Uniparts India Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Uniparts India maintains a dominant "Dual-Shore" engineering model with 20+ year OEM relationships, successfully pivoting from 3PL to higher-value Precision Machined Parts (51.5% of revenue).**	—
2	***Top-line performance suffered a 16.58% YoY contraction to 1,140 Cr, driven primarily by cyclical destocking within the global Agriculture sector.***	—
3	EBITDA margins settled at 18.5%, benefiting from a significant 58% collapse in freight costs which provided a necessary cushion against operating deleverage.	—
4	***Net Profit declined 39% to 125 Cr, further impacted by a 51.94 Cr non-cash provision reversal for obsolescence that masked deeper operational weakness.***	—
5	**Financial health remains robust with a conservative Debt/Equity ratio of 0.12x and the successful full repayment of all long-term Rupee term loans.**	—
6	**Cash generation is a core strength, with Cash Flow from Operations (CFO) of □200 Cr representing an exceptional 1.60x PAT conversion ratio.**	—
7	Capital allocation remains disciplined with an 18% ROCE and a high dividend payout of 51% (□90 Cr), though cyclicality continues to dilute return ratios.	—
8	***Working capital stress is evident as inventory days bloated to 376 days, with 65% of stock tied up as finished goods or in-transit at ports.***	—
9	***Governance is flagged by a significant internal control weakness where the audit trail feature was not enabled at the database level, alongside 128.95 Cr in disputed tax demands.***	—
10	**Future growth levers are active via a pilot launch in the $200M UTV market and the onboarding of a major North American retail partner to diversify revenue.**	—
11	The outlook depends on the "China + 1" strategy and Ag-sector recovery, with a bull case predicated on 20% + growth if UTV addressable markets convert to firm orders.	—
12	**Investment View: ACCUMULATE on cyclical weakness; monitor inventory levels (threshold <320 days) and resolution of the audit trail compliance issue.**	—

1. Business overview (In Bullet Points)

- **Business Segments:** Uniparts is a global manufacturer of engineered systems and solutions, primarily serving the Off-Highway Vehicle (OHV) market. Key product segments include 3-Point Linkage systems (3PL) and Precision Machined Parts (PMP).
- **Revenue Drivers:** Historically driven by the small-agriculture (Ag) segment; however, FY24 saw a structural shift where **PMP surpassed 3PL** as the primary revenue driver (51.5% vs 45.8%), indicating growth in Construction, Forestry, and Mining (CFM).
- **Cost Drivers:** Major costs include raw materials (steel), employee benefits (21.59% of revenue), and logistics. FY24 saw a significant 58% collapse in **Cartage, Freight & Forwarding** costs, which cushioned margins.

- **Industry Position:** Leading global player in 3PL systems with long-term (20+ year) relationships with top 10 global Ag OEMs.
- **Expansion Plans:** Aggressive pursuit of the Utility Terrain Vehicle (UTV) linkage market (estimated $200M addressable market) and expansion into the North American retail aftermarket.
- **Capacity Additions:** Commenced production at a new facility in Ludhiana and invested in green energy via solar plants in Vizag and Noida.
- **Geographical Presence:** Operates a "Dual-Shore" model with manufacturing in India and the US, supported by warehousing in Germany to service European markets.
- **Segment Performance:** Faced a 16.6% revenue contraction in FY24, attributed to "channel inventory destocking" in the North American small-Ag segment.

