

Uniparts India Ltd

Subscribe

Price Band: INR 548-577

ISSUE SUMMARY

Issue Opens	30-Nov-22
Issue Closes	2-Dec-22
Offer Price (INR per share)	548-577
Bid Lot	25 shares
Face Value (INR)	10.0
Pre Issue Shares o/s (mn)	45.1
^Offer for Sale (No of sh. mn)	14.5
^Fresh Issue (No of sh. mn)	-
^Post Issue shares o/s (mn)	45.1
Issue Size (INR mn)	8,356
QIB	=>50%
Non-institutional	<15%
Retail	<35%
^ Issue Size (@INR577)	

POST ISSUE DETAILS

M.Cap @INR577/sh. (INR bn)	26.0
Shareholding pattern	
Promoters	65.8%
Non-Promoters	34.2%

Leading precision products company for off-highway vehicles: Uniparts India (UIL) is one of the leading vertically integrated precision solutions provider for the off-highway market in the agriculture; construction, forestry and mining (CFM) and aftermarket sectors. It has leading global presence in two of its products (contributes 92% to revenue) viz. 3PL (3-point linkage systems) and PMP (precision machined parts) with market share of 17%/7% respectively.

Well-positioned to capitalize on industry tailwinds: Global 3PL and PMP markets are expected to grow at 7% each over 2021-26 to USD 525mn/ 897mn. Further USD 1tn bipartisan plan passed by US government in Nov'21 to rebuild nation's infrastructure is expected to positively affect UIL growth. UIL with well diversified portfolio across products, market, segment and geography is well placed to tap global opportunity.

Moving up the value chain: UIL has transitioned from being solely a component manufacturer to an end to end solutions provider and further to a systems integrator and is further moving up the value chain. It is regularly adding complementary products and solutions to its portfolio like Hydraulic cylinders, PTO (Power Take Off), etc. It is further expanding into large farm retail stores and large construction equipment market.

Financials: UIL's revenue/EBITDA/PAT grew strongly by 16%/67%/63% over FY20-FY22, while its EBITDA margins expanded sharply from 10.6% in FY20 to 21.8% in FY22. Constant value addition along with backward and forward integration led to such huge margin improvement. Its return ratios too improved substantially with RoE/RoCE at 29%/24% as of FY22.

Issue Size: INR8.4bn IPO consists of only OFS – both by promoters and investors, which would result in former's stake reducing to 66% post-IPO from 76% earlier. The market cap post listing would stand at INR26bn.

Valuation & View: UIL with its global leading positioning in off-highway market is well placed to capture the growing industry opportunity in tractor and construction equipment space. Moreover given its efforts to continuously move up the value chain has led to strong earnings delivery and expand addressable market as well as customer base. It further aims to increase its market share and diversify its portfolio both product wise and geographically. The IPO is priced at 15.6x FY22 P/E which is reasonable compared to its robust financials. Hence one can **Subscribe** to the IPO, given the huge capex plans of government in India and US.

Exhibit 1: Financials & Valuations (INR mn)

Y/E March	FY20	FY21	FY22	Q1FY23
Revenue	9,072	9,031	12,274	3,468
Growth (%)	-	-0.4	35.9	NA
Adj PAT	627	931	1,669	505
Growth (%)	-	48.6	79.2	NA
EPS (INR)	13.9	20.6	37.0	11.2
RoE (%)*	13.5	18.2	26.8	28.9
P/E (x)*	41.5	28.0	15.6	12.9

*Calculated on annualized basis at the upper price band of INR577; Source: RHP, MOFSL

Peer Comparison

Exhibit 2: Peer Comparison

Company	M.Cap. INR Bn	Rev. CAGR FY20-22 (%)	EBITDA CAGR FY20-22 (%)	PAT CAGR FY20-22 (%)	OPM FY22 (%)	ROE FY22 (x)	PE FY22 (x)	D/E FY22 (x)
Bharat Forge	400	14.0	33.1	68.5	18.8	18.5	35.9	0.9
AIA Engineering	250	9.6	2.9	2.5	20.3	13.8	40.4	0.0
Ramkrishna Forging	36	38.1	57.7	351.8	22.3	20.4	18.4	1.5
Uniparts India	26	16.3	66.9	63.1	21.8	26.8	15.6	0.2
M M Forging	21	21.7	25.6	48.6	18.3	17.4	23.6	1.2

