

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** The investment thesis is undergoing a "stress test" as the structural hedge between Agriculture and Construction has collapsed into a synchronized downturn, pushing the recovery timeline from H2FY25 into late CY25.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	Revenue (₹241.4 Cr) and EBITDA (₹41.9 Cr) both declined QoQ and YoY, missing the previous expectation of a Q2 bottom.	□
Earnings Quality	High (Core driven)	CFO for H1 (₹114.8 Cr) is 2.4x PAT (₹46.5 Cr), reflecting superior working capital management despite P&L pain.	□
Guidance Confidence	Weak	Management shifted the "recovery" narrative again, now calling Q3 weak and pinning hopes on a back-ended Q4.	□
Management Credibility	Neutral	While candid about market "uniqueness" (Ag/Construction concurrent drop), visibility on OEM inventory cycles remains low.	□
Business Quality Signal	Stable	Core competitive moats (dual-shore, 3PL dominance) remain intact, but the business is a hostage to the global macro cycle.	□
Key Q&A Exchange	Q2: Competitor comparison	Management admitted they have no "mirror" competitor in India with their global delivery model; they must be benchmarked against Deere/CAT.	□
The Street's Primary Anxiety	"Tarikh Pe Tarikh"	Analysts are frustrated with shifting recovery timelines; management's response suggests they are dependent on US interest rates.	□
Capital Cycle Stage	Consolidation	Preserving cash (₹173 Cr net cash) and limiting capex to wait out the cyclical trough.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins compressed to 17.4% (vs 18.6% YoY) due to operating deleverage on a 17.8% revenue drop.	□
Pricing Power	Stable	Steel pass-throughs are functional; margins are suffering from volume deleverage rather than price erosion.	□
FCF Conversion & Quality	Strong	₹56 Cr OCF in Q2 on ₹21.3 Cr PAT indicates excellent cash conversion through inventory liquidation.	□
Competitive Moat Signals	Widening	New Mexico award (\$6.5M) for near-shoring validates the "Partner of Choice" status despite the downturn.	□
Balance Sheet Strength	Strong	Net Cash position improved to ₹173 Cr (from ₹154 Cr in Q1); net debt-free status is a major buffer.	□
Working Capital Efficiency	Improving	Net working capital decreased by ₹19 Cr during the quarter; Aftermarket inventory cycle has fully normalized.	□
Mgmt Guidance Track Record	Mixed	Historical optimism regarding a FY25 recovery has been walked back to a "flattish H2" outlook.	□
Key Vulnerability / Red Flag	Cycle Synchronization	The failure of the Ag/Construction segments to offset each other is the primary risk to the "de-risked" thesis.	□
Management Tone	Sober	Management was cautious, defensive on timelines, but confident in the long-term structural shift toward near-shoring.	□

Key Takeaways (Positives & Negatives): * **Positives:** The Aftermarket segment is a genuine bright spot, projected to grow 25-30% in FY25 due to new client additions (North America's 2nd largest retail group). Cash flow generation remains elite, with ₹56 Cr OCF in a "bad" quarter, allowing the company to build a ₹173 Cr cash war chest for M&A. Strategic wins in Mexico (near-shoring) provide a clear growth bridge for FY26/27. * **Negatives:** The synchronized downturn in Large Agriculture (20-25% volume drops) and Construction (high-interest rate pressure) is a rare "confluence" that has broken the cyclical offset thesis. Asset turnover and ROCE are in a downward spiral due to ~55-60% capacity utilization. * **Street Concern:** Analysts are visibly impatient with the "shifting bottom." Management's admission that Large Ag recovery might not happen until CY26/27

(versus previous hopes for H2FY25) is the primary valuation overhang. * **Forward Watchpoint:** Monitor the progress of the "Mexico Phase 1" warehousing start and any news on the "third platform" (PTO/Hydraulics) acquisition, which management hinted is being "actively pursued."

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT primary source; Concall for H1 split and specific guidance.

