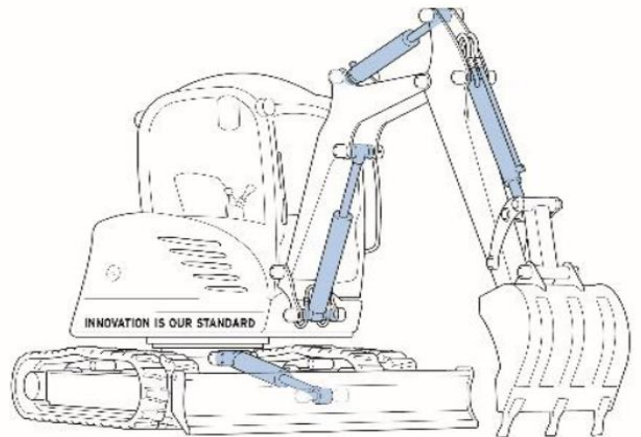
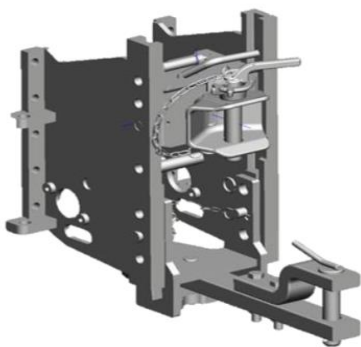
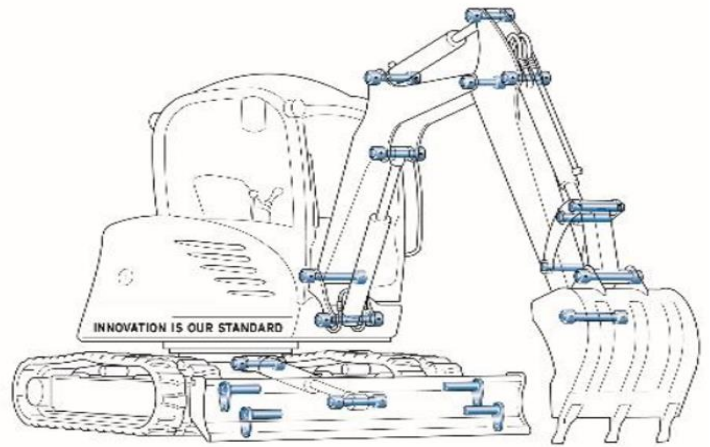
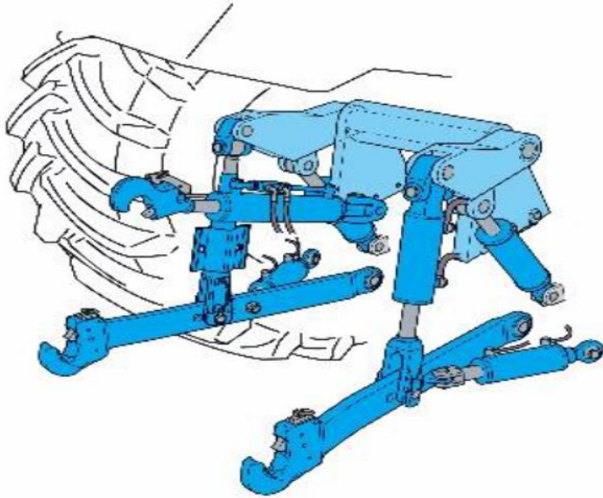




Uniparts India Ltd

Global recovery to drive the revenue growth



VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

TABLE OF CONTENTS

Summary	03
Our Bull & Bear Case Scenario	04
Valuation & Peer Comparison	05
Financial Analysis & Projection	07
Story in Charts	09
Company Overview	10
Key Management Persons	19
Risks & Concerns	19
Issue Structure and Offer Details	20
Financial Statement Analysis	21
Disclaimer	22

SUBSCRIBE at the Upper Price Band of INR 577

Global recovery to driver the revenue growth

Incorporated in 1994, Uniparts India Ltd (UPIL) is one of the leading manufacturers and suppliers of systems and components for the off-highway vehicles (OHVs) used in agriculture, construction & mining. The company's product portfolio includes 3-point linkage systems (3PL), precision machined parts (PMP), power take-off (PTO), fabrications and hydraulic cylinders or components. UPIL is a concept-to-supply company for precision products with a presence across the entire value chain with full backward & forward integration. UPIL has a presence in 25 countries and generates 85% of its revenue from exports.

UPIL has 6 manufacturing facilities (5 in India and 1 in the US) and 3 warehouses (2 in the US and 1 in Europe). Manufacturing in India and warehousing in US/Europe is 20% cheaper than manufacturing in US/Europe. It offers a significant cost advantage to UPIL over its global peers. To further improve profitability UPIL reduced the capacity of its US facility from 7,200 TPA in FY20 to 5,100 TPA in FY21 and increased the sourcing from India. As a result, EBITDA grew at a CAGR of 66.9% to INR 268 cr during FY20-22, while EBITDA margins improved from 10.6% in FY20 to 21.8% in FY22 and the management is upbeat about maintaining 21% EBITDA margin in the coming years. Cost optimization improved the profitability and cash flow. The management utilized the incremental operating cash flow in debt repayment which improved the balance sheet health and reduced the interest burden in P&L. UPIL's total debt declined from INR 346 cr in FY19 to INR 127 cr in FY22 and INR 115 cr in Q1FY23, while net debt to EBITDA from 2.5X in FY20 to 0.4X in FY22 and interest coverage increased from 3.4X in FY20 to 40.6X in FY22.

Over FY19-22, UPIL's revenue/ EBITDA/ net profit grew at a CAGR of 5.0%/ 24.8%/ 34.4% to INR 1,227 cr/ INR 268 cr/ INR 169 cr, respectively, while, EBITDA and net margins improved by 883bps (to 21.8%) and 719bps (to 13.8%), respectively.

UPIL's proposed OFS size is INR 836 cr. The promoters are selling 4,400,000 shares, which will reduce the promoter stake from 75.5% (pre-issue) to 65.8% (post-issue). Other selling shareholders are Ashoka Investment Holdings Ltd (selling 7,180,642 shares) and Ambadevi Mauritius Holdings Ltd (selling 2,154,192 shares).

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	903.1	119.4	91.2	13.2	10.1	20.2	123.7	16.3	12.2	28.6	4.7	22.8
FY22	1,227.4	268.0	168.8	21.8	13.8	37.4	151.8	24.6	29.0	15.4	3.8	10.1
FY23E	1,389.1	292.3	186.0	21.0	13.4	41.2	182.7	22.6	28.1	14.0	3.2	9.2
FY24E	1,560.0	334.8	216.0	21.5	13.8	47.9	217.7	22.0	29.2	12.1	2.7	7.8
FY25E	1,747.2	377.0	246.7	21.6	14.1	54.7	256.5	21.3	29.7	10.6	2.2	6.8

Industry	Auto Ancillary
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Issue Details

Listing	BSE & NSE
Open Date	30 th Nov 2022
Close Date	02 nd Dec 2022
Price Band	INR 548-577
Face Value	INR 10
Market Lot	25 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	100%
Fresh Issue	0%
Issue Size (Amt)	INR 836 cr
Issue Size (Shares)	1 4,481,942
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	45,133,758
Post issue sh (nos)	45,133,758
Post issue M Cap	INR 2,604 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	75.5	65.8
Institution	24.5	16.0
Public	0.0	18.2
TOTAL	100	100

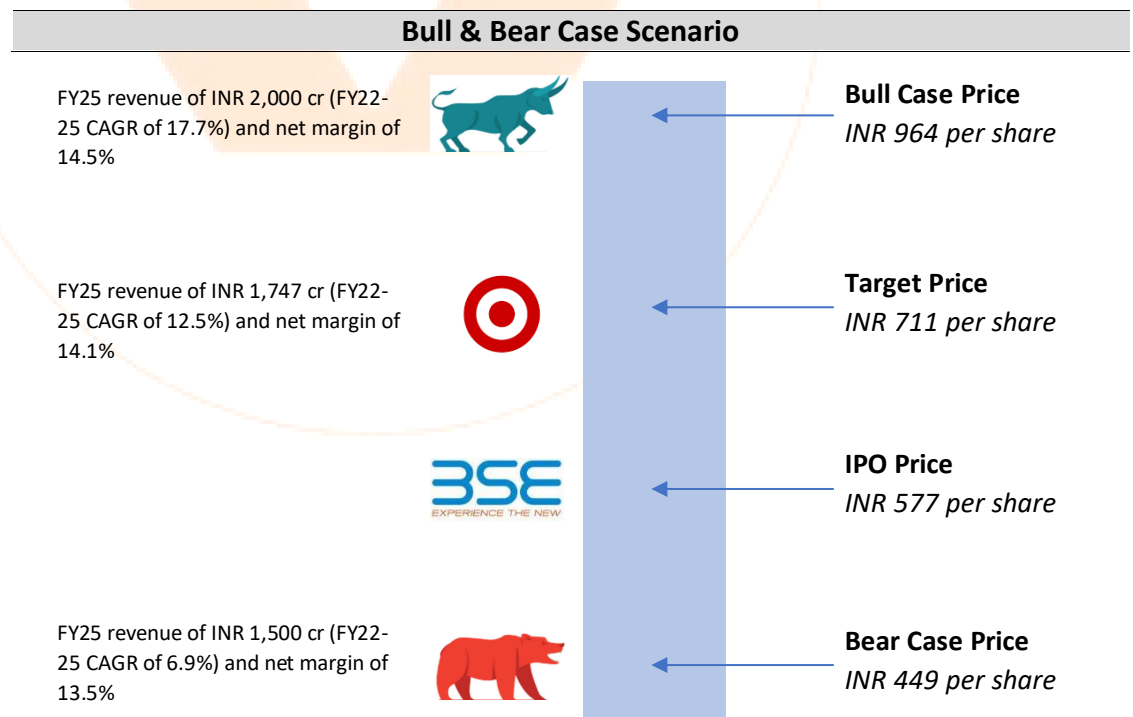
With the gradual recovery in the global economy, rising infrastructure spend in the US, increase in farm income due to inflation in agri commodities and shift in manufacturing from US/Europe/China to India due to cost inflation and China+1 strategy, we are expecting revenue/EBITDA/PAT are expected to grow at a CAGR of 12.5%/12.0%/13.5% to INR 1,747 cr/ INR 377 cr/INR 247 cr respectively. EBITDA margins are expected to decline by 26bps to 21.6% due to input cost pressure. Net margins are expected to improve by 40bps to 14.2% due to the reduction in debt burden.

