

Uniparts India | BUY



Weakness to continue in the near-term; Orderbook shaping-up well

Uniparts India's (Uniparts) reported revenue declined 18% YoY and was 9% below JMFe. Inventory correction during the quarter had an impact of 8-9% on revenue growth. EBITDA margin at 18.3% was below JMFe. Inventory correction is expected to bottom out in 3Q with normalisation in 4Q. While US small agri demand remains muted, large Agri and CE demand remains healthy. Demand in EU also remains steady. Uniparts continues to see good traction (increasing wallet share/adding new customers) owing to China+1 de-risking strategy adopted by global OEMs. While near-term volume is expected to remain soft, we expect medium-term growth to be driven by focus on value-added and adjacent products. Profitability is expected to gradually improve to normalised margin level of ~21% by 4Q. We expect revenue/EPS CAGR of 9% over FY23-26E. Strong positive FCF, 20%+ return ratios and net cash position provides comfort. Stock currently trades at ~11x FY25e EPS. We maintain BUY with Sept'24 TP of INR 750 (14x FY25e EPS). Slowdown in global OHV demand and inability to gain orders for allied products remain key risks.

- Revenue / margins below estimate:** In 2QFY24, Uniparts reported revenues of INR 2.9bn (-18% YoY, -1% QoQ), 9% below JMFe. EBITDA for the quarter stood at INR 536mn (-33% YoY, -10% QoQ). EBITDA margin stood at 18.3% (-390bps YoY, -170bps QoQ), 270bps below JMFe. QoQ decline in margin was due to higher other expenses. Adj. PAT in 2QFY24 stood at INR 330mn (-37% YoY; 11% QoQ). Capex during 2Q stood at INR 83mn.
- Demand Outlook:** Performance during 2QFY24 was impacted due to inventory correction primarily in aftermarket channel (c.8-9% impact) and muted demand in US small agri market. The company expects inventory correction to bottom out in 3Q (with normalisation in 4QFY24). Management indicated that near-term operating environment remains mixed. US large Agri and CE OE demand remains strong while small Agri demand remain muted. OE demand in EU remains steady. However, company continues to see healthy order traction owing to China+1 de-risking strategy adopted by its customers. Company has won ~INR3bn worth new orders on TTM basis (vs. ~1.7bn annual run-rate pre-covid). Near-term volume is expected to remain soft owing to inventory correction. 3PL for large Agri & UTVs and adjacent products (Hydraulic Cylinders, PTO, etc.) remain key areas of opportunity in the medium-term.
- Margin Outlook:** Gross margin improved by 100bps QoQ owing to lower RM cost and phasing out of high cost inventory. However, EBITDA margin declined by 170bps QoQ on higher other expenses. The company expects EBITDA margin to normalise by 4QFY24. Softening inflationary pressure and focus on value-added business is also expected to support margins going ahead.
- Other highlights:** Pilot sales for UTV 3PL will be starting and ramp-up will be starting FY25. Margin on UTV 3PL is better than overall company margins.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	750
Upside/(Downside)	39.0%
Previous Price Target	800
Change	-6.3%

Key Data – UNIPARTS IN

Current Market Price	INR540
Market cap (bn)	INR24.3/US\$0.3
Free Float	33%
Shares in issue (mn)	45.1
Diluted share (mn)	45.1
3-mon avg daily val (mn)	INR95.8/US\$1.1
52-week range	723/501
Sensex/Nifty	64,905/19,425
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	-2.8	-6.8	0.0
Relative*	-0.7	-10.9	0.0

