



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Auto ancilliary
Offer for sale (Shares)	14,481,942
Net Offer to the Public	14,481,942
Issue Size (Rs. Cr.)	794-836
Price Band (Rs.)	548-577
Offer Date	28-Nov-22
Close Date	30-Nov-22
Face Value	10
Lot Size	25

Issue Composition

	In shares
Total Issue for Sale	14,481,942
QIB	7,240,971
NIB	2,172,291
Retail	5,068,680

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	75.54%	65.79%
QIB	20.68%	16.04%
NIB	1.80%	4.96%
Retail	1.98%	13.21%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholders.

Book Running Lead Manager

- Axis Bank Limited
- DAM Capital Advisors Limited
- JM Financial Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 1994, Uniparts India Limited is a manufacturer of engineered systems and solutions. The company 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 the presence across over 25 countries. 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. Uniparts is a concept-to-supply player for precision products for off-highway vehicles ("OHVs") with a presence across the value chain. In India, the company has five manufacturing facilities, two at Ludhiana, Punjab, one at Visakhapatnam, Andhra Pradesh, and two at Noida, Uttar Pradesh. Uniparts also has a manufacturing, warehousing and distribution facility at Eldridge, Iowa, acquired under the acquisition in 2005 of Olsen Engineering LLC, now known as Uniparts Olsen Inc. ("UOI") and a warehousing and distribution facility at Augusta, Georgia.

Strength

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. The Company's leading presence in the 3PL and PMP verticals inspires customer confidence in its products, which is expected to fuel its growth going forward.

Engineering driven, vertically integrated precision solutions provider: The company's offerings include 3PL and PMP and addresses adjacent products such as PTO, fabrications, and hydraulic cylinders. Its significant backward and forward integration reduces its dependence on external supply and support services and enables maintenance of quality controls required to service global OEMs and aftermarket players. Most of its products are critical, structural and load bearing parts of equipment and are subject to strict tolerances and specifications.

Global business model optimizing cost-competitiveness and customer supply chain risks: The company's global business model serves as an effective solution for customers seeking to rationalize its global sourcing and supply chain by providing its multiple choices in the form of Local Deliveries, Direct Exports and Warehouse Sales, while at the same time helping them to manage costs and increase their margins. The company's India-led manufacturing and overseas-led warehousing coupled with localized customer service capabilities have been a key driver for the growth of its operations. Its global business model also enables it to diversify its margins based on different delivery models for the same product.

Strategically located manufacturing and warehousing facilities that offer scale and flexibility: Currently Uniparts operates 6 strategically located manufacturing facilities spread across India and the United States. As on June 30, 2022, its aggregate installed capacity across these manufacturing facilities was 67,320 MTPA. Over the years, the company has built significant in-house end-to-end manufacturing process capabilities and expertise. Its shop floor capabilities coupled with its design and testing capabilities enable it to serve as a comprehensive solutions provider for the precision engineering product requirements of its customers.

Healthy financial position with robust financial performance metrics: Over the years, its revenue from operations has remained stable despite the impact of the COVID-19 pandemic on company's business operations. It has a healthy balance sheet position with net worth of Rs. 713.93 crore as of June 30, 2022 and has been able to maintain a low debt position. It 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. The company expects that its operational and financial performance will allow it to capitalize on the tailwinds in the engineering solutions industry.

Strategy

Leverage integrated precision engineering capabilities and established global business model, to tap additional business opportunities and expand addressable market: Uniparts has established an end-to-end and scalable business model which caters to the number of requirements of its 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 company 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.

Focus on higher value addition 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 its revenue portfolio. The company endeavors to ensure that new business opportunities are margin accretive. The company intends to continue to increase the proportion of its warehousing sales in its overall sales model mix, as this delivery model carries premium and is margin accretive.

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

Enhance engineering, innovation and design competence: The company endeavors 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.

Grow inorganically through strategic acquisitions and alliances: Uniparts intends to focus on acquiring businesses with high growth and performance potential, along with its existing customer relationships and product and process competencies, and to integrate and grow its businesses through enhanced quality and delivery parameters, engineering support, integration of IT systems and ERP platforms with manufacturing support from India, coupled with its management know-how and experience. While it will also evaluate any opportunistic acquisitions that are viable, its primary strategy is to focus on identifying financially stable and performing assets for acquisition.

Risk factor

- The company depends on a limited number of customers for a significant portion of its revenues.
- The company is exposed to foreign currency exchange rate fluctuations.
- Its business is impacted by cyclical effects in the global and domestic economy, specifically in the agriculture and CFM sectors.
- The company sustained negative cash flows from operations in the past.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Balkrishna Inds	9696.97	1403.01	72.58	27.93	5.16	392.85	2	2027.35	39192.16
Bharat Forge	11895.63	967.28	18.14	46.71	6.01	140.87	2	847.25	39447
Ramkrishna Forg.	2843.81	247.9	15.47	14.26	2.98	74.02	2	220.65	3536.15
Uniparts India Limited**	1227.42	166.89	36.98	15.60	3.80	151.82	10.00	577.00	2604.22

* Peer companies financials are TTM based.