2. Management commentary & outlook

- Management attributes the FY24 revenue decline to trade partners clearing old inventory ("destocking") rather than a collapse in end-user demand, expecting a recovery once channel inventory hits bottom.
- The strategic focus is shifting from being a "component supplier" to a "provider of complete assemblies," which increases switching costs for OEMs and deepens integration into the vehicle design phase.
- The "Dual-Shore" model is being leveraged as a defensive moat to neutralize long-distance supply chain risks and meet OEM demands for "just-in-time" delivery and "China + 1" de-risking.
- Management has identified a $200M annual addressable market for UTV linkages and has launched a pilot batch in the North American aftermarket.
- Retail expansion is a key priority, evidenced by onboarding the second-largest retail store group in North America to reduce over-reliance on large OEM production schedules.
- Management notes a healthy increase in inquiries and engagements due to global OEMs seeking alternatives to China, though this has yet to reflect significantly in FY24 revenue.
- Capital allocation remains disciplined; management is not chasing growth at the expense of the balance sheet, maintaining a net-cash status.
- The long-term vision involves diversifying the OHV engineering portfolio to buffer against cyclicality in the core Agriculture business.
- Management Tone: **Conservative & Transparent.** The leadership did not attempt to window-dress the 16.6% revenue drop, focusing instead on the health of cash flows (CFO at 160% of PAT) and maintaining a strong balance sheet. The tone reflects tactical conservatism and a focus on structural resilience over short-term growth.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Sales	1,140	1,366
Sales Growth %	-16.58	11.29
Expenses	938	1,068
Material Cost %	37.13	35.69
Raw material cost	397	497
Change in inventory	26	-9
Manufacturing Cost %	17.71	16.54
Employee Cost %	21.59	17.57
Other Cost %	5.91	8.40
Operating Profit	201	298
OPM %	18	22
Other Income	9	15
Exceptional items	0.11	-0.86
Other income normal	9.33	16.22
Interest	6	6
Depreciation	42	39
Profit before tax	163	268
Tax %	24	24
Net Profit	125	205
Exceptional items AT	0	-1
Profit excl Excep	125	206
Profit for PE	125	206
Profit for EPS	125	205
Profit Growth %	-39	22
EPS (□)	27.63	45.40
Dividend Payout %	51	31

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	45	45
Reserves	823	786
Borrowings	103	61
Long term Borrowings	2	9
Short term Borrowings	60	8
Lease Liabilities	41	44
Other Borrowings	0	0
Other Liabilities	170	182
Trade Payables	84	70
Advance from Customers	0	0
Other liability items	85	112
Total Liabilities	1,140	1,074
Fixed Assets	330	337
Land	33	33
Building	145	146
Plant Machinery	352	339
Equipments	13	12
Computers	19	16
Furniture n fittings	6	6
Vehicles	12	10
Intangible Assets	66	66
Other fixed assets	21	20
Gross Block	667	648
Accumulated Depreciation	337	311
CWIP	13	7
Investments	156	25
Other Assets	641	705
Inventories	436	470
Trade receivables	133	155
Cash Equivalents	19	39
Loans n Advances	9	9
Other asset items	44	32
Total Assets	1,140	1,074

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	200	253
Profit from operations	202	301
Receivables	22	37
Inventory	29	-11
Payables	14	-19
Loans Advances	0	0
Other WC items	-28	8
Working capital changes	36	15
Direct taxes	-39	-63
Cash from Investing Activity	-160	-53
Fixed assets purchased	-36	-32
Fixed assets sold	2	2
Investments purchased	0	0
Interest received	3	1
Dividends received	0	0
Other investing items	-130	-24
Cash from Financing Activity	-59	-175
Proceeds from borrowings	52	7
Repayment of borrowings	-7	-116
Interest paid fin	-4	-5
Dividends paid	-90	-54
Financial liabilities	-9	-7
Net Cash Flow	-20	25
Free Cash Flow	166	223
CFO/OP	118	106

Key ratios

Line item	Mar 2024	Mar 2023
Debtor Days	43	42
Inventory Days	376	352
Days Payable	73	53
Cash Conversion Cycle	346	340
Working Capital Days	134	136
ROCE %	18	32