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	12,275	13,660	12,774	15,283	17,517
Sales Growth (%)	35.9	11.3	-6.5	19.6	14.6
EBITDA	2,681	2,970	2,528	3,257	3,807
EBITDA Margin (%)	21.8	21.7	19.8	21.3	21.7
Adjusted Net Profit	1,688	2,049	1,672	2,220	2,614
Diluted EPS (INR)	37.4	45.4	37.1	49.2	57.9
Diluted EPS Growth (%)	81.2	21.4	-18.4	32.8	17.7
ROIC (%)	22.5	24.1	20.6	27.4	25.9
ROE (%)	27.2	27.0	18.8	21.7	20.8
P/E (x)	14.4	11.9	14.6	11.0	9.3
P/B (x)	3.6	2.9	2.6	2.2	1.7
EV/EBITDA (x)	9.6	8.3	9.1	7.2	6.4
Dividend Yield (%)	1.7	2.2	2.1	2.7	3.2

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2023

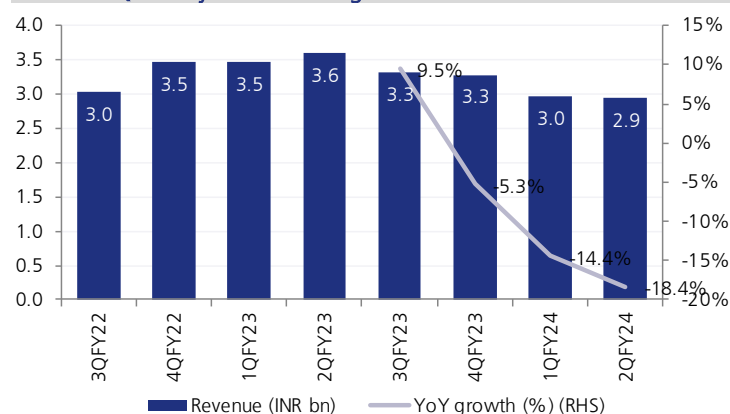
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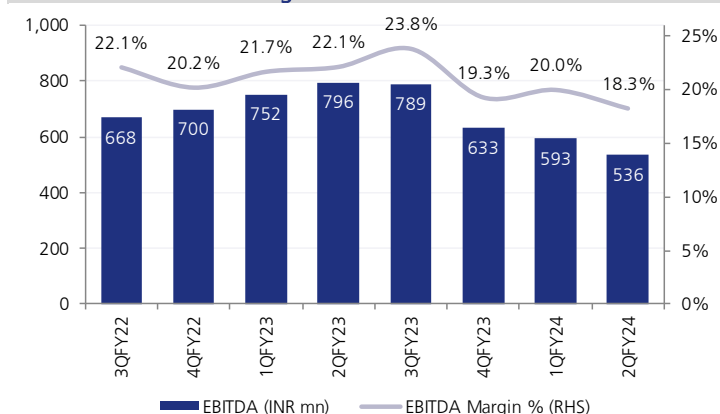
Exhibit 1. Quarterly financial performance

Financial Matrices (INR mn)	2QFY24	2QFY23	% YoY	1QFY24	% QoQ	2QFY24E	Var (%)
Sales	2,937	3,598	(18.4)	2,968	(1.0)	3,235	(9.2)
RM	1,113	1,243	(10.5)	1,153	(3.5)	1,262	(11.8)
as a % of sales	37.9	34.6	330bps	38.8	-100bps	39.0	-110bps
Employee Exp	613	598	2.5	601	2.0	615	(0.3)
as a % of sales	20.9	16.6	420bps	20.3	60bps	19.0	190bps
Other Costs	675	960	(29.7)	621	8.7	679	(0.6)
as a % of sales	23.0	26.7	-370bps	20.9	210bps	21.0	200bps
Expenditure	2,401	2,801	(14.3)	2,375	1.1	2,555	(6.1)
EBITDA	536	796	(32.7)	593	(9.6)	679	(21.1)
EBITDA Margin (%)	18.3	22.1	-390bps	20.0	-170bps	21.0	-270bps
Other Income	10	18	(43.9)	9	15	10	2.1
Interest	11	18	(39.5)	11	(6)	12	(11.3)
Depreciation	105	99	6.0	99	5	101	3.6
PBT	431	698	(38.3)	491	(12)	576	(25.2)
Tax	101	171	(40.7)	120	(16)	145	(30.2)
Tax rate (%)	23.5	24.4		24.4	-100bps	25.1	(1.7)
PAT (Adjusted)	330	528	(37.5)	371	(11.1)	432	(23.5)
EPS (INR)	7.3	11.7	(37.5)	8.2	(11.1)	9.6	(23.5)