Source: Company RHP, Bloomberg, MOFSL

*Price Data as on 29th Nov, 2022

^Calculated at upper price band of INR577

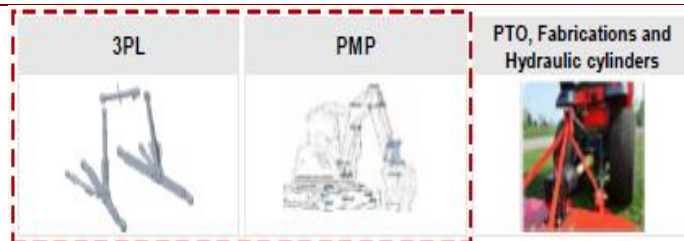
About the Company

Uniparts India Ltd (UIL) 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 with presence across over 25 countries. It is a concept-to-supply player for precision products for off-highway vehicles (OHVs) with presence across the value chain. The 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.

Exhibit 3: Key Business Areas in the Off Highway Market



Exhibit 4: Leading Market Presence across Key Products



Source: RHP, MOFSL

It is a leading player in the manufacture of 3PL and PMP products globally with market share of 17%/6% respectively. UIL's significant backward and forward integration has reduced its dependence on external supply and support services and enabled maintenance of quality controls required to service global OEMs and aftermarket players. Most of its products are structural and load bearing parts of the equipment and are subject to strict tolerances, specifications and process controls. These two products together contribute more than 90% to the revenue. UIL has transitioned from being solely a component manufacturer to solutions provider and further to a systems integrator. It has over the years introduced several products to their product portfolio including rear hitch, front hitch, hydraulic lift arms, PTOs and trailer hitch which allow it to offer integrated system solutions to meet customer requirements and move up the value chain.

Exhibit 5: Revenue split by Product Verticals

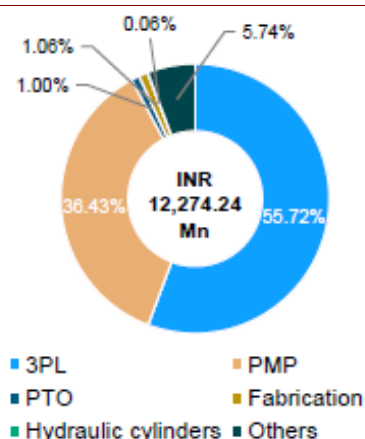


Exhibit 6: Revenue split by Market Presence

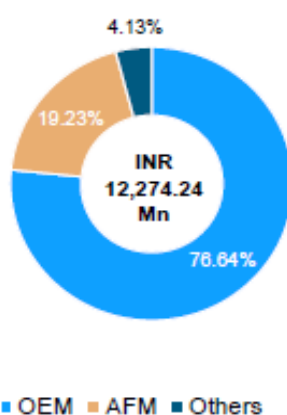
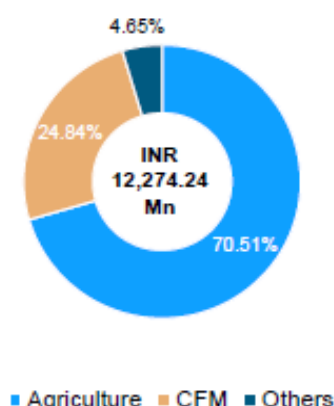


Exhibit 7: Revenue split by Segment Presence



Source: RHP, MOFSL

UIL has long-term relationships 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. It 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).

Exhibit 8: Presence in Key Geographies

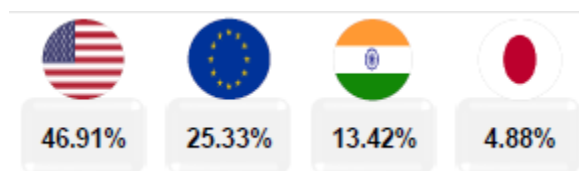
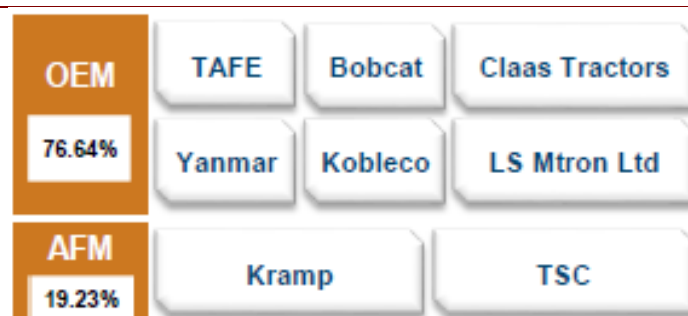


