

One Stop Investment Avenue



**GEPL**  
CAPITAL

IPO Note

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# **UNIPARTS INDIA LIMITED**

November 30, 2022



UNIPARTS  
GROUP



**November 30, 2022**

Details of the Issue	
Price Band	₹ 548 - ₹ 577
Issue Size	₹ 835.61 Cr
Face Value	₹ 10
Bid Lot	25
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,473 Cr - ₹ 2,604 Cr
Investment Range	₹ 13,700 - ₹ 14,425

Important Indicative Dates (2022)	
Opening	30 - Nov
Closing	02 - Dec
Basis of Allotment	07 - Dec
Refund Initiation	08 - Dec
Credit to Demat	09 - Dec
Listing Date	12 - Dec

Lead Manager	
Axis Capital Limited	
DAM Capital Advisors Limited	
JM Financial Limited	

No of shares (Mn)	
Fresh Issue of Shares	-
Offer for Sales	14.48
Total No of Shares	14.48

Offer Details	
Offer Size	₹ 835.61 Cr
Fresh Issue	-
OFS	₹ 835.61 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	417.80	7.24	7.62	50%
NIB	125.73	2.17	2.28	15%
Retail	292.46	5.07	5.33	35%
Empl.	-	-	-	-
Total	835.61	14.48	15.24	100%

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	9.19	20.37%	9.19	20.37%
Public	10.14	22.49%	14.54	32.24%
Promoter Group	24.89	55.17%	20.49	45.42%
Employee Trust	0.89	1.98%	0.89	1.98%
Total	45.13	100%	45.13	100%

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Company Profile

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.

Business Highlights & Services

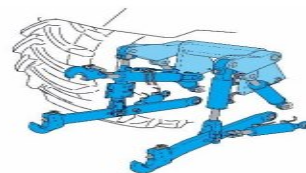
Company product portfolio includes core product verticals of 3-point linkage systems ("3PL") and precision machined parts ("PMP") as well as adjacent product verticals of power take off ("PTO"), fabrications and hydraulic cylinders or components thereof.

Uniparts India Limited 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 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. Unipart 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. They also cater to the after-market segment especially for 3PL product range. Unipart provide replacements of 3PL parts to organized aftermarket retailers and distributors in North America, Europe, South Africa and Australia.

**3PL:** The 3PL system forms a group of assemblies allowing an implement like a plough to be attached to the tractor at three coupling points, forming a triangle. Most tractors are equipped with a 3PL system and are classified according to International Organization for Standardization ("ISO") 730 in four categories, based on the engine rating. The 3PL transfers the entire load, which can be a multiple of the implement weight, between the tractor and implement. The parts are highly loaded and exposed to fatigue as well as wear and tear, in particular in the joints, due to movement under high load condition. 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.

**3-Point Linkage (3PL)**



**The 3PL comprises different parts:**

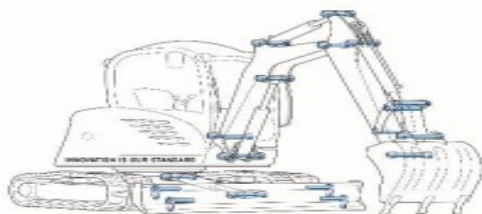
- Two lower arms called draft link or lower link, forming two out of the three coupling points;
- Two lift rods connecting the two lower links with two lift arms, which are not part of the 3PL but form part of the hydraulic lift. The hydraulic lift is powered and allows lowering and lifting of the 3PL;
- One top link or center link, acting as a connecting rod and forming the third coupling point; and
- Stabilizer systems controlling the lateral movement of the lower links

The features of a 3PL design are highly dependent on the market that it serves. The design features of a 3PL can be broadly classified as follows:

- **Standard:** Basic design of all components with simple joints to connect the implement to the tractor, used on low horsepower tractors and in the economy segment.
- **Telescopic:** In this design, the lower links do not have standard ball joints at the interfacing joining the implement, but a device allowing the slip end to be disengaged and then joined to the implement by having the tractor positioned in a certain proximity to the implement. In this configuration, the top link is usually a standard design with basic ball joints at the implement end.
- **Quick Coupler:** The lower links are equipped with a claw allowing the operator to remain in the operator station and to connect or disconnect an implement from the operator station, which has significant advantages with regard to safety and comfort, in particular considering the size and weight of implements connected to a tractor.
- **Frame Coupler:** This is a version of a quick coupler using a frame/single piece joined with the implement. This configuration is primarily a North American specification.