Source: Company, JM Financial

Exhibit 2. Quarterly revenue and growth trend

Source: Company, JM Financial

Exhibit 3. EBITDA and margin trend

Source: Company, JM Financial

Exhibit 4. Uniparts India – Change in estimates

Uniparts India	New assumption			Old assumption			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue (INR mn)	12,774	15,283	17,517	14,141	16,556	18,965	-10%	-8%	-8%
EBITDA (INR mn)	2,528	3,257	3,807	3,035	3,679	4,235	-17%	-11%	-10%
EBITDA margin (%)	19.8	21.3	21.7	21.5	22.2	22.3	-50bps	-90bps	-60bps
PAT (INR mn)	1,672	2,220	2,614	2,032	2,509	2,900	-18%	-11%	-10%
EPS (INR)	37.1	49.2	57.9	45.0	55.6	64.3	-18%	-11%	-10%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	12,275	13,660	12,774	15,283	17,517
Sales Growth	35.9%	11.3%	-6.5%	19.6%	14.6%
Total Revenue	12,275	13,660	12,774	15,283	17,517
Cost of Goods Sold/Op. Exp	4,016	4,875	4,727	5,578	6,394
Personnel Cost	2,197	2,396	2,283	2,651	2,980
Other Expenses	3,381	3,418	3,236	3,797	4,337
EBITDA	2,681	2,970	2,528	3,257	3,807
EBITDA Margin	21.8%	21.7%	19.8%	21.3%	21.7%
EBITDA Growth	124.6%	10.8%	-14.9%	28.8%	16.9%
Depn. & Amort.	366	390	410	430	475
EBIT	2,315	2,580	2,118	2,827	3,332
Other Income	36	162	122	134	147
Finance Cost	57	60	40	40	40
PBT before Excep. & Forex	2,294	2,682	2,200	2,921	3,440
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,294	2,682	2,200	2,921	3,440
Taxes	605	633	528	701	826
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,688	2,049	1,672	2,220	2,614
Adjusted Net Profit	1,688	2,049	1,672	2,220	2,614
Net Margin	13.8%	15.0%	13.1%	14.5%	14.9%
Diluted Share Cap. (mn)	45.1	45.1	45.1	45.1	45.1
Diluted EPS (INR)	37.4	45.4	37.1	49.2	57.9
Diluted EPS Growth	81.2%	21.4%	-18.4%	32.8%	17.7%
Total Dividend + Tax	405	539	502	666	784
Dividend Per Share (INR)	9.0	12.0	11.1	14.8	17.4

Source: Company, JM Financial

Cash Flow Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	2,293	2,682	2,200	2,921	5,135
Depn. & Amort.	366	390	410	430	475
Net Interest Exp. / Inc. (-)	38	34	40	40	40
Inc (-) / Dec in WCap.	-1,126	151	663	-964	-3,021
Others	-90	-86	0	0	0
Taxes Paid	-624	-633	-528	-701	-1,232
Operating Cash Flow	856	2,538	2,786	1,726	1,396
Capex	-347	-300	-237	-406	-394
Free Cash Flow	510	2,239	2,548	1,320	1,003
Inc (-) / Dec in Investments	0	0	0	0	0
Others	21	-237	-500	-1,000	-1,000
Investing Cash Flow	-326	-536	-737	-1,406	-1,394
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-405	-539	-502	-666	-784
Inc / Dec (-) in Loans	-42	-1,165	-40	-40	-40
Others	-52	-50	0	0	0
Financing Cash Flow	-499	-1,755	-541	-706	-824
Inc / Dec (-) in Cash	32	247	1,507	-386	-821
Opening Cash Balance	108	140	387	1,894	1,508
Closing Cash Balance	140	387	1,894	1,508	687