At the IPO price of INR 577 (upper price band), UPIL is valued at FY25 P/E of 10.6X. Considering the growth opportunities in the global OHVs and strong fundamentals of UPIL, we recommend a SUBSCRIBE rating with a price target of INR 711 (13X FY25 P/E), which represents an upside of 23.2% over the IPO price in 18 months.

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on UPIL FY25 revenues, net margins & P/E valuation.

- **Bull Case:** We have assumed FY25 revenues of INR 2,000 cr (FY22-25 CAGR of 17.7%), net margin of 14.5% and FY25 P/E of 15X, which will result in a Bull Case price target of INR 964 per share (an upside of 67.0% from IPO price).
- **Bear Case:** We have assumed FY25 revenues of INR 1,500 cr (FY22-25 CAGR of 6.9%) and net margin of 13.5% and FY25 P/E of 10X, which will result in a Bear Case price target of INR 449 per share (a downside of 22.2% from IPO price).

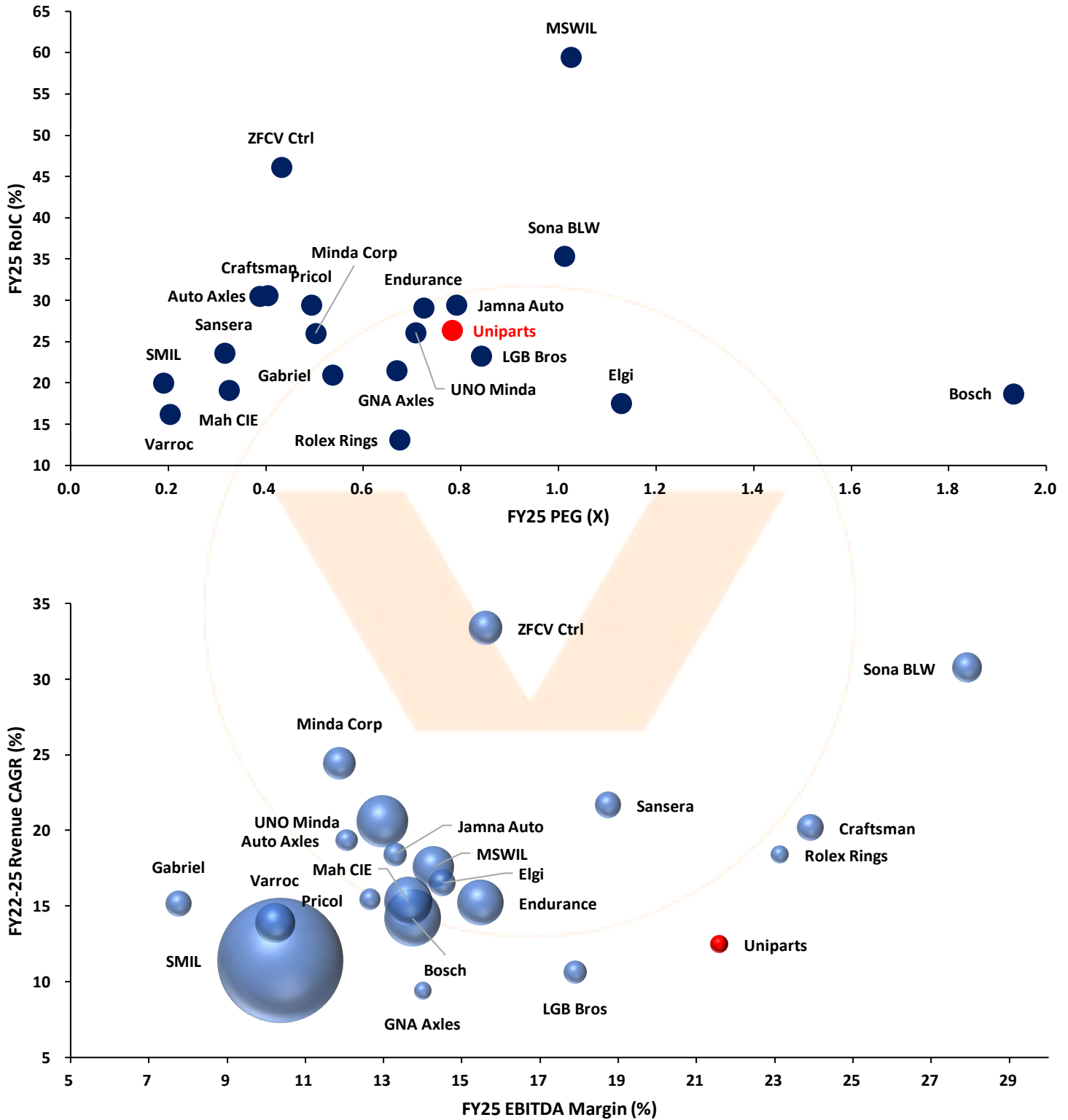


Valuation and comparable metric of peers

Company Name	Mkt Cap	Price	PEG 2025	P/E Ratio			P/BV			EV/EBIDTA			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Uniparts India Ltd	2,604	577	0.8	14.0	12.1	10.6	3.2	2.7	2.2	9.2	7.8	6.8	22.6	22.0	21.3	25.8	25.3	26.3	1,389.1	1,560.0	1,747.2	21.0	21.5	21.6	13.4	13.8	14.1
Bosch Ltd.	50,055	16,972	1.9	33.9	27.5	27.5	4.3	3.9	3.5	24.5	19.6	19.2	12.7	14.1	12.9	17.9	20.7	18.8	14,248	16,206	17,541	13.5	14.5	13.7	10.3	11.2	10.4
Samvardhana Motherson Int Ltd.	49,569	73	0.2	30.8	16.0	12.5	2.2	2.0	1.7	10.0	7.3	5.3	7.1	12.3	13.8	8.5	15.7	20.0	72,459	76,985	87,870	7.8	9.5	10.4	2.2	4.0	4.5
UNO Minda Ltd.	31,758	555	0.7	53.4	37.3	30.5	8.1	6.9	5.9	26.7	20.1	16.6	15.2	18.4	19.3	18.2	39.9	26.1	10,510	12,609	14,577	11.5	12.6	13.0	5.7	6.8	7.1
Sona BLW Precision Forgings Ltd.	26,364	451	1.0	62.7	40.9	32.0	11.3	9.2	7.6	36.3	24.9	19.5	18.0	22.6	23.7	23.9	30.4	35.4	2,813	3,826	4,760	25.8	27.6	27.9	15.0	16.9	17.3
Motherson Sumi Wiring India Ltd.	26,482	60	1.0	47.2	34.8	29.9	15.0	12.0	12.0	30.7	23.2	20.1	31.7	34.5	40.0	45.7	50.7	59.5	7,125	8,217	9,164	12.1	13.8	14.3	7.9	9.3	9.7
ZF CV Control Systems India Ltd.	18,021	9,501	0.4	60.8	40.4	28.1	7.5	6.4	5.4	36.3	24.9	17.5	12.4	15.9	19.3	33.3	41.7	46.2	3,430	4,412	6,035	13.6	15.2	15.6	8.6	10.1	10.6
Endurance Technologies Ltd.	21,394	1,521	0.7	35.9	25.3	21.4	4.9	4.2	3.6	17.4	13.0	11.1	13.6	16.8	16.9	21.0	28.5	29.1	8,910	10,334	11,555	13.2	14.9	15.5	6.7	8.2	8.7
Elgi Equipments Ltd.	15,603	492	1.1	64.4	49.1	37.2	13.0	10.8	8.3	41.7	32.8	28.0	20.2	22.0	22.4	16.2	18.1	17.6	3,057	3,604	3,995	12.7	13.7	14.5	7.9	8.8	10.5
Mahindra CIE Automotive Ltd.	11,120	293	0.3	17.9	13.1	11.4	1.9	1.7	1.5	8.5	7.0	6.2	10.7	13.2	13.4	16.5	18.9	19.1	9,985	11,583	12,850	12.9	13.4	13.6	6.2	7.3	7.6
Craftsman Automation Ltd.	6,409	3,034	0.4	24.2	17.7	14.9	4.7	3.8	3.1	10.4	8.6	7.0	19.3	21.3	20.7	22.0	25.7	30.5	2,868	3,381	3,849	23.9	23.8	23.9	9.2	10.7	11.2
Rolux Rings Ltd	5,132	1,885	0.7	28.1	22.5	18.7	7.2	5.6	4.4	19.2	16.1	13.8	25.7	24.9	23.6	13.7	13.6	13.1	1,244	1,459	1,687	22.5	22.9	23.1	14.7	15.6	16.3
Varroc Engineering Ltd.	4,438	291	0.2	32.8	13.8	11.5	2.1	1.8	1.6	10.0	6.2	5.6	6.4	13.4	14.0	7.5	15.8	16.2	6,822	7,903	8,630	8.2	10.0	10.2	2.0	4.1	4.5
Minda Corporation Ltd.	4,889	205	0.5	20.3	15.2	12.9	3.2	2.7	2.2	11.0	8.3	6.9	15.6	17.6	17.1	20.1	28.8	26.0	4,185	4,857	5,736	10.8	11.7	11.9	5.8	6.6	6.6
Jamna Auto Industries Ltd.	4,243	106	0.8	24.2	19.5	16.9	5.6	4.7	3.9	16.1	13.2	11.7	23.0	24.0	22.9	26.6	28.4	29.5	2,143	2,529	2,852	12.9	13.3	13.3	8.2	8.6	8.8
Sansera Engineering Ltd.	4,197	793	0.3	23.7	14.9	12.1	3.6	2.9	2.3	11.5	8.2	6.7	15.0	19.3	19.2	15.8	21.3	23.6	2,431	3,070	3,583	17.2	18.7	18.7	7.3	9.2	9.7
Automotive Axles Ltd.	3,058	2,024	0.4	23.5	17.1	15.5	4.3	3.7	3.3	14.8	11.3	10.3	18.2	21.4	21.4	27.4	30.4	30.6	1,933	2,304	2,534	10.9	12.1	12.1	6.7	7.8	7.8
Pricol Ltd.	2,290	188	0.5	26.1	18.8	17.1	3.4	2.9	2.6	11.1	9.0	8.2	13.1	15.5	15.5	26.2	29.0	29.5	1,838	2,160	2,375	12.1	12.6	12.6	4.8	5.6	5.6
LG Balakrishnan & Bros Ltd.	2,213	705	0.8	8.9	7.8	7.1	1.7	1.4	1.2	6.4	5.6	5.1	18.7	18.2	17.3	23.7	23.9	23.3	2,354	2,590	2,849	17.2	17.9	17.9	10.6	11.0	11.0
Gabriel India Ltd.	2,844	198	0.5	21.3	16.6	15.1	3.3	2.9	2.6	14.0	10.9	9.9	15.3	17.3	17.3	17.2	21.3	21.0	2,737	3,239	3,563	7.4	7.8	7.8	4.9	5.3	5.3
GNA Axles Ltd	1,426	664	0.7	15.9	14.7	10.4	2.1	1.9	1.7	8.8	8.2	7.1	13.4	13.0	16.0	14.8	14.5	21.5	1,377	1,437	1,665	13.7	14.1	14.0	6.5	6.8	8.2