3.2 Financial analysis summary

- **Revenue** experienced a sharp contraction of 16.58% YoY to □1,140.00 Cr, primarily driven by a cyclical downturn in the Off-Highway Vehicle (OHV) sector, with finished goods contributing 96.20% of the total mix.
- This decline in **Revenue** directly impacted Net Profit, which fell 39% to □125.00 Cr, as the company faced high operating leverage from Employee Cost % rising to 21.59% despite the sales slump.
- **EBITDA** margins were partially defended, settling at 18.51% vs 22.47% in the prior year, aided by a massive 58% collapse in Cartage, Freight & Forwarding costs to □3.60 Cr and a net exchange gain of □1.24 Cr which acted as a non-operating booster to the P&L.
- **Working Capital** management shows a significant divergence; while Trade Receivables fell 14.1% to □133.00 Cr in line with sales, Inventories only decreased by 6.3% to □436.00 Cr, causing Inventory Days to bloat to 376 days.
- Finished goods at port comprise **65%** of total Inventory, signaling potential overstocking or slow movement in international channels, which consumed □29.00 Cr of cash in the Cash Flow Statement.
- **Trade Payables** increased by 19.45% to □84.00 Cr despite lower procurement, suggesting the company is stretching its credit period (73 Days Payable) to manage liquidity, which provided a □14.00 Cr boost to CFO.
- **Total Debt** increased to □103.00 Cr from □61.00 Cr, driven by a massive shift toward Short term Borrowings (□60.00 Cr), specifically "Preshipment packing credit" carrying interest rates of 5.57% to 5.97%, while long-term Rupee loans were fully repaid.
- **Cash Flow from Operations (CFO)** remained healthy at □200.00 Cr, representing a strong 1.60x CFO/PAT ratio, as the business successfully converted earnings into cash despite the profit drop.
- This supported a **Free Cash Flow (FCF)** of □166.00 Cr, which comfortably covered the □90.00 Cr in Dividends paid, reflecting a sustainable 51% Dividend Payout %.
- **Capital Allocation** remained focused on maintenance and minor expansion, with Fixed assets purchased of □36.00 Cr increasing the Gross Block to □667.00 Cr, while Investments surged to □156.00 Cr from □25.00 Cr, reflecting the deployment of surplus cash into liquid instruments.
- **ROCE** saw a significant dilution, falling from 32.00% to 18.00%, driven by the dual impact of lower EBIT and a slightly expanded Total Assets base (□1,140.00 Cr), indicating deteriorating asset sweating efficiency.
- **Other Assets** saw a 72% jump in statutory dues receivable (□186.22 Cr), suggesting a buildup of GST/ Customs credits locking up cash, while Other Expenses were impacted by a 66% spike in Legal & Professional Charges (□81.28 Cr).
- The dominant financial theme of the year is **resilient cash generation amidst a sharp cyclical contraction**, where strong CFO and FCF provided a buffer against declining Revenue and bloating Inventory.

3.3 Contingent liabilities & commitments

- **Income Tax Demands:** □128.95 Cr (Disputed). This represents a material 10.3% of current year PAT; management does not acknowledge this as debt.
- **Capital Commitments:** □53.70 Cr (Unexecuted). Indicates ongoing maintenance or minor expansion capex.
- **Bank Guarantees:** □60.82 Cr outstanding, primarily to BSE and Customs.
- **Sales Tax/GST Matters:** □3.33 Cr (Disputed).

