including India. Company primarily serve OHV players including OEMs and aftermarket retail store chains, through its global business model based on company's dual-shore integrated manufacturing, warehousing and supply chain management systems and solutions. Company's global business model has contributed in the evolution of its relationships with company's key customers, as company is able to serve multiple delivery locations and provide multiple delivery options with flexible lead times and costs, allowing it to better serve its customers with multiple price points based on different delivery models. Company's global business model is based on sales in regions outside India ("International Sales"); sales from company's dual shore manufacturing facilities in India and United States, in their respective domestic markets ("Local Deliveries"); export sales from Indian locations directly to overseas customers ("Direct Exports"); and sales from its warehousing facilities in their respective domestic markets ("Warehouse Sales").

The table below sets forth details of company's revenues based on its global business model:

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three months ended June 30, 2022	
	(Rs Mn)	% of Rev from Operations	(Rs Mn)	% of Rev from Operations	(Rs Mn)	% of Rev from Operations	(Rs Mn)	% of Rev from Operations
International Sales	7580.04	83.55	7255.35	80.33	10120.87	82.46	2849.62	82.16
Local Deliveries	2945.63	32.47	2547.04	28.20	2966.38	24.17	863.81	24.91
Direct Exports	2065.04	22.76	2428.9	26.89	3893.63	31.72	1051.21	30.31
Warehouse Sales	3715.42	40.95	3713.11	41.11	4907.75	39.98	1424.18	41.06

In India, company have five manufacturing facilities, two at Ludhiana, Punjab, one at Visakhapatnam, Andhra Pradesh, and two at Noida, Uttar Pradesh. Company have also set-up a distribution facility in Noida, Uttar Pradesh. In the United States, company have a manufacturing, warehousing and distribution facility at Eldridge, Iowa, acquired pursuant to its acquisition in 2005 of Olsen Engineering LLC, now known as Uniparts Olsen Inc. ("UOI") and a warehousing and distribution facility at Augusta, Georgia. Company have also set up a warehousing and distribution facility in Hennef, Germany, which serves as company's base for serving its key European customers. Each of company's facilities are strategically located in proximity to several global OEMs in the OHV industry.

Company is promoted by first generation entrepreneurs, Gurdeep Soni, its Chairman and Managing Director, and Paramjit Singh Soni, its Executive Director and Vice Chairman, who have over three decades of experience in this business. Company's Group Chief Operating Officer, Sudhakar S Kolli and company's Non-Executive Director, Herbert Coenen have extensive experience in OHV space having worked with global corporations in the past. Under their leadership company have been able to expand its operations and have established a significant presence in India and globally. Company also have a qualified and experienced senior management team that has demonstrated its ability to anticipate and capitalize on changing market trends, manage and grow its operations and leverage and deepen customer relationships. Company's management team is strategically located in key end-markets with Paramjit Singh Soni in the United States, Gurdeep Soni and Sudhakar S Kolli in India and Herbert Coenen in Germany.



INVESTMENT RATIONALE

<p><i>Strategically located manufacturing and warehousing facilities that offer scale and flexibility</i></p>	<p>Company operate six strategically located manufacturing facilities spread across India and the United States. As on June 30, 2022, company's aggregate installed capacity across these manufacturing facilities was 67,320 metric tonne per annum. Company's dual-shore capabilities, which is its ability to undertake manufacturing products at different locations, allow it to service customer requirements from alternate locations, providing customers the benefit of regular supply and cost-competitive manufacturing operations. Over the years, company have 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.</p>
<p><i>Long-term relationships with key global customers, including major original equipment manufacturers, resulting in a well-diversified revenue base</i></p>	<p>Company have developed long-term relationships with global customers in the agriculture and CFM sectors, such as TAFE, Claas Tractors and Kramp. Four of company's top five customers (based on contribution to company's revenue from operations during Fiscal 2021) have been company's customers for over 10 years. TAFE and Kramp are some of the customers with whom company have had relationships for over 15 years, while with customers like Yanmar, company have developed relationships for over 10 years. Customers company acquired in 2017 onwards, accounted for 6.97%, 11.13%, 9.73% and 9.46%, respectively, of its revenue from operations in Fiscal 2020, 2021 and 2022 in and the three months ended June 30, 2022, with one such customers being a part of company's top five customers by revenue in Fiscal 2022, reflecting its ability to develop and strengthen relationships with customers</p>
<p><i>Global business model optimizing cost-competitiveness and customer supply chain risks</i></p>	<p>Company's 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 company to manage costs and increase its margins. Company have 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.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) to carry out the Offer for Sale of up to 14,481,942 Equity Shares by the Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges

RISKS

Company depend on a limited number of customers for a significant portion of its revenues. The loss of a major customer or significant reduction in production and sales of, or demand for its products from, any of its major customers may adversely affect company's business, financial condition, results of operations and prospects.

Source:RHP

INDUSTRY OVERVIEW

Key Demand Drivers for Construction Equipment

- Construction investments expected to grow at a good pace
- Focus on infrastructure development

Demand review and outlook

The momentum seen from 2016 till date is expected to continue until 2026. In value terms, construction equipment market is expected to grow at 7.2% CAGR between 2021 and 2026. Investments in building construction are expected to grow 4% - 6% in Fiscal 2023. The majority growth is expected to come from urban affordable housing, which currently constitutes approximately 25% of the incremental urban addition and is expected to grow at a high pace. Within the infrastructure space, road projects will be a critical investment driver from Fiscals 2023- 2027. CRISIL Research also expects metro rail, water supply and sanitation, and railway projects to garner larger shares. Overall, the industry expects growth momentum in construction activity to sustain. In a bid to stay on top, construction equipment firms are building manpower and technical capabilities as they enter newer segments and launch new products. While nearly all type of equipment will witness growth, the market will continue to be dominated by popular products such as backhoe loaders, crawler excavators, mobile cranes, mobile compressors, compaction equipment, and wheeled loaders.


Consolidated Financials

(Rs in Mn)

Financials	FY20	FY21	FY22	Q1FY23
Total Revenue (A)	9072.20	9031.42	12274.24	3468.41
Total Expenditure (B)	8110.28	7837.62	9593.76	2716.45
EBIDTA	961.92	1193.80	2680.48	751.96
EBIDTA Margin	10.60	13.22	21.84	21.68
Other Income	316.18	445.47	36.15	9.20
Depreciation	354.42	372.59	366.48	95.86
EBIT	923.68	1266.68	2350.15	665.30
Interest	179.65	81.07	56.99	13.44
PBT	744.03	1185.61	2293.16	651.86
Extraordinary item	0.00	0.00	0.00	
PBT	744.03	1185.61	2293.16	651.86
Tax	117.61	254.14	624.29	146.69
PAT	626.42	931.47	1668.87	505.17
NPM%	6.90	10.31	13.60	14.56
ROE %	13.50	16.63	24.35	7.08
EPS	13.88	20.64	36.98	11.19
Eq Cap	451.34	451.34	451.34	451.34
Net Worth	4,641.65	5,601.42	6,852.37	7,139.31

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	EBIDTA Margin %	PAT Margin%	RONW %	Net Debt/EBIDTA ratio
<i>Uniparts India</i>	12274.24	22.13	13.60	26.80	0.42
<i>Peer Group</i>					
Balkrishna Industries	82951.20	29.50	17.30	22.20	0.73
Bharat Forge	104610.78	22.59	10.30	17.84	1.29
Ramkrishna Forgings	23202.47	22.34	8.53	20.20	2.90

(Source: RHP)



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