

Uniparts India Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Miss One-line: A rare and painful convergence of downturns in both Large Agriculture and Construction equipment has broken the cyclical offset thesis, pushing any meaningful recovery into late FY25.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss	Revenue (-12% YoY) and PAT (-33% YoY) fell significantly below the long-term 15% growth aspiration.	☐
Earnings Quality	High (Core driven)	CFO (₹50 Cr) is 2x PAT (₹24.5 Cr) due to efficient working capital management despite top-line pain.	☐
Guidance Confidence	Weak	Management shifted FY25 outlook from "growth" to "flattish" due to missed signals in Large Ag.	☐
Management Credibility	Neutral	Candid about missing the depth of the Large Ag slowdown; however, "recovery" timelines are being pushed out.	☐
Business Quality Signal	Deteriorating	Structural vulnerability exposed as Ag and Construction cycles are troughing simultaneously rather than offsetting each other.	☐
Key Q&A Exchange	Q2: Why is guidance so volatile?	Mgmt admitted customers (Deere/CAT) only recently slashed forecasts, limiting visibility.	☐
The Street's Primary Anxiety	Cyclical Trap	Fear that both main segments will remain depressed for >12 months; mgmt response points to interest rates as the only toggle.	☐
Capital Cycle Stage	Consolidation	Focused on debt-free status and cash accumulation (₹154 Cr net cash) during a demand trough.	☐
Margin Trajectory	Deteriorating	EBITDA margins compressed to 17.6% (vs 20.3% YoY) due to operating leverage.	☐
Pricing Power	Stable	Pass-through agreements for steel remain intact; pressure is volume-driven, not price-driven.	☐
FCF Conversion	Strong	Excellent cash generation despite low profitability; 200%+ PAT-to-CFO conversion.	☐
Competitive Moat	Stable	Dual-shore model (India/US) remains a sticky advantage for OEMs seeking supply chain de-risking.	☐
Balance Sheet Strength	Strong	Net Debt-free; ₹154 Cr net cash provides a significant buffer for acquisitions or downturn duration.	☐
Working Capital Efficiency	Improving	Inventory correction in Aftermarket complete; overall working capital reduced by ₹19 Cr.	☐
Mgmt Guidance Track Record	Mixed	Historical tendency to over-anticipate recoveries in the US Small Ag segment.	☐
Key Vulnerability	OHV Concentration	Total reliance on Off-Highway Vehicles makes the company a hostage to global interest rates and farm income.	☐
Management Tone	Candid	Sober admission of the "strange confluence" of market factors.	☐