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — strong cash conversion	—	High earnings quality; effective cash realization despite revenue contraction.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — inventory buildup risk	—	Receivables correlate with sales, but slow inventory liquidation suggests potential overstocking.
3	Revenue timing	Revenue ↑↓ — cut-off risk	—	KAM: Auditor flagged timing of revenue recognition due to diverse shipment terms.
4	Revenue from related parties %	Neutral — limited direct impact	—	Corporate guarantees provided for subsidiary Gripwel Conag indicate centralized credit support.
5	Inventory vs revenue growth	Profit ↓ — margin pressure	—	Finished goods at port comprise 65% of inventory, signaling slow movement in international channels.
6	Inventory valuation method change	Profit ↑ — FIFO valuation	—	Note 2.7: FIFO method used; can lead to higher profits if input costs decline.
7	Exceptional items in operating profit	Profit ↑ — negligible impact	—	Minimal impact on P&L; profit excluding exceptions remains at ₹125 Cr.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive depreciation	—	Note 2.10: Useful lives based on internal evaluation, potentially slower than Schedule II.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost	—	Note 6: Significant provision reversal (₹51.94 Cr) warrants scrutiny regarding actual inventory age.
10	Tax rate consistency	Neutral — tax alignment	—	Effective tax rate of 23.67% indicates no aggressive tax planning or haven reliance.
11	CWIP age and stalling projects	Neutral — minor expansion	—	Capital commitments of ₹53.70 Cr indicate ongoing maintenance despite the revenue slowdown.
12	Deferred tax asset recognition adequacy	Neutral — conservative accounting	—	Tax rate consistency suggests deferred tax movements are in line with timing differences.
13	RPT quantum and trend	Neutral — centralized support	—	Complex holding structure via family trusts; guarantees provided to Gripwel Conag.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payouts	—	Dividend payout increased to 51% despite profit drop, supported by strong operating cash.
15	Audit Trail Feature	Neutral — internal control risk	—	Audit trail feature was not enabled at the database level of the accounting software.
16	Statutory Dues Buildup	Profit ↓ — cash lock-up	—	72% jump in GST/Customs credits suggests a lag in realization from authorities.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion:** Unqualified.
- **KAM - Revenue Recognition:** The auditor flagged the timing of revenue recognition due to the complexity of various shipment terms (Incoterms) and the high volume of transactions near year-end. Management responded by testing internal controls over the "order-to-cash" cycle.
- **KAM - Trade Receivables:** Focus was placed on the collectability of unsecured receivables from Global OEMs and the subjectivity involved in management's Expected Credit Loss (ECL) estimations.

- **Audit Trail Feature:** The auditor issued a modified comment under Rule 11(g), stating that the **audit trail feature was not enabled at the database level** of the accounting software to log direct data changes. This represents a significant forensic risk regarding data integrity.
- **Auditor Fees:** Total fees of 0.91 Cr (Audit: 0.40 Cr, Non-audit: 0.51 Cr). Non-audit fees are high relative to audit fees, primarily due to prior IPO-related activities.

B. Related party transactions

Party	Relationship	Nature	Amount (□Cr)	Concern
Uniparts ESOP Trust	Common control	Interest-free Loan Balance	3.21 Cr	Recovery dependent on share price
Gripwel Conag	Subsidiary	Corporate Guarantee	6.61 Cr	Standard support for subsidiary debt
Gurdeep Soni	Promoter/CMD	Remuneration (via GFPL)	Not disclosed	Zero pay from parent
Paramjit Singh Soni	Promoter/VC	Remuneration (via UUL)	Not disclosed	Zero pay from parent

- **RPT Verdict:** Clean. Transactions are primarily for operational support of subsidiaries. RPT as % of Revenue is 0.23%, well below the 10% threshold.

C. Shareholding

- **Promoters:** 65.79% (No change YoY)
- **FIIs:** 17.54%
- **DIIs:** 0.00%
- **Public:** 15.10%
- **Pledged Shares:** 0.00%

D. Board composition + KMP compensation

- **Total Directors:** 7 (4 Independent, 57.14%)
- **Women Directors:** 2 (Ms. Shradha Suri and Ms. Celine George)
- **KMP Compensation:** Both **Gurdeep Soni** (CMD) and Paramjit Singh Soni (VC) draw zero remuneration from the Indian parent company, receiving pay only from subsidiaries (GFPL and Uniparts USA). They are brothers.
- **YoY Growth:** Parent remuneration for promoters remained at 0.00 Cr, while consolidated EBITDA fell 32.55%.