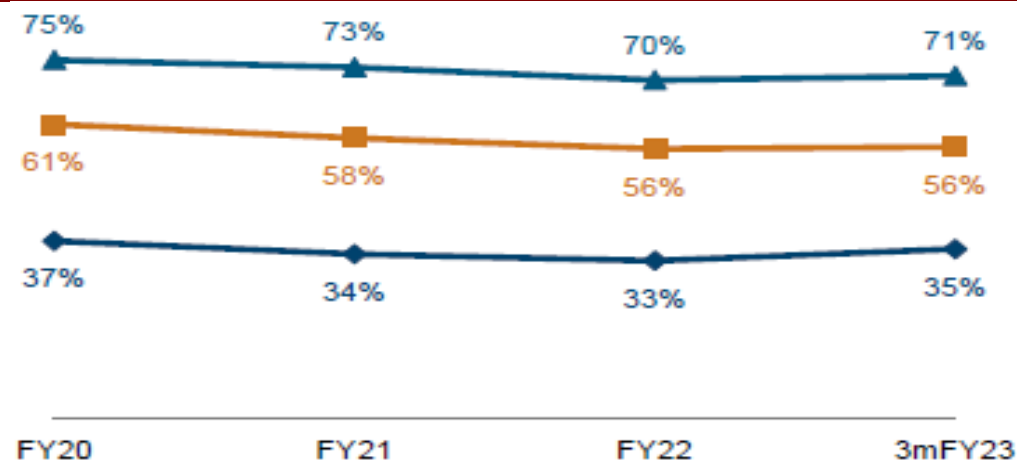
Exhibit 9: Key Customers Across Segments & their contribution



Source: RHP, MOFSL

In FY22, the customer base comprised over 125 customers in over 25 countries globally. Bobcat, TAFE and Kramp are some of the customers with whom it has relationships for over 15 years, while with customers like Yanmar, it has a relationship with for over 10 years. More recently, we have added TSC and Kobelco Construction Equipment India Private Limited (Kobleco) as customers.

Exhibit 10: 4 of the Top 5 Customers have been associated with UIL for over 10 years



Source: RHP, MOFSL

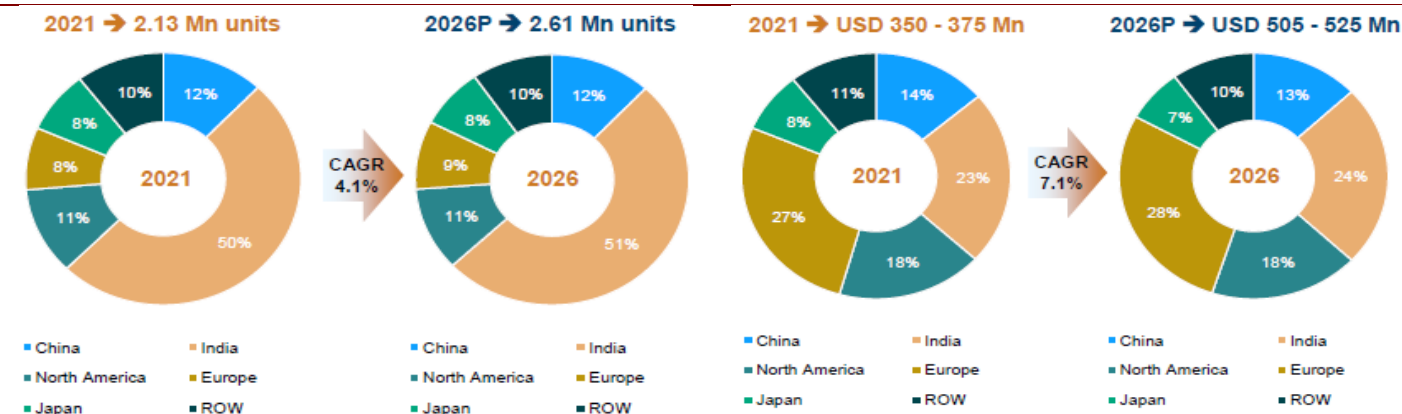
Currently UIL operates 6 strategically located manufacturing facilities spread across India and the United States. As on June 30, 2022, their aggregate installed capacity across these manufacturing facilities was 67,320 MTPA. The dual-shore capabilities, which is their ability to undertake manufacturing products at different locations, allow them to service customer requirements from alternate locations, providing customers the benefit of regular supply and cost-competitive manufacturing operations.