**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. Construction PMPs, the majority is used in articulated joints (hinges) where arms, booms and cylinders are attached to each other. These articulated joints are the single largest application of PMP for company. The size varies in terms of weight from less than 1kg per part to more than 100kg per part depending on the application they service. One of the key differences of this product range as compared to 3PL is that PMP parts are predominantly individual parts with significant load bearing capability and not a complete assembly of multiple parts, as compared to a 3-point linkage system comprising of multiple assemblies. Due to the complex design and high degree of precision required in PMP products, they lack standardization and the number of variants in this product vertical is very high.

### PMP in articulated joints



**Hydraulic Cylinder:** 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. Although all or several of customers possess in-house competence for manufacturing hydraulic cylinders, company believe that there is still significant demand, in particular in international markets, for hydraulic cylinders due to increased mechanization and transitions in technology, and that the following factors have led to that trend:

- Size and weight of equipment;
- Complexity of equipment and the application;
- Comfort and safety

### Hydraulic Application





**PTO:** 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, in many cases, secondary shafts to distribute the power within the implement. Company currently focused on producing PTO for the agriculture sector, which allows the transfer of power from the tractor to the implement. The design and features of PTO used for agricultural purposes are different from PTO shafts used in commercial truck or industrial applications. They differ in operating speed, joint design, design of telescopic members and the guard, which is mandatory, and are required to comply with international safety norms. The initial applications are rotavators, reapers, pumps and threshers. According to ISO standards, PTOs are classified into different sizes and power ratings specifying the power and torque that they are able to transmit.



**Fabrications:** Agriculture as well as construction equipment use fabrications ranging from large structural parts and chassis to small and medium in size with no chassis parts. These part vary in terms of size as well as design specifications and manufacturing process complexity. These parts can be 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. Examples of fabrication parts include hitch frames, A-frames, front-end loader parts, grain lifters and engine frames. its current focus is on applications and products which are not produced by customers in-house. These products such as trailer hitches, front hitch components, engine frame, grain lifter and front end loader parts are synergetic to products and vehicles currently service.



### Manufacturing Facilities

- ◆ **Ludhiana, Punjab:** Uniparts currently has 2 manufacturing facilities in Ludhiana, covering an aggregate area of approx. 4.47 acres and an aggregate built-up area of approx. 216,603.00 sq. ft. An ISO 9001:2015 certified facility is source of machined forging.
- ◆ **Visakhapatnam, Andhra Pradesh:** An ISO 14001:2015 and ISO 9001:2015 certified manufacturing facility was commissioned in Fiscal 2009 and is situated within an SEZ and dedicated to their export operations. This is an integrated and larges facility and is located across an aggregate area of approx. 30 acres and an aggregate built-up area of 300,008.04 sq. ft., including 85,577.14 sq. mts. of unutilized area available for scaling up of the operations.
- ◆ **Noida, Uttar Pradesh:** Uniparts has 2 manufacturing facilities in Noida, established in 2 phases in Fiscal 2000 and Fiscal 2006. These facilities are set up across two plots, across an aggregate area of approximately 8.185 acres and an aggregate built-up area of approximately 197,559.00 sq. ft. These facilities primarily serve the 3PL and PMP segments, primarily for the agriculture and CFM sectors. Both these facilities are ISO 9001:2015 and ISO 14001:2015 certified.
- ◆ **Eldridge, Iowa, United States:** Unipart has a manufacturing, warehousing and distribution facility in Eldridge, Iowa, United States acquired pursuant to their acquisition in 2005 of UOI. This facility has been set up across an aggregate area of approximately 9.52 acres and a built-up area of approximately 136,481.00 sq. ft. In addition, they leased additional area of approximately 15,000.00 sq. ft. of built-up area which is being utilized for warehousing purposes. This ISO 9001:2015 certified facility serves as a hub for sales of PMP products for the agriculture, construction, and material handling sectors for OEMs in the United States.