F. Capital allocation & capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Dividends	90.00	54.00	45.00	—
Capex	36.00	32.00	18.00	—
Net Debt Change	42.00	-109.00	21.00	—
Interest Payments	4.00	5.00	2.00	—
Inventory Investment	29.00	-11.00	14.50	—

- **CFO Coverage of Capex:** 5.55x, indicating the company is easily self-funding capital requirements.
- **Nature of Capex:** Growth-oriented, including the **commencement of production at the new Ludhiana facility** and solar plant investments.

- **Deployment Efficiency:** Revenue fell 16.58% while Gross Block increased by 2.93%, suggesting temporary under-utilization of new capacity.
- **Takeaway:** While cash-rich, the 66% increase in dividend payout (90 Cr) during a 39% PAT decline suggests a priority on shareholder returns over cash preservation.

H. Risks

- 1. ***Audit Trail*** (Governance): Database-level logging not enabled. **Impact:** Risk of undetected manual overrides or data tampering (High Severity).
- 1. ***Inventory Obsolescence*** (Operational): High inventory days (376). **Impact:** Potential for significant write-downs if demand does not revive (High Severity).
- 1. ***Tax Litigation*** (Regulatory): Disputed income tax demands of 128.95 Cr. **Impact:** Represents 10.3% of PAT; adverse ruling would hit liquidity (Medium Severity).
- 1. ***Customer Concentration*** (Strategic): Reliance on top 10 global OHV OEMs. **Impact:** Loss of a single client would severely impact the topline (Medium Severity).
- 1. **Forex Risk** (Financial): High export exposure. **Impact:** Rupee appreciation impacts margins, though currently a net gainer (Low Severity).

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	20+ year OEM ties; PMP > 3PL shift	Strong competitive position and successful diversification into CFM.
Financial health	4	↓	D/E 0.12x; CFO/PAT 1.60x	Very strong cash generation and low leverage, though inventory is bloating.
Earnings quality	3	↓	CFO > PAT; ₹51.94 Cr provision reversal	High cash conversion offset by significant non-cash provision reversals.
Management & governance	3	↓	Audit trail flag; Zero promoter pay from parent	Generally transparent but flagged for internal control weaknesses.
Capital allocation & earnings visibility	3	→	ROCE 18%; 51% Dividend payout	Disciplined capex but ROCE diluted by cyclicality and high dividends.

Business positives (for this company this year) * **Strong Cash Conversion: CFO** of ₹200 Cr significantly exceeded PAT of ₹125 Cr (1.60x ratio). * **Structural Diversification: PMP** segment surpassed 3PL to reach 51.5% of revenue, reducing Ag-sector cyclicality. * **Cost Resilience: Cartage & Freight** costs collapsed by 58% (₹3.60 Cr), providing a major margin cushion. * **Debt Profile:** Maintained a low **Debt/Equity** of 0.12x and fully repaid long-term Rupee term loans. * **New Growth Levers:** Pilot launch in the $200M UTV market and onboarding a major North American retail partner.

Business negatives / concerns (for this company this year) * **Revenue Contraction: Revenue** fell 16.58% YoY due to cyclical destocking in the Ag segment. * **Inventory Stress: Inventory Days** bloated to 376 days, with finished goods at port comprising 65% of stock. * **Governance Flag:** Auditor reported that the **audit trail feature was not enabled** at the database level. * **Provision Reversal:** A ₹51.94 Cr reduction in obsolescence provision provided a non-cash boost to the **P&L**. * **Tax Risk:** Disputed **Income Tax Demands** of ₹128.95 Cr represent 10.3% of current year PAT.