Industry Landscape

The world market for 3PL stood at USD 360-370mn in 2021 and is expected to grow at nearly 6-8% between 2021–26, 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.

Exhibit 11: World tractor production outlook...

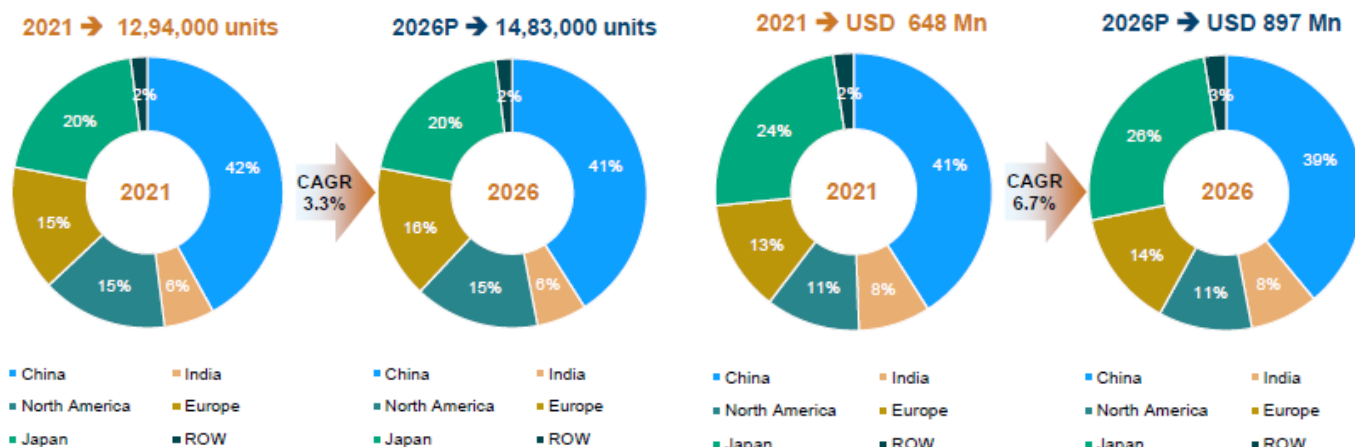
Exhibit 12: ...to drive 3PL market



Source: RHP, MOFSL

The global market for PMP for articulated joints was USD 648mn 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 healthy CAGR of 6-8% between 2021-26, powered by strong volume growth in construction equipment production in key markets such as Japan and Europe. UIL is well positioned to benefit from increasing mechanization in the agriculture and CFM sectors, given its global business mode.

Exhibit 13: Worldwide Construction Equipment Production **Exhibit 14: ...to drive PMP market outlook...**



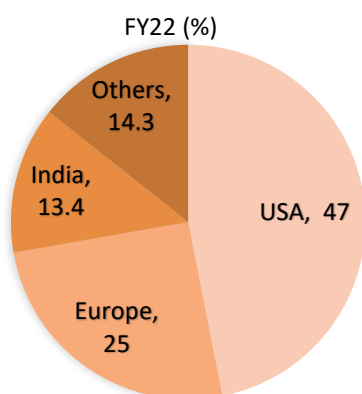
Source: RHP, MOFSL

Risk and concerns

- Top 10 customers contributed ~70% to FY22 revenues. Thus loss of any major customer may adversely affect its business.
- Over ~80% of revenue comes from outside India. Thus UIL is exposed to foreign currency exchange rate fluctuations, which may harm its profitability.
- Agriculture and CFM market which it largely caters to are cyclical in nature.