Key Takeaways: * **Positives:** The Aftermarket segment (16-17% of revenue) has finally bottomed and is growing again (+20% projected). Cash generation remains superb (₹50 Cr OCF), and the balance sheet is pristine with ₹154 Cr net cash. * **Negatives:** The "diversification" thesis (Ag vs. Construction) failed this quarter as both slowed together. Large Ag is in a deep inventory correction (20-25% volume drops), and Construction is showing early signs of a US/Europe slowdown. * **Street Concern:** Analysts are frustrated by the "Tarikh Pe Tarikh" (shifting timelines) of the recovery. Management's response highlights that they are dependent on US Fed rate cuts to revive the consumer-led Small Tractor and Housing segments. * **Forward Watchpoint:** Monitor the "Mexico Strategy" (Jan 2026 start). This is the key medium-term growth driver to capture near-shoring demand from major OEMs like Bobcat and Caterpillar.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for supplemental detail.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹261.2	↓ 12%	↓ 9.9%	↓	Driven by Large Ag slowdown and early Construction softness.
Gross Margin (%)	62%	↓ 100 bps	↓ 200 bps	↓	Mix shift away from high-margin Large Ag parts.
EBITDA (₹Cr)	₹46.0	↓ 23.6%	↓ 10.6%	↓	Impacted by operating deleverage on lower volumes.
EBITDA Margin %	17.6%	↓ 270 bps	↓ 20 bps	↓	Mgmt maintains long-term 20% target; currently hit by deleverage.
PAT (₹Cr)	₹24.5	↓ 32.9%	↓ 13.1%	↓	Higher depreciation and finance costs on a lower base.
ROCE (%)	19.5% (FY24)	↓ 1640 bps	N/A	↓	Sharp drop from FY23 (35.9%) due to lower asset turnover.
Cash Flow (OCF)	₹50.0	↑ (Significant)	↑ (Significant)	↑	High earnings quality; driven by ₹19 Cr working capital release.
Net Cash (₹Cr)	₹154.0	↑	↑	↑	Group is net debt-free; cash being preserved for M&A/growth.
Fixed Asset Turnover	1.9x (FY24)	↓ vs 2.3x	N/A	↓	Reflects under-utilization of manufacturing base.
Capacity Utilization	55% - 60%	↓	↓	↓	Current capacity is sufficient for foreseeable demand; low capex.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Rev Mix	Trend	Key Development
Agriculture	₹159.1	↓ (Est.)	60.9%	↓	Large Ag seeing 20-25% drop; Small Ag bottoming on low base.
Construction	₹100.0	→ / ↓	38.3%	↓	"Early signals" of US/Europe slowdown; housing market pressure.
Aftermarket	₹48.8	↑	18.7%	↑	Inventory correction cycle over; 20% growth expected in FY25.
OEM	₹212.4	↓	81.3%	↓	Dragged by Large Ag inventory adjustments by global majors.
Americas	₹148.4	↓	56.8%	↓	Main pain point; US consumer Small Tractor segment is weak.
Europe	₹60.1	↓	23.0%	↓	Softness in construction and large tractor demand.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY25 "Flattish to -2% or -3%".	Needs ₹293 Cr/qtr avg for Q2-Q4. High risk given current Q1 run rate (₹261 Cr).	Missed	High
Guidance	Margins	18% for FY25; 20% Long-term.	Must expand by 50-100 bps in H2. Feasible if Aftermarket (high margin) grows.	In-line	Medium
Guidance	H2 vs H1	H2 will be significantly higher than H1.	Requires Q4 to be the highest run-rate of the year.	Mixed	High
Strategy	Mexico Plant	Jan 2026 Start; Service facility first.	Long lead time; crucial for near-shoring to Bobcat/Deere.	First Entry	Low
Strategy	New Platforms	PTO, Hydraulics, Fabrication.	Aims to equalize revenue across three product platforms.	Ongoing	Medium
Macro	Interest Rates	Rate cuts in US to drive recovery.	Out of management control; key driver for housing/small ag.	N/A	High
Capex	Spending	₹35 - 40 Cr for FY25.	Spent ₹8.3 Cr in Q1; well within budget.	On Track	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Chetan Vora, Abakkus	Outlook	"I just wanted to understand also what's the outlook for FY'25 wherein we are saying that inventory correction is largely over, but we are seeing softness..."	Management guided for a flattish FY25 with Q4 being the highest run-rate. This pushes the growth thesis into late FY25 and makes the recovery back-ended and risky.	None	3.5	Directional but back-ended
2	5.0	Nikunj Doshi, Bay Capital	Management Commentary	"I really can't understand why management is not able to give proper guidance... listening to your call just reminds me of a famous dialogue from Damini movie, Tarikh Pe Tarikh."	Management defended the lack of visibility by citing extreme volatility in customer forecasts (Deere/CAT) over the last 6 months. This confirms that Uniparts is a pure price-taker of global OEM cycles with zero lead-indicator control.	Why visibility was missed 6 months ago	2.5	Defensive and reactive
3	4.0	Ronak Mehta, JM Financial	Strategy	"What are your thoughts on [cyclicality]? Any plans... to reduce that cyclicality in the business or to grow faster?"	Management is expanding into PTO, hydraulics, and fabrication platforms while exploring a Mexico near-shoring base. Diversification into new product lines is the medium-term plan to dampen the Ag/Construction cycle overlap.	Specific timelines for PTO/Hydraulic revenues	3.0	Structural intent shown
4	3.5	Miten Lathia,	Business Overview	"Is there a meaningful	Management admitted no	None	4.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Fractal Capital		new customer or new product on the horizon that would help us overcome that cyclical in this year?"	"dramatic" change this year but highlighted Large Ag awards in Europe and South Korean expansion. The lack of near-term catalysts reinforces the "flat FY25" narrative.			
5	3.5	Jyoti Singh, Arihant Capital	Business Overview	"How much order we are getting from the OEM? Is it aggressive or is it a steady manner?"	Management noted that while end markets are down 10-15%, inventory corrections make the realized hit for Uniparts larger (20-25%). This leverage to the downside is a key risk during destocking phases.	None	4.0	Quantified reality
6	4.0	Chirag Fialoke, RatnaTraya	Financials	"What is sort of still making that probably even go down a little bit from last year also given that the larger part of our business is outside the correction?"	Management explained that the rare "confluence" of Construction slowing just as Large Ag troughs is preventing a portfolio-level recovery. This admits the current "hedged" business model failed to offset risks this quarter.	None	3.5	Candid admission
7	3.0	Mayur Awashti, Individual	Capex and Allocation	"You can try for some buybacks..."	Management prioritized using cash (₹154 Cr)	Specific buyback criteria	3.0	Growth-focused