Source: Ventura Research & Bloomberg

A growing company with a well-diversified portfolio at a reasonable valuation



Source: Company Report, Ventura Research, ACE Equity & Bloomberg

Financial Analysis & Projections

FY19-22 Performance: Cost optimization and product restructuring worked well and improved the operating profitability

During FY19-22, UPIL's revenue grew at a CAGR of 5.0% to INR 1,227 cr, which was primarily driven by

- 10.8% revenue CAGR in the 3PL segment to INR 684 cr.
- 8.9% revenue CAGR in the PTO application segment to INR 12 cr.
- 23.3% revenue CAGR in the fabrication segment to INR 13 cr.
- 5.1% revenue CAGR in the other operating segment to INR 51 cr.

However, the PMP and hydraulic segments witnessed a revenue decline of 3.4% CAGR to INR 447 cr and 16.1% to INR 1 cr.

EBITDA and net profit grew at a CAGR of 24.8% to INR 268 cr and 34.4% to INR 169 cr, respectively, while EBITDA and net margins improved by 883bps (to 21.8%) and 719bps (to 13.8%), respectively due to various cost optimization methods taken by the company and aggressive debt reduction.

Q1FY23 Performance: Reported strong recovery in business performance

In Q1FY23, UPIL's revenue stood at INR 347 cr, which was 28.3% of FY22 revenue. EBITDA and net profit stood at INR 75 cr and INR 51 cr, respectively, while EBITDA and net margins were reported as 21.7% (-16bps over FY22) and 14.6% (+81bps over FY22), respectively.

FY22-25E Performance: Strong sector outlook is expected to drive financial performance

Over the period of FY22-25E, UPIL's revenue is expected to grow at a CAGR of 12.5% to INR 1,747 cr, due to

- 13.7% revenue CAGR in the 3PL segment to INR 1,006 cr.
- 12.1% revenue CAGR in the PMP segment to INR 630 cr.
- 11.2% revenue CAGR in the PTO applications segment to INR 17 cr.
- 20.2% revenue CAGR in the fabrication segment to INR 20 cr.
- 110.9% revenue CAGR in the hydraulic cylinders to INR 7 cr.

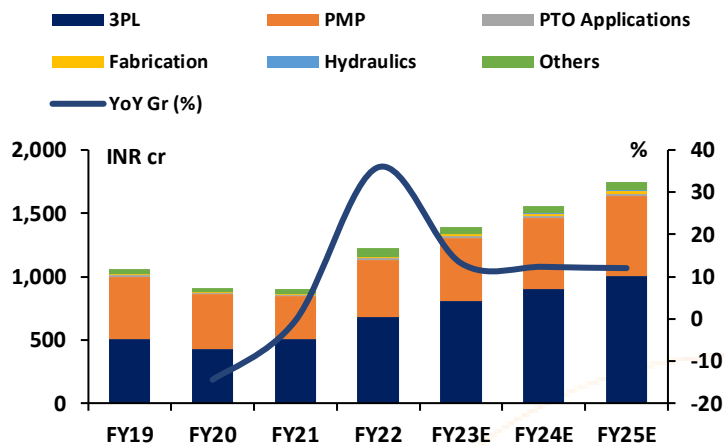
EBITDA and net profit are expected to grow at a CAGR of 12.0% to INR 377 cr and 13.6% to INR 247 cr respectively. EBITDA margins are expected to decline by 26bps to 21.6% due to input cost pressure. Net margins are expected to improve by 40bps to 14.2% due to the reduction in debt burden.