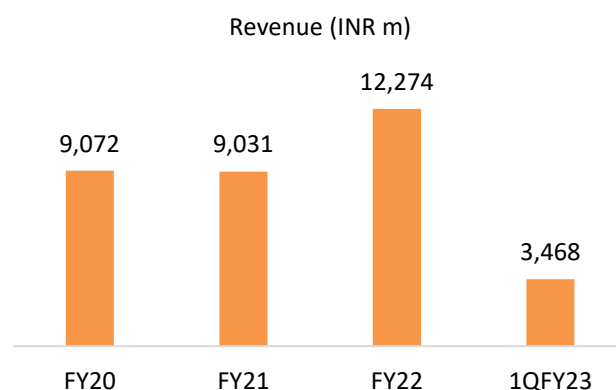
Story in Charts

Exhibit 15: >80% of revenue are international



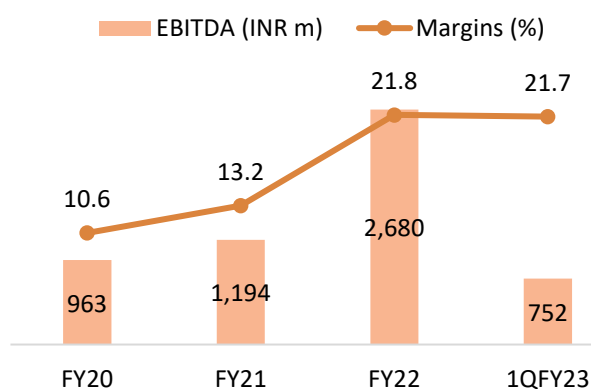
Source: RHP, MOFSL

Exhibit 16: Revenue grew at 16% CAGR over FY20-22



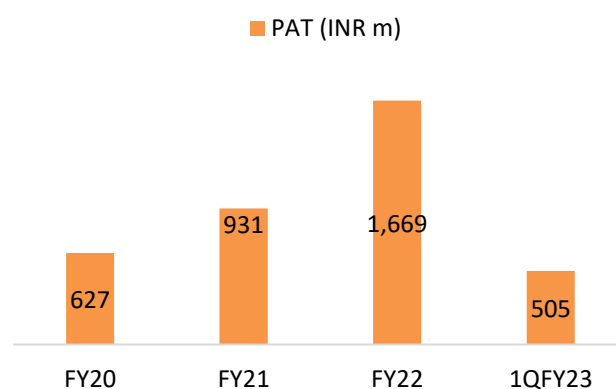
Source: RHP, MOFSL

Exhibit 17: Backward/Forward integration led to sharp improvement in EBITDA margin



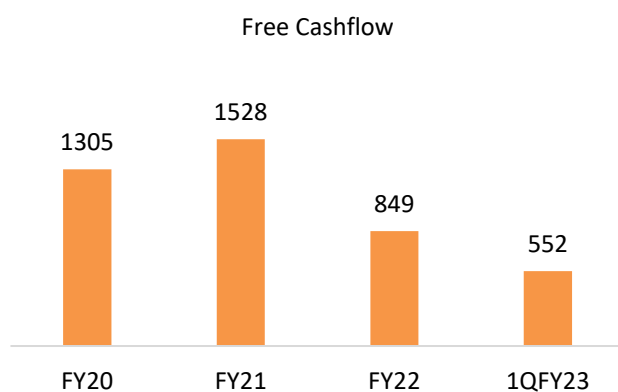
Source: RHP, MOFSL

Exhibit 18: PAT grew at 63% CAGR over FY20-22



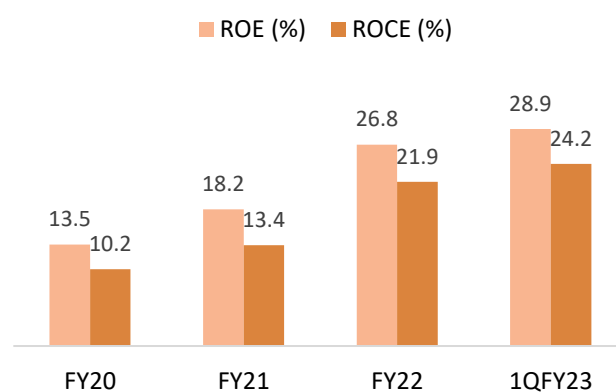
Source: RHP, MOFSL

Exhibit 19: Consistent Free Cashflow



Source: RHP, MOFSL

Exhibit 20: Improving return ratios



Source: RHP, MOFSL

Financials

Consolidated – Income Statement

(INR mn)