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (units)	Not in document	N/A	N/A	N/A	Management noted 15-25% volume drops in Large Ag segments.
ASP (₹/unit)	Not in document	N/A	N/A	N/A	Realizations impacted by product mix shift toward Aftermarket.
Domestic Revenue (₹Cr)	₹39.6	↓ 5.7%	↓ 13.9%	↓	Driven by exports from India slowing (which impacts domestic 3PL supplies).
Export Revenue (₹Cr)	₹201.8	↓ 19.8%	↓ 6.3%	↓	Significant pain in US/Europe OEM segments; hurricane Helene impact (~₹6 Cr).
Key OEM Concentration	81.5%	↓ 110 bps	↓ 20 bps	↓	Strategy to increase Aftermarket mix is working (now 18.5%).
Revenue (₹Cr)	₹241.4	↓ 17.8%	↓ 7.6%	↓	Combined hit of Large Ag destocking and Construction softness.
Gross Margin (%)	62%	→	→	→	Maintained despite volume drop; indicates strong raw material pass-through.
EBITDA (₹Cr)	₹41.9	↓ 23.3%	↓ 8.8%	↓	Negative operating leverage is the primary drag.
EBITDA Margin %	17.4%	↓ 120 bps	↓ 20 bps	↓	Down from 18.6% YoY; management targeting 20% long-term.
PAT (₹Cr)	₹21.3	↓ 35.9%	↓ 15.1%	↓	Impacted by higher depreciation on new capacities and low volumes.
ROCE (%)	19.5% (FY24)	↓ vs 35.9%	N/A	↓	Sharp decline over last 18 months as cycle turned.
Cash Flow (OCF)	₹56.0	↑ (Significant)	↑ 12%	↑	High-quality beat; liquidation of inventory aiding cash flow.
Net Debt / (Cash)	(₹173.0 Cr)	↑ Cash	↑ Cash	↑	Net cash position up from ₹154 Cr in Q1; debt-free.
Working Capital Days	151 Days	↑ vs 144 (FY24)	↓ vs Q1	→	Improvement of ₹19 Cr in absolute WC during the quarter.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Mix %	Trend	vs Co. Avg	Key Development
Agriculture	₹144.4	↓ (Est -18%)	59.8%	↓	In-line	Large Ag down 20%+; Small Ag showing 15% decline.
Construction	₹94.9	↓ 10-12%	39.3%	↓	Outperforming	Healthy relationships with construction leader offsetting US weakness.
Aftermarket	₹44.7	↑ 25-30%	18.5%	↑	Outperforming	Inventory correction over; new US retail client driving growth.
3-Point Linkage	₹111.0	↓ (Est)	46.0%	↓	In-line	Market leader in <70HP tractors; hit by US consumer slowdown.
PMP	₹123.1	↓ (Est)	51.0%	↓	In-line	High-complexity parts for OHVs; hit by concurrent sector drops.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY25 H2 "flattish" over H1.	Needs ₹251 Cr/qtr in Q3/Q4. High risk as Q3 is seasonally weak.	Revised Down	High
Guidance	Margins	18% target for FY25.	Requires H2 margins to be >18.5%. Feasible if Aftermarket mix stays high.	Missed (17.4% Q2)	Medium
Guidance	Seasonality	Q4 to have highest run rate.	Requires massive volume jump from OEMs in Jan-Mar.	Mixed	High
Strategy	Mexico Plant	\$6.5M annual rev; Q4FY26 start.	18-month lead time; first near-shoring beachhead.	On Track	Low
Strategy	Inorganic	Active evaluation of 3rd platform.	Cash available (₹173 Cr); deal timing is uncertain.	Delayed	Medium
Macro	Interest Rates	Recovery hinges on US rate cuts.	Macro dependent; beyond company control.	N/A	High
Macro	Inventory	Channel destocking ending in Small Ag.	Aftermarket has bottomed; OEM Large Ag still destocking.	Consistent	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Rajesh, Indiv. Investor	Performance	Financials	"When we see the results of quarter 2, it has drastically reduced... please explain this?"	Management clarified that the synchronized decline in both Ag and Construction is unprecedented and they are focusing on outperforming market drops. This reinforces that the "hedged" model is currently broken by macro correlation.	Why Q2 missed sequential flat guidance.	3.0	Vague on prior mis
2	3.5	Rajesh, Indiv. Investor	Peer Benchmarking	Business Overview	"Can you explain some of our competitors' names, so as to compare...?"	Management stated they have no direct "mirror" competitor with a dual-shore model, only regional players in India or Europe/US. benchmark. Investors must look at Deere and CAT as the only relevant lead indicators.	Specific Indian competitor names.	4.0	Direction with evidence
3	4.0	Rushabh Shah, K.R. Choksey	Risk Mitigation	Strategy	"What measures are we going to take to derisk the business further...?"	Management is extending system boundaries into PTO, hydraulics, and fabrication while adding a Mexico near-shoring base. Diversification into a "third platform" via M&A is the key medium-term	Timelines for inorganic deals.	3.5	Structural intent shown