UPIL Financial Summary

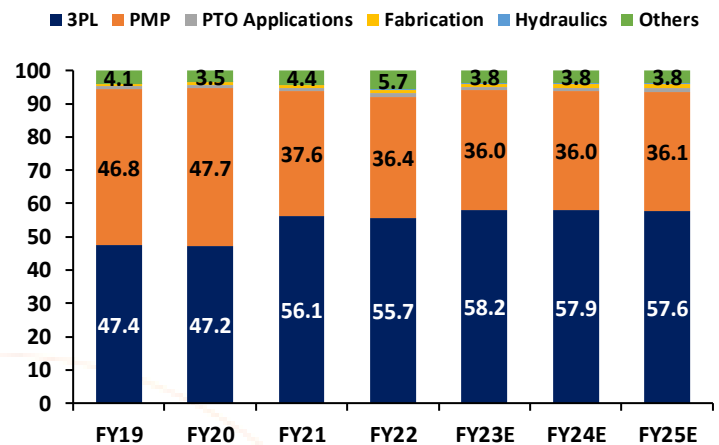
Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
3PL	503.2	428.0	506.7	684.0	808.1	903.0	1,006.3	1,108.6	1,209.7	1,309.8	1,408.8	1,506.7	1,603.6	1,699.3
YoY Growth (%)		-15.0	18.4	35.0	18.1	11.7	11.4	10.2	9.1	8.3	7.6	7.0	6.4	6.0
Share of 3PL in revenue	47.4	47.2	56.1	55.7	58.2	57.9	57.6	57.3	57.0	56.7	56.4	56.2	55.9	55.6
PMP	496.7	432.3	339.7	447.1	499.5	561.0	630.0	699.4	769.1	839.2	909.6	980.4	1,051.6	1,123.1
YoY Growth (%)		-13.0	-21.4	31.6	11.7	12.3	12.3	11.0	10.0	9.1	8.4	7.8	7.3	6.8
Share of PMP in revenue	46.8	47.7	37.6	36.4	36.0	36.0	36.1	36.2	36.3	36.3	36.4	36.5	36.6	36.7
PTO Applications	9.5	6.4	8.2	12.2	13.4	15.0	16.8	18.6	20.4	22.2	24.0	25.8	27.6	29.4
YoY Growth (%)		-31.9	27.0	49.4	9.2	12.3	12.0	10.7	9.7	8.8	8.1	7.5	7.0	6.5
Share of PTO Applications in revenue	0.9	0.7	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fabrication	6.9	7.7	8.4	13.0	13.4	16.5	20.2	24.2	28.6	33.3	38.4	43.9	49.7	55.9
YoY Growth (%)		11.3	8.9	54.7	2.7	23.5	22.2	19.9	18.1	16.6	15.3	14.2	13.3	12.4
Share of Fabrication in revenue	0.7	0.9	0.9	1.1	1.0	1.1	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8
Hydraulic cylinders	1.2	0.7	0.8	0.7	1.3	4.5	6.7	9.3	12.2	15.5	19.2	23.2	27.6	32.3
YoY Growth (%)		-45.1	18.3	-9.0	86.5	236.9	49.3	38.4	31.6	27.0	23.6	20.9	18.9	17.2
Share of Hydraulic cylinders in revenue	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0	1.1
Other Revenue	43.0	32.1	39.4	70.4	53.4	60.0	67.2	74.4	81.6	88.8	96.0	103.2	110.4	117.6
YoY Growth (%)		-25.4	22.6	78.7	-24.1	12.3	12.0	10.7	9.7	8.8	8.1	7.5	7.0	6.5
Share of Other Revenue in revenue	4.1	3.5	4.4	5.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Revenue from operations	1,060.6	907.2	903.1	1,227.4	1,389.1	1,560.0	1,747.2	1,934.4	2,121.6	2,308.8	2,496.0	2,683.2	2,870.4	3,057.6
YoY Growth (%)		-14.5	-0.4	35.9	13.2	12.3	12.0	10.7	9.7	8.8	8.1	7.5	7.0	6.5
Raw Material Cost	372.3	328.8	352.9	401.6	493.1	546.0	611.5	677.0	742.6	808.1	873.6	939.1	1,004.6	1,070.2
RM Cost to Sales (%)	35.1	36.2	39.1	32.7	35.5	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Employee Cost	221.7	211.8	185.4	219.7	236.1	264.4	295.3	325.9	356.4	386.7	416.8	446.8	476.5	506.0
Employee Cost to Sales (%)	20.9	23.3	20.5	17.9	17.0	17.0	16.9	16.9	16.8	16.8	16.7	16.7	16.6	16.6
Other Expenses	328.6	270.5	245.4	338.1	367.5	414.8	463.4	512.0	560.7	609.4	658.2	707.0	755.9	804.8
Other Expenses to Sales (%)	31.0	29.8	27.2	27.5	26.5	26.6	26.5	26.5	26.4	26.4	26.4	26.3	26.3	26.3
EBITDA	137.9	96.2	119.4	268.0	292.3	334.8	377.0	419.4	461.9	504.6	547.4	590.3	633.4	676.6
EBITDA Margin (%)	13.0	10.6	13.2	21.8	21.0	21.5	21.6	21.7	21.8	21.9	21.9	22.0	22.1	22.1
Net Profit	69.6	62.6	91.2	168.8	186.0	216.0	246.7	277.5	308.6	339.9	371.6	403.4	435.5	467.6
Net Margin (%)	6.6	6.9	10.1	13.8	13.4	13.8	14.1	14.3	14.5	14.7	14.9	15.0	15.2	15.3
Adjusted EPS	15.4	13.9	20.2	37.4	41.2	47.9	54.7	61.5	68.4	75.3	82.3	89.4	96.5	103.6
P/E (X)	37.4	41.6	28.6	15.4	14.0	12.1	10.6	9.4	8.4	7.7	7.0	6.5	6.0	5.6
Adjusted BVPS	93.5	102.8	123.7	151.8	182.7	217.7	256.5	298.9	344.7	393.7	445.5	500.1	557.0	616.0
P/BV (X)	6.2	5.6	4.7	3.8	3.2	2.7	2.2	1.9	1.7	1.5	1.3	1.2	1.0	0.9
Enterprise Value	2,934.8	2,843.8	2,719.9	2,717.5	2,675.5	2,615.3	2,546.6	2,462.4	2,363.9	2,251.2	2,125.4	1,986.7	1,836.3	1,674.4
EV/EBITDA (X)	21.3	29.6	22.8	10.1	9.2	7.8	6.8	5.9	5.1	4.5	3.9	3.4	2.9	2.5
Net Worth	422.0	464.2	558.2	685.2	824.7	982.4	1,157.6	1,349.0	1,555.8	1,776.7	2,010.8	2,256.9	2,513.9	2,780.4
Return on Equity (%)	16.5	13.5	16.3	24.6	22.6	22.0	21.3	20.6	19.8	19.1	18.5	17.9	17.3	16.8
Capital Employed	767.6	720.7	686.0	812.5	931.5	1,088.2	1,260.3	1,445.2	1,642.1	1,849.8	2,067.2	2,293.3	2,526.8	2,780.4
Return on Capital Employed (%)	10.7	7.1	9.2	21.0	20.2	19.9	19.4	18.8	18.3	17.7	17.1	16.6	16.1	15.5
Invested Capital	752.5	703.7	674.0	798.5	896.0	993.4	1,100.0	1,207.3	1,315.4	1,423.7	1,532.0	1,639.4	1,745.9	1,850.6
Return on Invested Capital (%)	14.3	8.6	12.2	29.0	28.1	29.2	29.7	30.1	30.4	30.7	30.8	31.0	31.1	31.2
Cash Flow from Operations	-5.7	133.1	152.8	84.9	146.9	185.7	213.2	249.2	285.7	323.3	361.2	400.1	439.3	479.5
Cash Flow from Investing	-108.2	-10.1	-15.7	-32.6	-52.4	-61.7	-67.7	-74.1	-80.7	-87.5	-94.3	-101.3	-108.2	-115.1
Cash Flow from Financing	124.9	-123.2	-141.4	-49.3	-73.2	-64.8	-79.9	-97.5	-116.3	-136.4	-157.7	-180.3	-204.1	-215.4
Net Cash Flow	11.0	-0.3	-4.4	3.0	21.4	59.2	65.5	77.6	88.7	99.4	109.1	118.6	127.0	148.9
Free Cash Flow		95.2	91.7	42.2	91.9	122.2	140.2	165.8	191.6	217.7	244.0	270.6	297.4	324.4
FCF to Revenue (%)		10.5	10.2	3.4	6.6	7.8	8.0	8.6	9.0	9.4	9.8	10.1	10.4	10.6
FCF to EBITDA (%)		98.9	76.8	15.7	31.5	36.5	37.2	39.5	41.5	43.1	44.6	45.8	47.0	47.9
FCF to Net Profit (%)		151.9	100.6	25.0	49.4	56.6	56.8	59.7	62.1	64.0	65.7	67.1	68.3	69.4
FCF to Net Worth (%)		20.5	16.4	6.2	11.1	12.4	12.1	12.3	12.3	12.3	12.1	12.0	11.8	11.7
Total Debt	345.6	256.5	127.8	127.3	106.8	105.8	102.7	96.2	86.3	73.1	56.4	36.4	13.0	0.0
Net Debt	330.5	239.5	115.7	113.3	71.2	11.0	-57.6	-141.8	-240.4	-353.1	-478.9	-617.5	-767.9	-929.8
Net Debt to Equity (X)	0.8	0.5	0.2	0.2	0.1	0.0	-0.0	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3
Net Debt to EBITDA (X)	2.4	2.5	1.0	0.4	0.2	0.0	-0.2	-0.3	-0.5	-0.7	-0.9	-1.0	-1.2	-1.4
Interest Coverage Ratio (X)	5.9	3.4	10.1	40.6	41.0	52.8	62.1	72.8	86.4	104.7	131.4	175.2	261.3	410.4

Source: Company Reports and Ventura Research

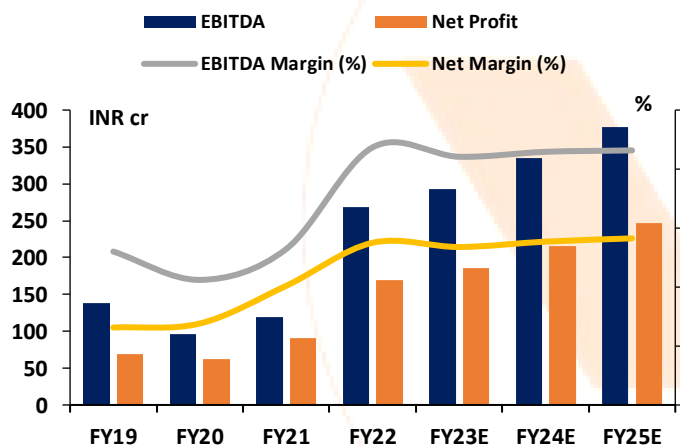
Recovery in global market accelerated the revenue growth



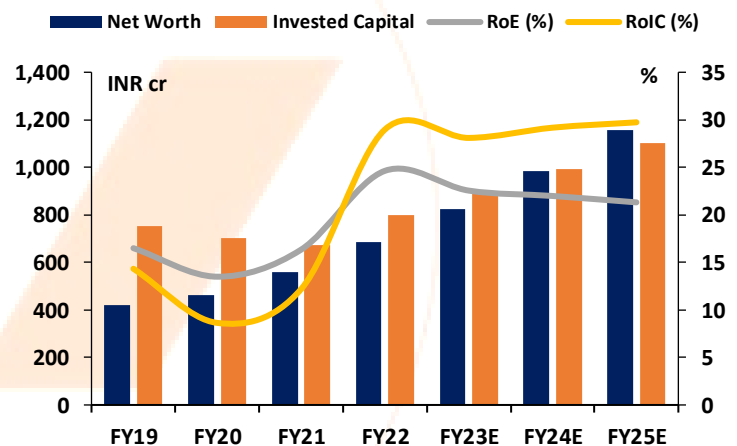
Revenue share (%) - Diversification played well and reducing concentration on products



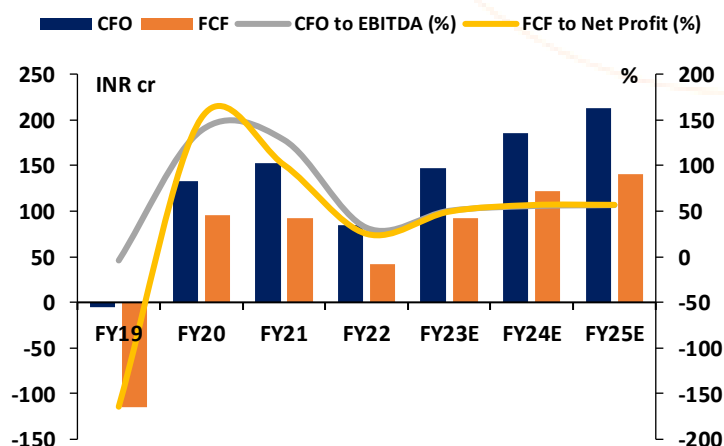
Change in product mix and premiumization improved operating profitability