Y/E March	FY20	FY21	FY22	1QFY23
Net Sales	9,072	9,031	12,274	3,468
Change (%)	-	-0.4	35.9	NA
Total Expenditure	8,110	7,838	9,594	2,716
% of Sales	89.4	86.8	78.2	78.3
EBITDA	963	1,194	2,680	752
Margin (%)	10.6	13.2	21.8	21.7
Depreciation	354	373	366	96
EBIT	608	821	2,314	656
Int. and Finance Charges	180	81	57	13
Other Income	316	445	36	9
PBT	745	1,186	2,293	652
Tax	118	254	624	147
Tax Rate (%)	15.8	21.4	27.2	22.5
Minority Interest	0.0	0.0	0.0	0.0
Reported PAT	627	931	1,669	505
Adjusted PAT	627	931	1,669	505
Change (%)	-	48.6	79.2	NA
Margin (%)	6.9	10.3	13.6	14.6

Source: Company RHP, MOFSL

Consolidated – Balance Sheet

(INR mn)

Y/E March	FY20	FY21	FY22	1QFY23
Share Capital	446	446	446	446
Reserves	4,195	5,155	6,406	6,693
Net Worth	4,642	5,601	6,852	7,139
Debt	2,984	1,622	1,579	1,447
Total Capital Employed	7,867	7,499	8,680	8,808
Net Fixed Assets	3,398	3,224	3,247	3,205
Investments	-	13	-	-
Current Assets	5,489	5,673	7,043	7,364
Inventory	3,529	3,391	4,419	4,648
Debtors	1,228	1,675	1,942	1,940
Cash and Bank Balance	170	108	140	316
Loans and Advances & OCA	562	499	541	460
Curr. Liability & Provisions	1,120	1,434	1,633	1,827
Account Payables	527	901	896	1,037
Current Liabilities	383	313	504	548
Other Long Term Liab. & Provs.	210	220	232	243
Net Current Assets	4,369	4,239	5,410	5,537
Deferred Tax (Net)	0	0	0	0
Appl. Of Funds	7,867	7,499	8,679	8,808

Source: Company RHP, MOFSL

Ratios

Y/E March	FY20	FY21	FY22	1QFY23
Basic (INR)				
EPS	13.9	20.6	37.0	11.2
Cash EPS	21.7	28.9	45.1	13.3
BV/Share	102.8	124.1	151.8	191.8
DPS	0.0	0.0	0.0	0.0
Valuation (x)				
P/E	41.5	28.0	15.6	12.9
Cash P/E	26.5	20.0	12.8	10.8
P/BV	5.6	4.6	3.8	3.0
EV/Sales	3.2	3.1	2.2	1.8
EV/EBITDA	30.0	23.1	10.3	8.5
Dividend Yield (%)	0.0	0.0	0.0	0.0
Return Ratios (%)				
RoE	13.5	18.2	26.8	28.9
RoCE	10.2	13.4	21.9	24.2
Working Capital Ratios				
Fixed Asset Turnover (x)	2.7	2.8	3.8	4.3
Asset Turnover (x)	1.2	1.2	1.4	1.3
Inventory (Days)	142	137	131	122
Debtor (Days)	49	68	58	51
Creditor (Days)	21	36	27	27
Leverage Ratio (x)				
Net Debt/Equity	0.6	0.3	0.2	0.0

Source: Company RHP, MOFSL

*All ratios calculated on annualized basis at the upper price band of INR577

Consolidated – Cash Flow

(INR mn)

Y/E March	FY20	FY21	FY22	1QFY23
OP/(Loss) before Tax	745	1,186	2,293	652
Depreciation	354	373	366	96
Finance Cost	180	81	57	13
Income Taxes paid	-118	-254	-624	-147
(Inc)/Dec in WC	401	199	-1,126	-10
CF from Operations	1,562	1,584	966	604
Others	-257	-57	-117	-52
CF from Operating (Net)	1,305	1,528	849	552
(Pur)/Sale of FA	-551	-157	-347	-68
(Pur)/Sale of Investments	-	-13	13	-
Interest/Dividend received	12	8	9	3
Bank Deposits	-	-	-	-
Others	-	5	-	-
CF from Investments	-538	-157	-326	-66
Proceeds from borrowings	-769	-1,361	-27	-325
Issue of equity shares	-	-	-	-
Interest Paid	-136	-54	-31	-7
Dividend Paid	-65	-	-405	-162
Others	201	-0	-31	-
CF from Fin. Activity	-769	-1,414	-493	-325
Net Inc/Dec of Cash	-3	-44	30	162

Source: Company RHP, MOFSL

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< -10%
NEUTRAL	> -10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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