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						de-risking strategy.			
4	3.5	Rushabh Shah, K.R. Choksey	Growth	Business Overview	"How big could [aftermarket] be in the next four to five years?"	Management expects Aftermarket to reach ~20% of revenue this year, aided by the addition of the 2nd largest US retail store group. This segment provides a high-margin floor to the business during OEM downturns.	Specific 5-year target %.	4.0	Specific segment guidance
5	5.0	Madhur Rathi, Counter Cyclical	Growth Trajectory	Management Commentary	"Market share has not grown... what gives us right now the confidence to give this [15-16% growth] number?"	Management highlighted that new awards (₹177 Cr trailing 12 months) represent a 16-17% growth run-rate once productionized. This suggests the growth engine is working, but being masked by the massive cyclical downturn.	Why market share hasn't grown in a decade.	3.5	Focus on new awards
6	4.5	Madhur Rathi, Counter Cyclical	Margins	Financials	"Why has that margin come [up from 13% in 2013 to 20%] and is this sustainable?"	Management attributed the structural shift to higher-margin warehousing (48-49% mix) and cutting out negative-margin business pre-IPO. These are structural changes that	None	5.0	Clear and quantified

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						should protect the floor even during current deleverage.			
7	4.0	Sharmin, Fractal Capital	Global Expansion	Capex and Allocation	"Will the margins be the same as the [current company margins in Mexico]?"	Management expects no margin erosion in Mexico as Phase 1 is a warehousing startup with minimal capex and overhead. This near-shoring move is a critical "China+1" play for Bobcat/CAT supplies.	Exact capex amount for Phase 2.	4.0	Directional with evidence
8	4.0	Apurva Sharma, Helios Capital	Market Share	Business Overview	"Can you throw some color on the wallet share that you would have with your top customers?"	Management claimed 80-85% wallet share in US <70HP tractors but only ~28-29% in India, indicating huge domestic headroom. Their global leadership in small tractor 3PL (largest globally ex-China) remains the core moat.	Specific wallet share for Construction.	4.5	Specific, quantified
9	3.5	Shrinjana Mittal, RatnaTraya	Segment Mix	Financials	"What is the share and what is the performance in the first half [for PMP]?"	Management noted PMP is primarily driven by construction equipment, which is down 10-12%, while Large Ag is the primary drag on the overall portfolio. This confirms Construction is currently "less	None	4.0	Quantified reality