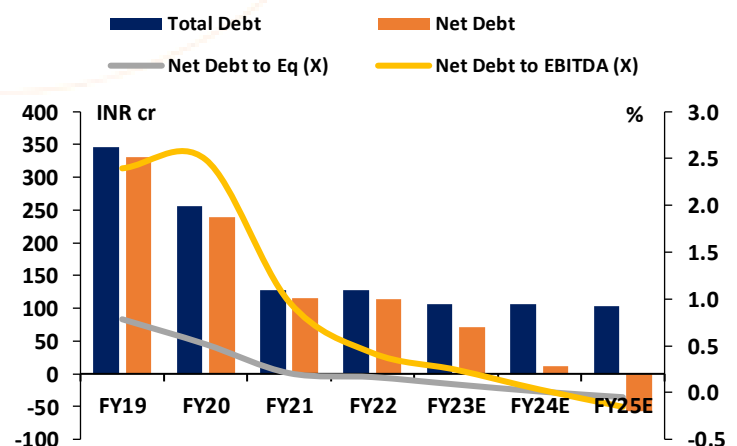
Return ratios improved along with better product mix and improvement in margins



Improvement in operating margins resulted in strong cash flow



Increase in operating cash flow reduced the debt burden and improved balance sheet health



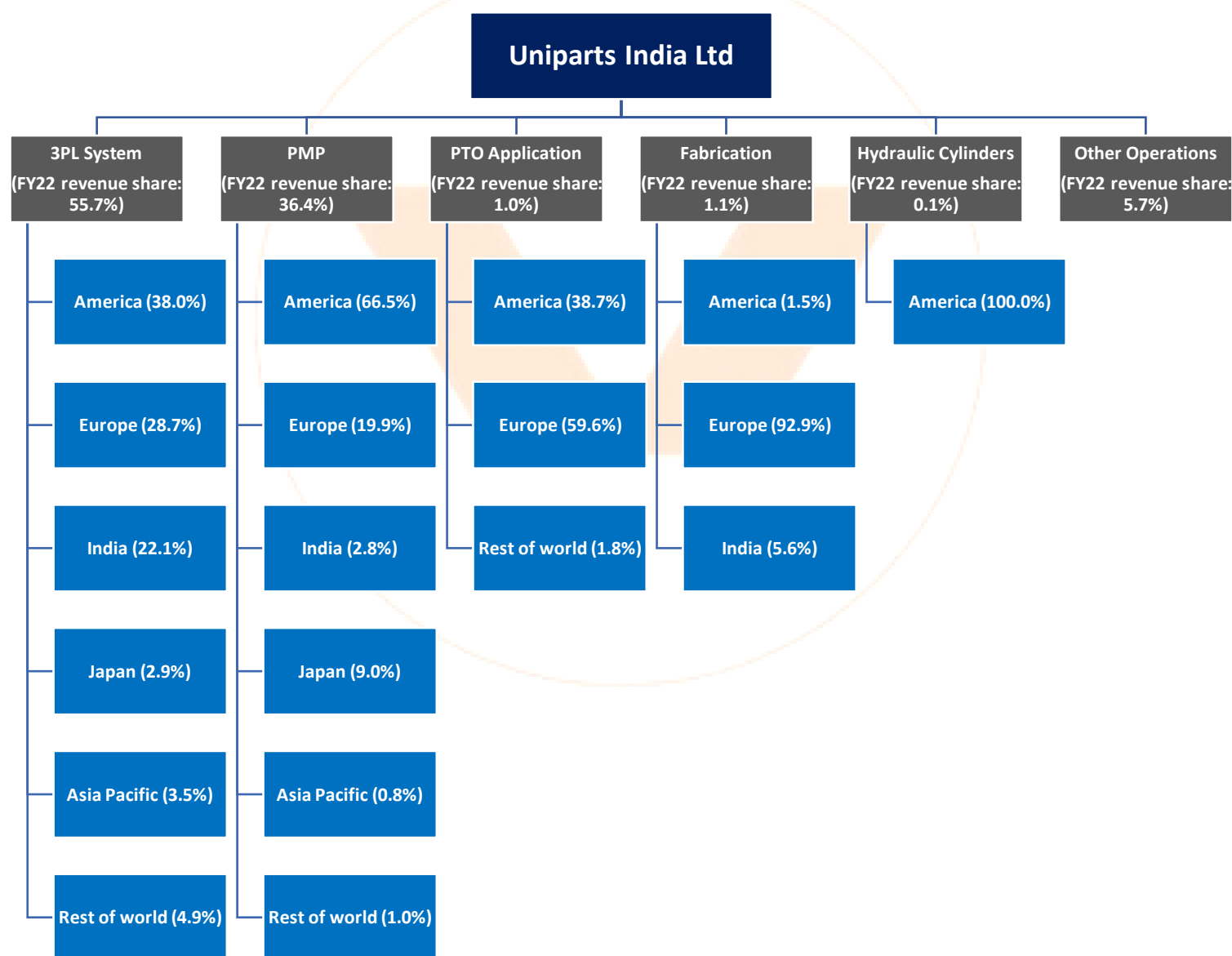
Source: Company Reports and Ventura Research

Understanding the business of UPIL

Incorporated in 1994, Uniparts India Ltd (UPIL) is one of the leading manufacturers and suppliers of systems and components for the off-highway vehicles (OHVs) used in agriculture, construction & mining.

The company's product portfolio includes 3-point linkage systems (3PL), precision machined parts (PMP), power take-off (PTO), fabrications and hydraulic cylinders or components. UPIL is a concept-to-supply company for precision products with a presence across the entire value chain with full backward & forward integration. UPIL has a presence in 25 countries and generates 85% of its revenue from exports.

UPIL's business structure



Source: Company Reports

Manufacturing facilities and global distribution

UPIL has 6 manufacturing facilities (5 in India and 1 in US) and 3 warehouses (2 in US and 1 in Europe). Manufacturing in India offers cost advantage to UPIL, while warehouses in Europe and the US ensure just-in-time availability of products to the clients. The company keeps 3-6 months of inventory in its warehouses to avoid supply chain disruptions.

UPIL manufacturing facilities and distribution network



Source: Company Reports

Details of UPIL's manufacturing facilities

Facilities	Aggregate area (acres)	Built-up area (sq ft)	Products	FY19	FY20	FY21	FY22	Q1FY23
<u>Noida (2 facilities)</u>								
Installed capacity (TPA)	8	1,97,559	3PL and PMP	22,500	23,100	22,200	23,400	5,850
Production (TPA)				18,696	13,573	14,596	19,385	4,161
Capacity utilization (%)				83.1	58.8	65.7	82.8	71.1
<u>Visakhapatnam (1 facility)</u>								
Installed capacity (TPA)	30	3,00,008	3PL, PMP and hydraulic cylinders. This facility is dedicated only for export	13,440	13,440	13,440	13,440	3,360
Production (TPA)				10,494	8,380	7,911	11,046	2,456
Capacity utilization (%)				78.1	62.4	58.9	82.2	73.1
<u>Ludhiana (2 facilities)</u>								
Installed capacity (TPA)	5	2,16,603	PMP and PTO applications	21,000	21,000	23,000	25,020	6,345
Production (TPA)				16,936	14,387	17,300	21,879	5,146
Capacity utilization (%)				80.6	68.5	75.2	87.4	81.1
<u>USA (1 facilities)</u>								
Installed capacity (TPA)	10	1,36,481	PMP and PTO applications	7,200	7,200	5,100	5,100	1,275
Production (TPA)				5,171	3,959	2,397	2,486	559
Capacity utilization (%)				71.8	55.0	47.0	48.7	43.8

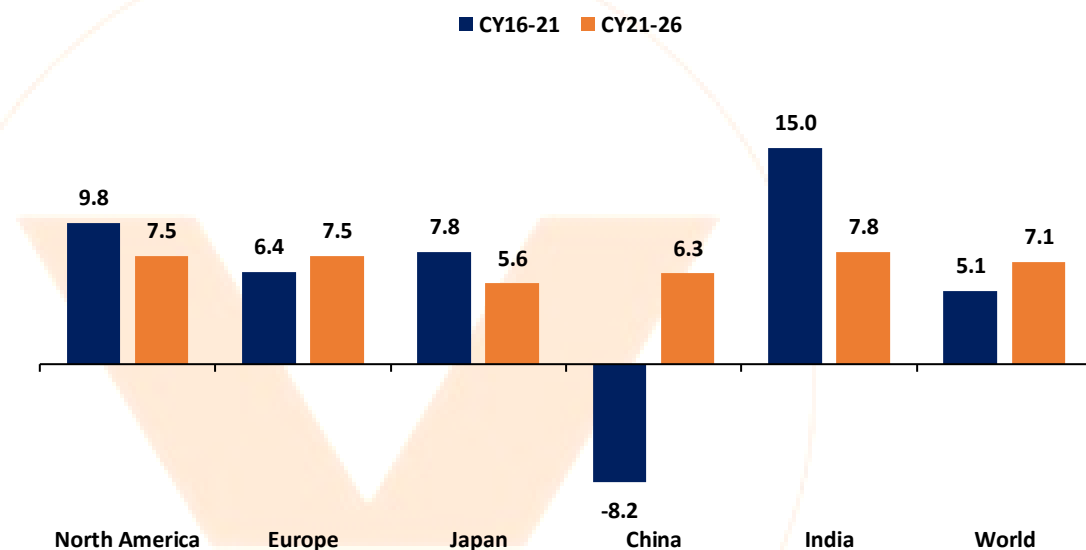
Source: Company Reports

3PL system

The 3PL system forms a group of assemblies allowing an implement like a plough to be attached to the tractor at 3 coupling points, forming a triangle. The primary function of the 3PL is to transfer the weight and load of an implement to the wheels of a tractor and to allow the adjustment of different positions by lifting and lowering the implement. Most tractors are equipped with a 3PL system and are classified according to ISO 730.