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	6,852	8,306	9,477	11,031	14,149
Share Capital	446	446	446	446	446
Reserves & Surplus	6,406	7,860	9,031	10,585	13,703
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	1,579	610	610	610	610
Def. Tax Liab. / Assets (-)	248	229	229	229	229
Total - Equity & Liab.	8,680	9,145	10,316	11,870	14,988
Net Fixed Assets	3,269	3,441	3,268	3,244	3,163
Gross Fixed Assets	5,510	5,999	6,236	6,642	7,036
Intangible Assets	653	677	677	677	677
Less: Depn. & Amort.	2,916	3,306	3,716	4,146	4,621
Capital WIP	22	71	71	71	71
Investments	148	309	809	1,809	2,809
Current Assets	6,894	6,803	7,616	8,339	10,991
Inventories	4,419	4,530	3,852	4,608	6,978
Sundry Debtors	1,942	1,553	1,558	1,864	2,822
Cash & Bank Balances	140	387	1,894	1,508	687
Loans & Advances	36	-16	-19	-19	-19
Other Current Assets	357	349	332	379	525
Current Liab. & Prov.	1,632	1,409	1,378	1,522	1,975
Current Liabilities	906	715	670	799	1,205
Provisions & Others	726	694	708	723	771
Net Current Assets	5,262	5,395	6,238	6,817	9,016
Total - Assets	8,680	9,145	10,316	11,870	14,989

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	13.8%	15.0%	13.1%	14.5%	14.9%
Asset Turnover (x)	1.5	1.5	1.3	1.4	1.3
Leverage Factor (x)	1.3	1.2	1.1	1.1	1.1
RoE	27.2%	27.0%	18.8%	21.7%	20.8%

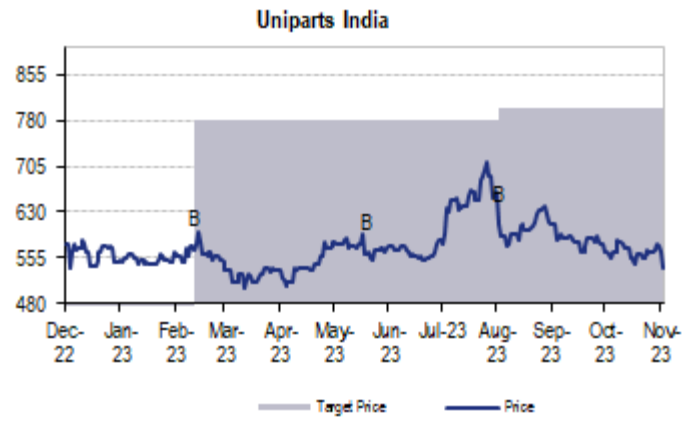
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	151.8	184.0	210.0	244.4	313.5
ROIC	22.5%	24.1%	20.6%	27.4%	25.9%
ROE	27.2%	27.0%	18.8%	21.7%	20.8%
Net Debt/Equity (x)	0.2	0.0	-0.1	-0.1	0.0
P/E (x)	14.4	11.9	14.6	11.0	9.3
P/B (x)	3.6	2.9	2.6	2.2	1.7
EV/EBITDA (x)	9.6	8.3	9.1	7.2	6.4
EV/Sales (x)	2.1	1.8	1.8	1.5	1.4
Debtor days	58	42	45	45	59
Inventory days	131	121	110	110	145
Creditor days	34	24	23	24	32

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
20-Feb-23	Buy	780	
28-May-23	Buy	780	0.0
10-Aug-23	Buy	800	2.6

Recommendation History



APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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