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
				the share price get, I mean, appreciated in that way."	for growth first, with dividends and buybacks as secondary options. Investors should expect cash to be hoarded for M&A rather than immediate share price support.			
8	3.5	Madhur Rathi, Counter Cyclical	Business Overview	"If you could just quantify the products that's in our pipeline... what kind of addressable market would we have?"	Management identified a \$1B market for 3PL/ PMP and significant headrooms in Hydraulics and Large Tractors. This underscores that the company has room to grow within existing customers if the cycle turns.	Specific market share targets for new lines	4.0	Specific TAM given
9	3.5	Gaurav Garg, Individual	Management Commentary	"Will we be a beneficiary under the rate cut on the revenue front as well as on the raw material front?"	Management confirmed that US Small Tractors are "consumer products" sensitive to rates, and housing demand (for construction gear) will pivot on mortgage rates. Rate cuts are the single most important macro trigger for the stock.	None	4.0	Clear macro link

PATTERN FLAGS & SENTIMENT

Analysts exhibited palpable frustration regarding the "delayed recovery" narrative. The recurring theme was the lack of visibility; management's previous optimism for FY25 has been replaced by a "flat" reality. The tone shifted

from "growth is coming" to "we are at the mercy of the macro cycle." The "Damini" dialogue (Tarikh Pe Tarikh) perfectly captures the investor sentiment: skepticism toward management's ability to forecast their own end-markets.

Analyst Sentiment Verdict: Skeptical. Analysts were not convinced that the management has a handle on the depth of the downturn, particularly in the Construction segment which is only just starting to soften. The friction centered on the 18-month delay in the Small Ag recovery. Credibility has taken a slight hit, and the primary unresolved issue remains: *How much deeper can the US/Europe Construction cycle go before Ag starts to pull its weight?*

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior/Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY25 Growth	Recovery expected in FY25.	FY25 now seen as "flat to -3%".	Significant walk-back on growth expectations.	High - Valuation derating.
Construction	Resilient segment.	"Early signals" of slowdown starting.	New headwind not fully priced in.	Medium - Cycle extension.
Inventory	Correction largely over.	Large Ag still in deep correction.	Underestimated the depth of OEM destocking.	High - Revenue drag.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior context provided. This baseline reflects a transition from "growth anticipation" to "cyclical trough management."

What Changed	Prior Quarter	This Quarter	Direction
Revenue Outlook	Not available	FY25 Flat to -3%	↓
Margin Guidance	Not available	18% for FY25 (down from 20% long-term)	↓
Construction Tone	Not available	"Early signals" of slowdown	↓
Aftermarket	Not available	Growth recovery (+20% expected)	↑
Cash Position	Not available	₹154 Cr Net Cash (Net Debt-free)	↑
Lead Catalyst	Not available	US Fed Rate Cuts (Macro dependency)	→

INVESTOR NOTE: This quarter confirms that Uniparts is a high-quality business (excellent cash flows, zero debt) caught in a low-quality macro environment (converging sector downturns). The thesis of a quick FY25 recovery is dead; the new thesis is a "waiting game" for US rate cuts to ignite H2FY25 and FY26.