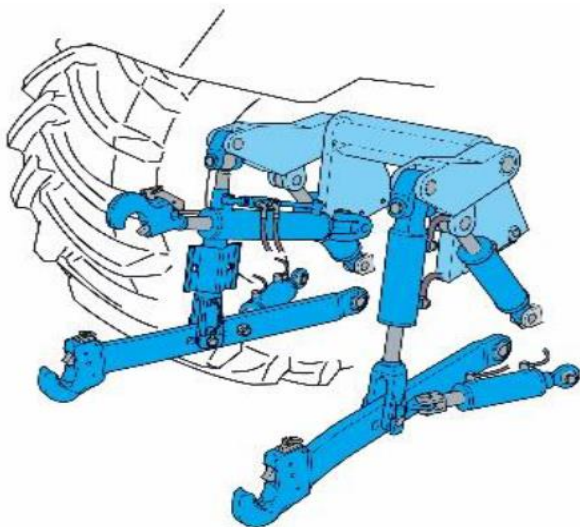
As per the CRISIL research, 3PL equipment market has grown at a CAGR of 5.1% during CY16-21 and it is expected to grow at a CAGR of 7.1% during CY21-26 due to increase in the farmer income on account of inflation in agri-commodities and favourable policies.

3PL demand growth (%) – review and outlook

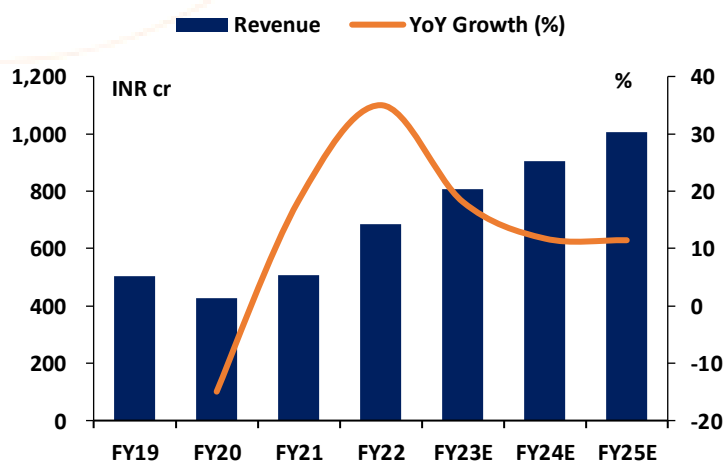


Source: CRISIL research & Company Reports

UPIL's 3PL design and performance



UPIL 3PL revenue and growth



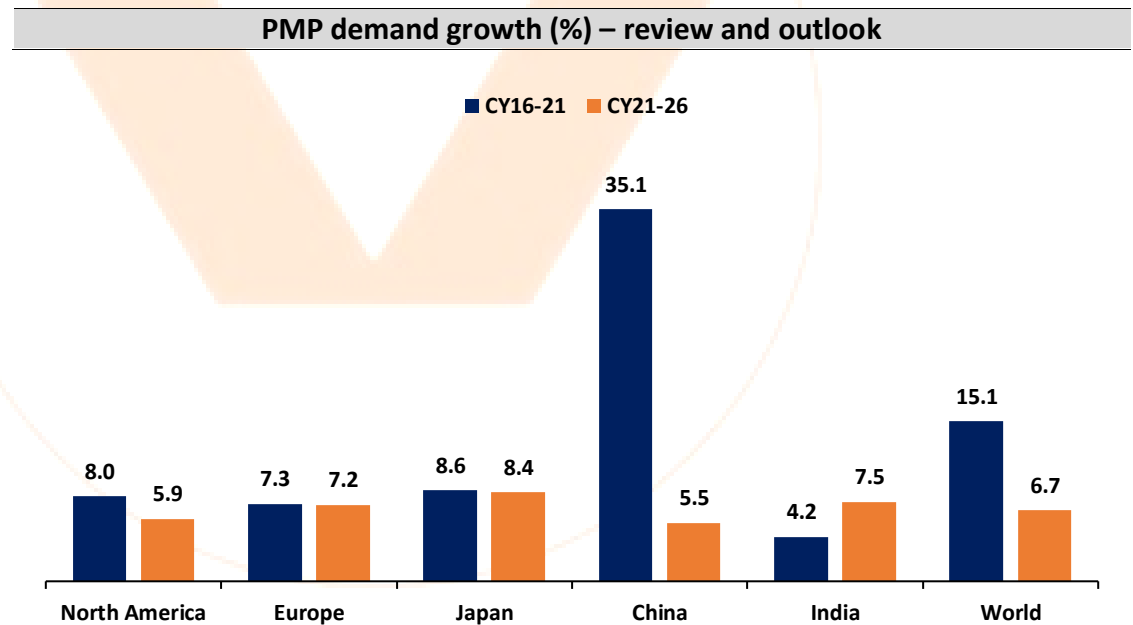
Source: Company Reports and Ventura Research

UPIL has long term relationships with global OEM players in agriculture and CFM sectors, such as TAFE, Bobcat, Claas Tractors, Yanmar and LS Mtron. The company also service several organized after market and large farm & fleet retail store chains in Europe and the US, such as Cramp and Tractor Supply Company. The company has 4 manufacturing facilities in India, producing 3PL – Two Noida, Uttar Pradesh facilities serve as hub for the domestic market and export customers. Visakhapatnam (Andhra Pradesh) facility primarily serves export customers. SKG, Ludhiana (Punjab) facility primarily serves the Indian domestic 3PL market.

PMP

PMP is a group of components that require stringent material and manufacturing specifications and controls, used in applications across OHVs, ranging from engine parts and transmission components to particular parts for joints in agricultural and construction applications. The majority of UPIL's PMPs are used in articulated joints (hinges) where arms, booms and cylinders are attached to each other.

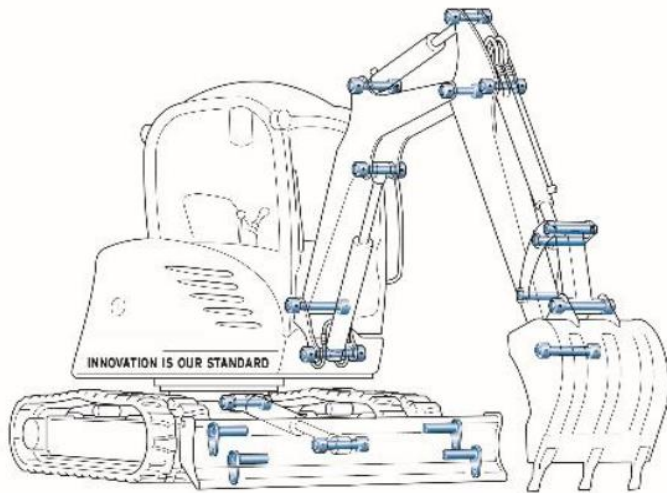
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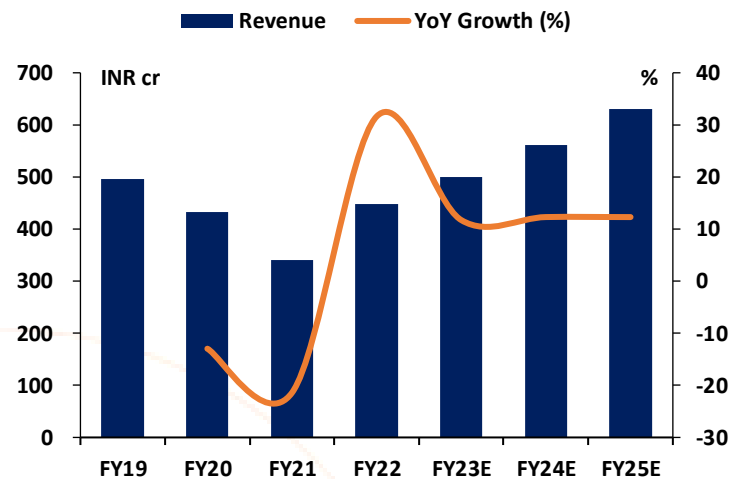
Source: CRISIL research & Company Reports

UPIL has 4 facilities producing PMP in India one at Visakhapatnam, Andhra Pradesh and Farmparts, Ludhiana, Punjab, and two at Noida, Uttar Pradesh. In addition, the facility at Eldridge, Iowa, US (Eldridge facility) serves the North American market, with local production as well as warehousing of products manufactured in and exported from India.

UPIL's PMP design and performance



UPIL PMP revenue and growth



Source: Company Reports and Ventura Research

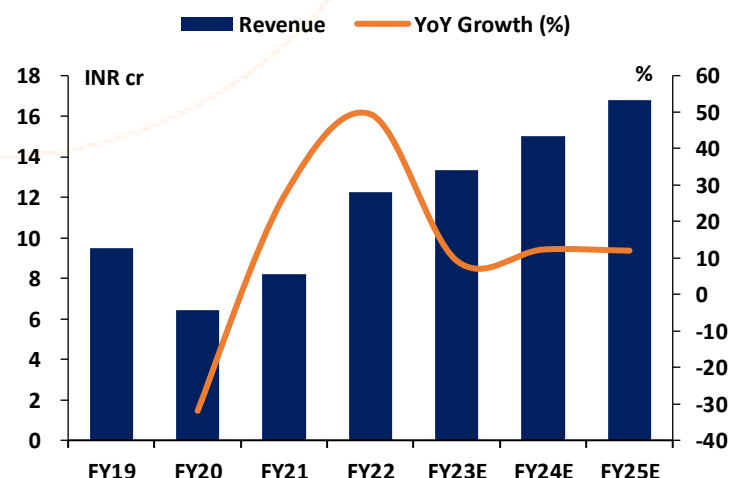
PTO Applications

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 secondary shafts to distribute the power within the implement. The company manufactures PTO components at its Ludhiana and Noida for OEMs as well as for sale in the aftermarket.