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						bad" than Agriculture.			
10	4.0	Aditya Shah, Vikram Advisory	Cycle Visibility	Management Commentary	"In your experience... how many times do you see these kind of downturn cycles come?"	Management explained that typical OHV cycles are 4-5 years, but the current one is warped by the Ukraine war and interest rate hikes. This suggests the "bottoming" process is occurring now, but recovery is at least 6-9 months away.	None	3.5	Historical context given
11	3.5	Madhur Rathi, Counter Cyclical	New Products	Business Overview	"Is there any progress on [the UTV project]?"	Management admitted the UTV project is running slower than anticipated as it enters the consumer market, requiring more marketing. This removes UTV as a meaningful near-term growth catalyst.	None	3.0	Candid admission
12	3.5	Madhur Rathi, Counter Cyclical	Defense Sector	Strategy	"Is there any application for our products in the defense sector?"	Management confirmed potential for supplying primary vehicle makers like BEML for defense applications. This represents a potential long-term diversification pillar, though	Specific defense order book.	2.5	Peripheral but notable

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						currently non-material.			
13	4.0	Shrinjana Mittal, RatnaTraya	Order Execution	Management Commentary	"Where are we on [the ₹175 Cr order wins]?"	Management indicated these orders are on track to flow in Q4, which is why they expect it to be the strongest quarter of the year. The achievement of full-year "flattish" guidance depends entirely on this Q4 execution.	None	3.5	Specific timeline given

PATTERN FLAGS & SENTIMENT * **Theme 1: The Cyclical Overlap.** Analysts were fixated on why the Ag/Construction hedge failed. Management's defensive posture revealed that while they are diversified, they cannot escape a macro environment where both farming and housing (interest rate sensitive) are hit simultaneously. This concern remains live and will be the focus next quarter. * **Theme 2: Visibility & Forecasting.** There is palpable frustration (e.g., the "Damini" dialogue reference in the prior quarter, echoed in the skepticism this quarter) about management's inability to see the depth of the downturn. Management's response shifted blame to the OEMs (Deere/CAT) who are also slashing forecasts, suggesting Uniparts is a pure price/volume taker with zero lead-indicator control. * **Theme 3: The Mexico & Inorganic "Hope."** Management is leaning heavily on the Mexico win and a potential acquisition to pivot the narrative back to growth. Analysts were skeptical but somewhat satisfied with the \$6.5M quantified win in Mexico.

Analyst Sentiment Verdict: Skeptical and weary. Analysts are no longer buying the "recovery is around the corner" story and have moved to a "show me the numbers in Q4" stance. Management's credibility on macro forecasting is low, but their credibility on balance sheet management and operational efficiency (maintaining 17% margins in a trough) remains strong. The single greatest risk is a further delay in US interest rate cuts, which would push the Construction recovery into FY26.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Recovery Timing** | Q2 expected to be flat sequentially. | Q2 revenue fell 7.6% QoQ. | Significant miss on short-term trend projection. | High - Shaking investor confidence. | | **Large Ag Outlook** | Bottoming out in FY25. | May not recover fully until CY26/27. | Timeline pushed out by at least 12 months. | High - Longer period of low ROCE. | | **UTV Project** | Promising new growth driver. | "Running slower than anticipated." | Walked back the "pilot project" success narrative. | Low - Peripheral segment. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Revenue Growth	Expected recovery in FY25	FY25 now seen as "flattish" at best	↓
Construction Outlook	"Early signals" of slowdown	Confirmed 10-12% decline; interest rate pressure	↓
Net Cash	₹154 Cr	₹173 Cr	↑
Aftermarket	Normalizing	Growing 25-30% (primary growth engine)	↑
Large Ag Recovery	Bottoming in H2FY25	Pushed to CY26/27 (per customer signals)	↓
Mexico Strategy	Strategy under evaluation	Awarded \$6.5M business; Q4FY26 start date set	↑
EBITDA Margin	17.6% (Q1)	17.4% (Q2)	↓
Management Tone	Cautiously Optimistic	Sober / Realist	↓

INVESTOR NOTE: This quarter confirms the business is in a "holding pattern." While the balance sheet and cash flows are fortress-like, the top line is a hostage to global macro factors. The thesis has transitioned from "growth" to "survival of the fittest," where Uniparts wins by being the last man standing in a high-interest-rate environment, ready to deploy its ₹173 Cr cash on distressed assets. Don't expect a stock re-rating until the US Fed cuts rates or Q4 numbers prove the "new award" execution.