** FY22 Financials

Valuation

Considering the P/E valuation on the upper price band of Rs.577, EPS and P/E of FY2022 are Rs.36.98 and 15.60 multiple respectively and at a lower price band of Rs. 548, P/E multiple is 14.82. Looking at the P/B ratio on the upper price band of Rs.577, post issue book value and P/B of FY22 are Rs. 151.82 and 3.80 multiple respectively and at a lower price band of Rs. 548 P/B multiple is 3.61. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

Comparatively adolescent by world standards, India's tractor market has expanded at a spectacular pace in last few years. For a long time since Independence, the market was dominated by mid-sized tractors with engine capacity of 30-40 HP. But it has diversified in recent years, which is evident in the rising demand for both bigger (over 50 HP) and smaller (below 20 HP) tractors. With growing need for greater precision in farm operations, especially in areas where intensive multi-crop farming is performed, demand for tractors of different sizes and utility values is bound to increase. Another factor driving demand for higher HP tractors is upgradation by farmers to allow mechanisation with rotary tillers and similar equipment. Significant demand had been generated by applications in haulage and construction. Mechanisation will be further fuelled by increasing shortage of labour. A new trend is evolving – tractors of less than 15 HP are being launched by manufacturers for farming smaller plots. Within segments, the domestic tractors market is dominated by 31-40 HP and 41-50 HP segments. In 2021, tractor production grew by 24%, owing to two consecutive years of near-normal monsoon, government support in various states on account of COVID-19 impact. Farm incomes were marginally impacted on the back of lower prices for pulses and coarse cereals. However, a record high food-grain production led to higher output. In major states, improving farm income for paddy, wheat and sugarcane growers mainly, coupled with increase in government intervention across states, improving tractor demand. Tractor production is projected to grow 5.6% in 2022, with normal monsoon expected to result in healthy growth for the cropping cycle and improved farmer sentiment. Government's increasing focus on rural activities has significantly boosted agricultural demand for tractors. However, rising tractor prices amid price hikes taken by OEMs due to rising commodity inflation; higher inventory at dealer's end to impact sentiments in the coming year. Credit availability continues to be stable with NBFCs strengthening their focus on tractor financing

Outlook

Uniparts India Limited is enjoying a niche place in the segment it is operating. It is a concept-to-supply player of precision products for off-highway vehicles with presence across the value chain. The company's product portfolio includes core product verticals of 3-point linkage systems and precision machined parts as well as adjacent product verticals of power take off, fabrications and hydraulic cylinders or components thereof. Uniparts India IPO is entirely an Offer for Sale (OFS) of 14,481,942 equity shares by promoter group entities and existing investors. Since the IPO would be entirely an OFS, the company will not receive any proceeds from the public issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	30-November-22
BID/ISSUE CLOSSES ON	02-December-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	07-December-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	08-December-22
Credit of Equity Shares to demat accounts of Allottees	09-December-22
Commencement of trading of the Equity Shares on the Stock Exchanges	12-December-22

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-22 (3 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	346.84	1227.42	903.14
Total expenditure	271.65	959.38	783.76
Operating Profit	75.19	268.05	119.38
OPM%	21.68	21.84	13.22
Other Income	0.92	3.62	44.55
PBDIT	76.11	271.66	163.93
Depreciation	9.59	36.65	37.26
PBIT	66.52	235.02	126.67
Interest	1.34	5.70	8.11
Restated Profit before tax	65.18	229.32	118.56
share of profit	0.00	0.00	0.00
Profit & Loss before Share of Post-acquisition Profit of Associate	65.18	229.32	118.56
Tax	14.67	62.43	25.41
PAT	50.51	166.89	93.15

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-22	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	202.14	206.22	200.19
Right of use assets	52.39	53.18	57.80
capital work - in progress	6.59	2.20	2.29
Goodwill	62.99	61.79	59.00
Other intangible assets	2.97	3.52	5.42
Intangible assets under development	0.02	0.00	0.00
Other financial assets	4.87	4.71	4.45
Current tax assets (Net)	5.89	14.84	11.28
Other non current assets	2.11	2.61	2.23
Total non-current assets	339.98	349.07	342.67
Current assets			
Inventories	464.82	441.95	339.08
Investments	0.00	0.00	1.25
Trade receivables	194.02	194.23	167.53
Cash and cash equivalents	31.43	14.00	10.82
other balances with banks	0.13	0.00	0.00
Derivative instruments	0.00	3.56	3.54
Loans	0.30	0.30	0.34
Other Financial assets	0.02	0.08	0.03
Other current assets	32.81	28.00	28.01
Total current assets	723.54	682.11	550.60
Total Assets	1063.51	1031.18	893.27
Non-current liabilities			
Financial liabilities			
Borrowings	4.68	4.86	5.72
Lease liabilities	22.80	23.41	27.86
Provisions	16.84	16.73	15.61
deferred tax liabilities	22.20	24.79	27.56
Other non-current liabilities	1.05	1.02	0.93
Total financial liabilities	67.57	70.81	77.67
Current liabilities			
Borrowings	109.98	122.41	122.06
lease liabilities	7.25	7.24	6.53
Derivative instruments	2.77	0.00	0.00
Due to MSME	46.07	36.41	38.01
Other than micro and small enterprises	57.59	53.18	52.09
Other Financial Liabilities	0.21	0.00	0.00
Other Financial Liabilities	36.43	33.66	27.08
Other liabilities	6.37	5.47	5.47
Current tax payable	15.34	16.76	4.22
Total current liabilities	282.02	275.13	255.46
Total	349.58	345.95	333.13
NET Worth	713.93	685.24	560.14
Net worth represented by:			
Share capital	44.62	44.62	44.62
Other Equity	669.311	640.617	515.52
Net Worth	713.93	685.24	560.14

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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