UPIL's PTO design and performance



UPIL PTO revenue & growth



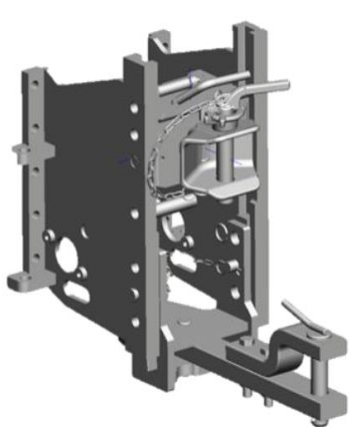
Source: Company Reports and Ventura Research

Fabrications

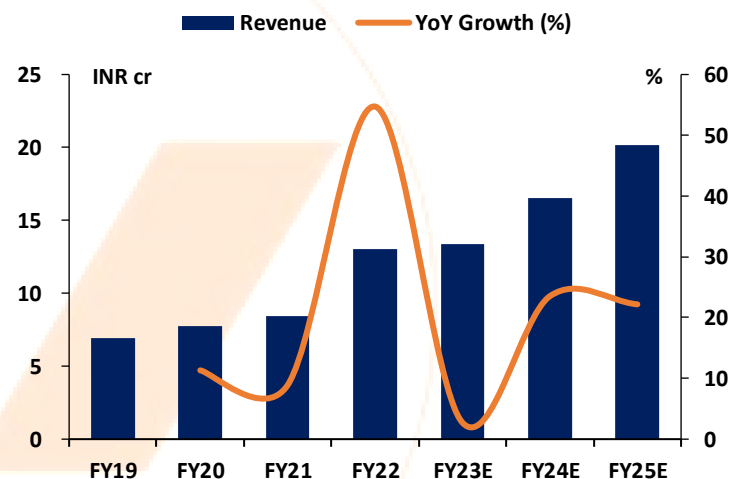
Agriculture as well as construction equipment use fabrications ranging from large structural parts and chassis to small and medium in size. These parts are high on metal content (primarily steel) and also utilize processes such as bending, welding and surface finishing. The design of such parts typically varies and is dependent on the type of vehicle and OEM's specifications. UPIL manufactures trailer hitches, front hitch components, engine frame, grain lifter and front-end loader parts.

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

UPIL's Fabrication design and performance



UPIL fabrication revenue & growth



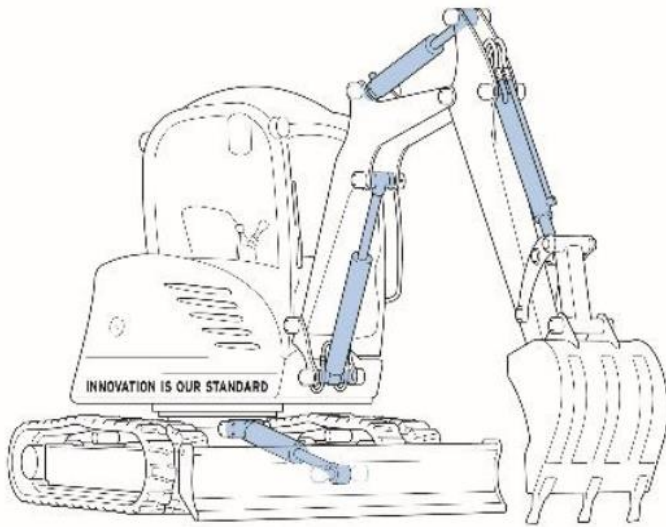
Source: Company Reports and Ventura Research

Hydraulic Cylinders

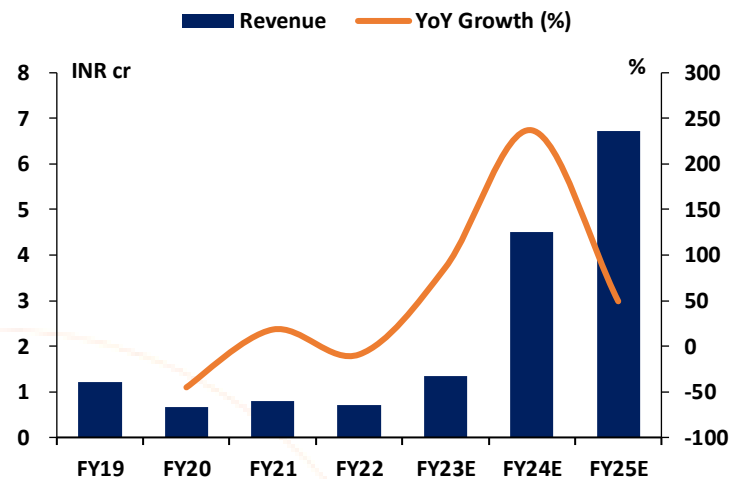
Hydraulic cylinders are used as actuators to move mechanized components, by generating linear motion along an axis. Hydraulic cylinders are powered by a fluid, typically oil. Hydraulic cylinders may be 'double acting' hydraulic cylinders, which are powered to extend or reduce the length, or 'single acting' hydraulic cylinders, which are only powered to move in one direction. Plunger cylinders form a subcategory of single acting cylinders, using the rod as a piston, where the rod is only slightly smaller than the inner diameter of the tube.

The company seeks to focus on hydraulic applications that are synergetic to its existing applications and existing customers. The increasing diversification into the hydraulic cylinders vertical is part of UPIL's strategy to increase its content and customer spends per vehicle. The company has hydraulic cylinder manufacturing capabilities at its Visakhapatnam, Andhra Pradesh facility.

UPIL's hydraulic cylinder design and performance



UPIL Hydraulic Cylinders revenue & growth



Source: Company Reports and Ventura Research

Steps were taken to improve profitability

Backwards-forward integration and IT solutions have improved the margins

UPIL 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 of its customers' global supply chains.

The significant backward and forward integration reduces the company's dependence on external supply and support services and enables the maintenance of quality controls required to service global OEMs and aftermarket players.

For bringing synergies between all the facilities engaged in forward as well as backward integrated supply chains, UPIL invested in ERP systems, implemented across its operations in the US, Germany and facilities in India. The company has also implemented business intelligence tools in order to enable key metrics and performance dashboards available at a click of a button. In addition, the business-critical IT Infrastructure is hosted at a renowned tier-3 data centre with 24x7 monitoring and service support.

Rationalization of US facility

UPIL reduced the capacity of its US facility from 7,200 TPA in FY20 to 5,100 TPA in FY21 and increased the sourcing from India and warehousing in the US. This resulted in a significantly cost-effective method for the company. For UPIL, manufacturing in India, exporting to the US and warehousing in the US for 3-6 months is 20% cheaper than manufacturing the product in the US. As a result, EBITDA grew at a CAGR of 66.9% to INR 268 cr in FY22, while EBITDA margins improved from 10.6% in FY20 to 21.8% in FY22.

Cost difference for UPIL – US vs India

	India	US
Production cost (in US\$)	60	100
Warehousing & logistics (in US\$)	20	0
Total cost (in US\$)	80	100

Source: Company Reports

Diligence in debt reduction

Cost optimization measures improved the operating margins and cash flow of the company. The management utilized the incremental operating cash flow in debt repayment which improved the balance sheet health. UPIL's total debt declined from INR 346 cr in FY19 to INR 127 cr in FY22 and INR 115 cr in Q1FY23.

Debt reduction has improved the fundamentals of the company

Fig in INR cr, unless specified	FY19	FY20	FY21	FY22
LT borrowings	47.5	21.6	5.7	4.9
ST borrowings	298.1	234.9	122.1	122.4
Total debt	345.6	256.5	127.8	127.3
Cash & cash equivalents	15.1	17.0	12.1	14.0
Net Debt	330.5	239.5	115.7	113.3
Net Debt to Equity (X)	0.8	0.5	0.2	0.2
Net Debt to EBITDA (X)	2.4	2.5	1.0	0.4
Interest Coverage (X)	5.9	3.4	10.1	40.6
RoE (%)	16.5	13.5	16.3	24.6
RoIC (%)	14.3	8.6	12.2	29.0

Source: Company Reports

UPIL's future strategies

Leverage integrated precision engineering capabilities and established global business model, to tap additional business opportunities

UPIL has established an end-to-end and scalable business model which caters to the number of requirements of their customers in the OHV market. The company 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.

The management intend to achieve this by focusing on increasing the share of customer spend per vehicle by manufacturing additional 3PL products for more than 60 HP vehicles, PMP products for large construction equipment, fabrication solutions such as agriculture implements and construction attachments, and new PTO applications.

The company 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. There exist significant opportunities to cross-sell the existing products.

Focus on higher value addition products and enhanced service offerings to improve the margin profile

UPIL continually evaluate product and service opportunities enabling movement towards higher value-addition and improving margin profile. The company endeavour to ensure that new business opportunities are margin accretive. The management intends to continue to increase the proportion of warehousing sales in its overall sales model mix, as this delivery model carries premium and is margin accretive.

The management regularly evaluate existing manufacturing portfolio as well and undertake calibrated relocation of manufacturing any identified products to optimize cost structure and resulting margins. The company intends to further expand its 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

UPIL intends to increase its sales and customer penetration by targeting new customer accounts and expanding its existing customer accounts in principal markets by offering the entire range of products. The company 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. The management intends to offer its customers additional 3PL and PMP products to meet the customers' requirements and thereby growing the share of customers spend per vehicle.

Enhance engineering, innovation and design competence

UPIIL endeavours to focus 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, so as to strengthen and diversify its customer and product portfolio.

The company seek 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 the products, in particular, to increase sales of 3PL products in the higher HP (>60HP) tractor segment and of PMP, hydraulic cylinders and PTO applications, while maintaining and improving the market share in the 3PL and PMP verticals.

Grow inorganically through strategic acquisitions and alliances

UPIIL intends to focus on acquiring businesses with high growth and performance potential, along with its existing customer relationships and product and process competencies. To integrate and grow its businesses through enhanced quality and delivery parameters, engineering support, integration of IT systems and ERP platforms, the company is developing the manufacturing support from India.