The map below illustrates our manufacturing, warehousing and distribution facilities worldwide, as of June 30, 2022:



**Manufacturing Facilities**

### Competition

Company ability to offer end-to-end solutions to customers (such as entire 3PL assemblies), instead of individual components, and emphasis on the global business model to meet customers varying requirements, differentiate from competition and also effectively function as an entry barrier for suppliers that do not have the benefit of a global business model of the kind that Unipart India Ltd have built and developed over the years.

Certain key players for PMP include General Grind & Machine (headquartered in Illinois, United States), Società Italiana Boccole Srl (headquartered in Bologna, Italy), Vishal Engineers (headquartered in Haryana, India), while those for 3PL include CBM Group (headquartered in Modena, Italy), GNK Walterscheid plc (headquartered in Lohmar, Nordrhein-Westfalen, Germany), Maxiforja Componentes Automotivos (headquartered in Canoas, Brazil), Sudtrac Linkages (headquartered in Haryana, India), Delica Co., Ltd. (headquartered in Matsumoto, Japan).

### Industries Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Uniparts India Ltd	10	1,231.04	37.74	151.82	NA	24.35%
<b>Peer Group</b>						
Balkrishna Industries Ltd	2	8,733	74.25	358.62	26.44	20.70%
Bharat Forge Ltd	2	10,656.98	23.23	142.33	36.73	16.25%
Ramkrishna Forging Ltd	2	2,321.71	12.43	67.45	18.6	18.36%

### Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

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

### Company's Promoter

Gurdeep Soni and Paramjit Singh Soni are the company promoters. Gurdeep has 42 years of work experience including 27 years of experience in different roles within the Uniparts Group and Paramjit Singh Sonj has 40 years of work experience including 27 years of experience as a Director of the company and is presently based in the USA.

### Board of Directors

It boards of directors include Gurdeep Soni who is the MD and chairman of the company. Paramjit Singh Soni who is the Executive Director and Vice chairman of the company. Alok Nagory, Sharat Krishan Mathur, Shradha Suri, Sanjeev Kumar Chanana are the Independent director of the company. Harjit Singh Bhatia is the Nominee Director and Herbert Coenen is the Non-Executive Director of the company.



### Companies Competitive Strength :

- Leading market presence in global off-highway vehicle systems and components segment.
- Engineering driven, vertically integrated precision solutions provider.
- Global business model optimizing cost-competitiveness and customer supply chain risks.
- Track record of strong operational and financial performance.
- Strategically located manufacturing and warehousing facilities that offer scale and flexibility.
- Quality Control, Environment and Occupational Health and Safety.
- Healthy financial position with robust financial performance metrics.
- Experienced Promoters and qualified senior management team.

### Key Strategies Implemented by Company

- Leverage integrated precision engineering capabilities and established global business model, to tap additional business opportunities and expand addressable market.
- Focus on higher value addition products and enhanced service offerings to improve the margin profile.
- Target new customer accounts and expand existing customer accounts.
- Enhance engineering, innovation and design competence.
- Grow inorganically through strategic acquisitions and alliances.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	44.62	44.62	44.62
Reserves	640.62	515.52	419.55
Net worth as stated	685.24	560.14	464.17
Revenue from Operation	1,227.42	903.14	907.22
Revenue Growth (%)	35.19%	(0.45)%	-
EBITDA as Stated	271.66	163.93	127.81
EBITDA margin (%)	22.13%	18.15%	14.09%
Profit Before Tax	229.32	118.56	74.40
Net Profit for the period	166.89	93.15	62.64
Net Profit (%) as Stated	13.60%	10.31%	6.90%
EPS (₹ )	37.74	21.12	14.20
RoNW (%)	24.35%	16.63%	13.50%
NAV (₹)	151.82	124.11	102.84
ROCE (%)	31%	19.78%	13.98%

### Valuations and Recommendation:

- Company's earnings stood at Rs 166.89 Cr in FY22. Company is expected to have post Market cap of Rs 2604 Cr, and based on its FY22 PAT, company's stocks (P/E) arrives at 15.70 (x).
- Company's issue pricing is inline with listed players such as Balkrishna Industries, Bharat Forge, Ramakrishna Forgings hence, We recommend "Subscribe" rating to the issue for Listing gains.



## Notes

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