Overall scorecard summary Uniparts India demonstrates high financial resilience, characterized by exceptional cash flow generation (CFO > PAT) and a very conservative debt profile despite a sharp 16.6% revenue contraction. While the business is successfully diversifying into the construction and retail segments, it is currently grappling with significant inventory bloating and a notable internal control weakness regarding its audit trail. The company remains on a **stable** trajectory, as its "Dual-Shore" model and net-cash position provide a sufficient buffer to navigate the current cyclical downturn in the global Agriculture sector.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 8/10 — Governance Rating: 3"

Part c: investor verdict

Thesis: A high-quality cyclical play on global OHV engineering with a strong "Dual-Shore" moat and exceptional cash flow resilience. **Overall stance:** ACCUMULATE **Rationale:** Strong cash generation and structural shift to PMP outweigh the temporary cyclical downturn and inventory bloating. **Re-evaluate when:** Inventory Days exceed 400 days OR if the disputed tax demand (□129 Cr) results in an adverse final ruling. **BULL CASE:** Rapid conversion of the $200M UTV addressable market and "China + 1" inquiries into firm orders, driving 20%+ revenue growth. **BEAR CASE:** Prolonged Ag-sector recession leading to significant inventory write-downs and margin compression below 15%. **Key monitorable:** Inventory Days: 376 → Watch threshold: 320 (signaling destocking completion).

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status (FY23)	Summary b status (FY24)	Forensic takeaway
Capital Allocation	Focused on aggressive deleveraging (repaid ₹116 Cr) and 31% dividend payout.	Shifted to aggressive shareholder returns (51% payout) despite a 39% PAT decline.	Management is prioritizing dividend consistency over cash preservation during a cyclical downturn.
Margin Trajectory	High efficiency with ROCE at 32% and OPM at 22%.	Significant dilution with ROCE falling to 18% and OPM to 18%.	Negative operating leverage and cyclical demand softness are severely impacting return ratios.
Working Capital	Inventory days at 352; receivables fell 20% showing high collection efficiency.	Inventory days bloated to 376; statutory dues receivable jumped 72% to ₹186 Cr.	Cash is increasingly trapped in slow-moving finished goods and delayed statutory refunds.
Tax Litigation	Disputed income tax demands stood at a manageable ₹13.02 Cr.	Disputed income tax demands escalated nearly 10x to ₹128.95 Cr.	A massive surge in contingent liabilities represents a significant latent risk to the balance sheet.
Revenue Mix	3-Point Linkage (3PL) systems were the primary revenue driver.	Precision Machined Parts (PMP) surpassed 3PL to reach 51.5% of revenue.	The company is successfully pivoting toward the construction and mining segments to offset agriculture cyclicality.
Governance/ Audit	Clean internal control report with no material weaknesses noted.	Auditor issued a modified comment regarding the lack of a database-level audit trail.	The emergence of a technical internal control failure introduces risks regarding data integrity and manual overrides.
Management Tone	Growth-oriented, highlighting a "massive surge" in cash flow and deleveraging.	Tactically conservative, focusing on "channel destocking" and structural resilience.	Management has transitioned to a defensive posture, emphasizing cash conversion over top-line growth.

7.2 Persistent patterns

- **Superior Cash Conversion:** The company consistently generates **CFO significantly in excess of PAT** (1.23x in FY23 and 1.60x in FY24), indicating high-quality accruals.
- **Zero-Remuneration Promoters:** The CMD and VC consistently draw **zero salary from the Indian parent company**, receiving compensation only through subsidiaries.
- **High Inventory Intensity:** The business model is structurally burdened by **exceptionally high inventory days (>350 days)**, driven by the "Dual-Shore" long-distance supply chain.
- **Self-Funding Growth:** Capex requirements remain consistently modest relative to cash flow, allowing the company to **fund all expansions and dividends through internal accruals**.
- **Customer Concentration:** A persistent reliance on the **top 10 global OHV OEMs** remains a structural risk, though mitigated by 20+ year relationships.
- **Clean Equity Structure:** The promoter group maintains a **stable ~65.8% stake with zero pledged shares** across both periods.
- **China + 1 Positioning:** Management consistently markets the **"Dual-Shore" manufacturing model** as a strategic moat to capture global supply chain de-risking trends. No material persistent pattern identified.