While the management will also evaluate any opportunistic acquisitions that are viable, their primary strategy is to focus on identifying financially stable and performing assets for acquisition. They intend to explore opportunities in Europe, which would give them a manufacturing base in the continent, as well as opportunities in the US to complement their existing business. They may also seek to expand their international warehousing and distribution operations, based on demand and delivery logistics in various geographies.

Management Team

Key Person	Designation	Details
Mr Gurdeep Soni	Chairman & MD	He holds a master's degree in management studies from the Birla Institute of Technology and Science, Pilani, Rajasthan. He has 42 years of work experience including 27 years of experience in different roles within the Uniparts Group
Mr Paramjit Singh Soni	Executive Director and Vice Chairman	He holds a bachelor's degree in commerce from the University of Delhi, New Delhi, Delhi. He has 40 years of work experience including 27 years of experience as a Director of our Company and is presently based in the USA.
Mr Sudhakar S Kolli	COO	He holds a bachelor's degree in mechanical engineering from Andhra University and a master's degree in mechanical engineering from University of Bridgeport University, USA. He also holds a master's degree in business administration from Millikin University, USA. He has 25 years of experience in the areas including general management with leadership role, operations and product development
Mr Munish Sapra	CFO	He holds a bachelor's degree in commerce from Maharshi Dayanand University and a diploma in financial management from Indira Gandhi National Open University. He is a qualified CA and has completed the country-focused training course in Opportunity A for Visionary Leaders for Manufacturing organized by the Japan International Cooperation Agency. He has also participated in ISO 14001 internal EMS audit training programme held at Sona Okegawa Precision Forging Limited. He has over 27 years of experience in the fields of finance and accounts.

Source: Company Reports

Key Risks & Concerns

- India is attracting global auto ancillary companies due to China+1, Make-in-India and geopolitical issues. This is expected to increase the competition in the segment which could create pressure of pricing and market share that may adversely affect UPIL's business, prospects, results of operations, cash flows and financial condition.
- The company depends on the limited number of customers for a significant portion of its revenue. The loss of major customer or substantial decline in demand for clients' products may adversely affect the business of UPIL.
- UPIL is exposed to forex rate fluctuations. Any significant change in currency value could adversely affect the INR revenue of the company.
- The development of technologically advanced products involves a lengthy and expensive process with uncertain timelines and outcomes. The inability or delay in innovating or developing technologically advanced products could adversely affect business performance of UPIL.

Issue Structure and Offer Details

The proposed OFS size of UPIL's IPO is INR 836 cr and the price band for the issue is in the range of INR 548-577 and the bid lot is 25 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No of shares offered
QIB	Not more than 50%	72,40,970
NIB	Not less than 15%	21,72,292
Retail	Not less than 35%	50,68,680
Total		1,44,81,942

Number of share based on higher price band of INR 577

Source: Company Reports

Details of selling shareholders		
Name of selling shareholders	Amount offered	No of shares offered
The Promoter Group Selling Shareholder:		
Karan Soni 2018 CG-NG Nevada Trust	Not more than INR 63.5 cr	Upto 1,100,000 Equity Shares
Meher Soni 2018 CG-NG Nevada Trust	Not more than INR 63.5 cr	Upto 1,100,000 Equity Shares
Pamela Soni	Not more than INR 126.9 cr	Upto 2,200,000 Equity Shares
The Investors Selling Shareholders:		
Ashoka Investment Holdings Ltd	Not more than INR 414.3 cr	Upto 7,180,642 Equity Shares
Ambadevi Mauritius Holding Ltd	Not more than INR 124.3 cr	Upto 2,154,192 Equity Shares

Number of share based on higher price band of INR 577

Source: Company Reports

UPL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
Income Statement						Per share data & Yields					
Revenue	903.1	1,227.4	1,389.1	1,560.0	1,747.2	Adjusted EPS (INR)	20.2	37.4	41.2	47.9	54.7
YoY Growth (%)	-0.4	35.9	13.2	12.3	12.0	Adjusted Cash EPS (INR)	28.5	45.5	50.2	57.8	65.7
Raw Material Cost	352.9	401.6	493.1	546.0	611.5	Adjusted BVPS (INR)	123.7	151.8	182.7	217.7	256.5
RM Cost to Sales (%)	39.1	32.7	35.5	35.0	35.0	Adjusted CFO per share (INR)	33.8	18.8	32.6	41.1	47.2
Employee Cost	185.4	219.7	236.1	264.4	295.3	CFO Yield (%)	5.9	3.3	5.6	7.1	8.2
Employee Cost to Sales (%)	20.5	17.9	17.0	17.0	16.9	Adjusted FCF per share (INR)	20.3	9.4	20.4	27.1	31.1
Other Expenses	245.4	338.1	367.5	414.8	463.4	FCF Yield (%)	3.5	1.6	3.5	4.7	5.4
Other Exp to Sales (%)	27.2	27.5	26.5	26.6	26.5	Solvency Ratio (X)					
EBITDA	119.4	268.0	292.3	334.8	377.0	Total Debt to Equity	0.2	0.2	0.1	0.1	0.1
Margin (%)	13.2	21.8	21.0	21.5	21.6	Net Debt to Equity	0.2	0.2	0.1	0.0	-0.0
YoY Growth (%)	24.1	124.5	9.0	14.5	12.6	Net Debt to EBITDA	1.0	0.4	0.2	0.0	-0.2
Depreciation & Amortization	37.3	36.6	40.6	45.0	50.0	Return Ratios (%)					
EBIT	82.1	231.4	251.7	289.8	327.1	Return on Equity	16.3	24.6	22.6	22.0	21.3
Margin (%)	9.1	18.9	18.1	18.6	18.7	Return on Capital Employed	9.2	21.0	20.2	19.9	19.4
YoY Growth (%)	35.2	181.8	8.8	15.1	12.9	Return on Invested Capital	12.2	29.0	28.1	29.2	29.7
Other Income	44.5	3.6	3.1	4.4	7.9	Working Capital Ratios					
Finance Cost	8.1	5.7	6.1	5.5	5.3	Payable Days (Nos)	36.4	26.6	25.0	25.0	25.0
Interest Coverage (X)	10.1	40.6	41.0	52.8	62.1	Inventory Days (Nos)	137.0	131.4	130.0	130.0	130.0
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	67.7	57.8	60.0	60.0	60.0
PBT	118.6	229.3	248.6	288.7	329.7	Net Working Capital Days (Nos)	168.3	162.5	165.0	165.0	165.0
Margin (%)	13.1	18.7	17.9	18.5	18.9	Net Working Capital to Sales (%)	46.1	44.5	45.2	45.2	45.2
YoY Growth (%)	59.4	93.4	8.4	16.1	14.2	Valuation (X)					
Tax Expense	27.3	60.5	62.7	72.7	83.0	P/E	28.6	15.4	14.0	12.1	10.6
Tax Rate (%)	23.1	26.4	25.2	25.2	25.2	P/BV	4.7	3.8	3.2	2.7	2.2
PAT	91.2	168.8	186.0	216.0	246.7	EV/EBITDA	22.8	10.1	9.2	7.8	6.8
Margin (%)	10.1	13.8	13.4	13.8	14.1	EV/Sales	3.0	2.2	1.9	1.7	1.5
YoY Growth (%)	45.6	85.0	10.2	16.1	14.2	Cash Flow Statement					
Min Int/Sh of Assoc	-0.0	0.0	0.0	0.0	0.0	PBT	118.6	229.3	248.6	288.7	329.7
Net Profit	91.2	168.8	186.0	216.0	246.7	Adjustments	55.0	46.2	42.3	46.9	51.1
Margin (%)	10.1	13.8	13.4	13.8	14.1	Change in Working Capital	6.6	-130.1	-81.4	-77.3	-84.6
YoY Growth (%)	45.6	85.0	10.2	16.1	14.2	Less: Tax Paid	-27.3	-60.5	-62.7	-72.7	-83.0
Cash Flow from Operations	152.8	84.9	146.9	185.7	213.2	Cash Flow from Operations					
Net Capital Expenditure	-15.3	-34.7	-55.6	-62.4	-69.9	Net Capital Expenditure	-15.3	-34.7	-55.6	-62.4	-69.9
Change in Investments	-0.5	2.1	3.2	0.7	2.2	Change in Investments	-0.5	2.1	3.2	0.7	2.2
Cash Flow from Investing	-15.7	-32.6	-52.4	-61.7	-67.7	Cash Flow from Investing					
Change in Borrowings	-133.3	-3.1	-20.5	-1.0	-3.1	Change in Borrowings	-133.3	-3.1	-20.5	-1.0	-3.1
Less: Finance Cost	-8.1	-5.7	-6.1	-5.5	-5.3	Less: Finance Cost	-8.1	-5.7	-6.1	-5.5	-5.3
Proceeds from Equity	0.0	0.0	0.0	0.0	0.0	Proceeds from Equity	0.0	0.0	0.0	0.0	0.0
Buyback of Shares	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Dividend Paid	0.0	-40.5	-46.5	-58.3	-71.6	Dividend Paid	0.0	-40.5	-46.5	-58.3	-71.6
Cash flow from Financing	-141.4	-49.3	-73.2	-64.8	-79.9	Cash flow from Financing					
Net Cash Flow	-4.4	3.0	21.4	59.2	65.5	Net Cash Flow	-4.4	3.0	21.4	59.2	65.5
Forex Effect	0.9	0.8	0.0	0.0	0.0	Forex Effect	0.9	0.8	0.0	0.0	0.0
Opening Balance of Cash	17.0	10.8	14.0	35.4	94.6	Opening Balance of Cash	17.0	10.8	14.0	35.4	94.6
Closing Balance of Cash	13.4	14.6	35.4	94.6	160.1	Closing Balance of Cash	13.4	14.6	35.4	94.6	160.1

Source: Ventura Research

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