

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Margins | Inline on Revenue **One-line:** The structural thesis is intact as Uniparts proves its "Dual Shore" model can navigate peak trade volatility, though this quarter's stellar 22.6% EBITDA margin is "noisy" due to significant currency-led inventory gains rather than pure operational efficiency.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Margin Beat	EBITDA margin of 22.6% significantly exceeded the 18-20% long-term guidance and the 20.7% achieved in Q1.	☐
Earnings Quality	Moderate (FX Aided)	85-90% of the material cost reduction (Gross Margin expansion to 69.4%) was driven by Rupee depreciation vs USD/Euro.	☐
Guidance Confidence	Strong	Management reiterated mid-teens FY26 growth despite "Red" signals in US Large Ag, backed by "Green" Construction demand.	☐
Management Credibility	Strong	Mexico warehouse became operational in Oct-25 exactly as promised; tariff mitigation strategies are holding P&L neutral.	☐
Business Quality Signal	Improving	Construction (CFM) now 41% of mix (vs 37% in FY25); successfully diversifying away from cyclical Ag dependence.	☐
Key Q&A Exchange	Q2 (Ag vs CFM)	Management categorized Ag/CFM by "Traffic Lights," providing high-resolution visibility on geographic troughs and peaks.	☐
The Street's Primary Anxiety	US Tariffs	Analysts feared export hits; Mgmt confirmed a new US ruling (25% flat duty) is actually a tailwind for the Aftermarket segment.	☐
Capital Cycle Stage	Consolidation / Harvesting	Large special dividend (₹101.6 Cr) suggests a pause in immediate large-scale M&A despite active hunting.	☐
Margin / Return Ratio Trajectory	Improving	Annualized ROCE at 21.5% (H1) shows a sharp recovery from the 14.4% trough in FY25.	☐
Pricing Power	Stable	Transparent contractual pass-throughs for FX and RM inflation are being accepted by Tier-1 global OEMs.	☐
FCF Conversion & Quality	Adequate	Q2 OCF of ₹34 Cr is 0.86x PAT; conversion slowed due to inventory buildup for the Mexico launch and FX valuation.	☐
Competitive Moat Signals	Widening	Mexico warehouse launch offers a "Near-Shore" buffer that China-based competitors cannot replicate under current US tariffs.	☐
Balance Sheet Strength	Strong	Net cash of ₹226 Cr (post-dividend) provides a massive safety buffer for the ₹1,500 Cr+ revenue scale.	☐
Working Capital Efficiency	Stable	NWC days at 155 (vs 156 in Q1); absolute inventory rose 6% primarily due to Rupee depreciation impact.	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on "mid-teens" growth and "normalized" 20% EBITDA margin targets over the last two years.	☐
Key Vulnerability / Red Flag	Large Ag US	North American Large Ag (>70HP) remains in a "Red" zone with double-digit de-growth forecasted.	☐
Management Tone	Assertive	Confident in outperforming end-markets through ₹200 Cr of new business wins and platform expansion.	☐

Sentiment: ☐Positive | ☐Negative | ☐Neutral

Key Takeaways (Positives & Negatives): * **Positives:** **Construction (CFM) is the new growth engine**, accelerating due to AI infrastructure spend in the US and green energy in Europe, now comprising 41% of revenue. The **Mexico Warehouse is now live**, providing a critical strategic hedge against US tariffs and improving "Just-in-Time" delivery for North American OEMs. **Market share gains** are evident as Uniparts is growing in "Amber" (Small Ag) and "Green" (CFM) segments while end-markets are flat or declining, supported by a consistent ₹200 Cr new award pipeline. * **Negatives:** **Margin quality is low this quarter**; without the ₹7 Cr

FX gain (Rupee depreciation vs USD/Euro), EBITDA margins would have normalized closer to 18-19%. **Large Ag in North America remains a recessionary drag**, with high inventory and low commodity prices delaying a recovery until at least FY27. **Cash conversion (CFO/PAT) dipped below 1.0x** as the company stocked inventory for the Mexico ramp-up. * **Forward Watchpoint: Mexico Revenue Contribution in H2FY26**. This will prove if the near-shoring strategy can convert "Strategic Intent" into actual top-line acceleration and wallet-share gains from Bobcat and Caterpillar.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (Units)	Not in document	N/A	N/A	N/A	Driven by CFM and Small Ag outperformance vs industry.
ASP (₹/unit)	Not in document	N/A	N/A	N/A	Pricing stable; RM and FX pass-throughs being executed.
Domestic Revenue	₹41.2 Cr	↑ 23.3%	↑ 5.4%	↑	Driven by good monsoon, high tractor utilization, and GST cuts.
Export Revenue	₹235.6 Cr	↑ 13.3%	↑ 0.4%	→	Strong Europe recovery; US OEM sales stable despite macro softness.
Key OEM Conc. (Top 5)	64.0%	↑ 500 bps	→	↑	Share with Top 5 growing as they recover faster than mid-tier OEMs.
Revenue (Operations)	₹276.8 Cr	↑ 14.7%	↑ 1.2%	↑	Growth driven by new business awards (₹200 Cr pipeline).
Gross Margin (%)	69.4%	↑ 700 bps	↑ 380 bps	↑	85-90% of gain is FX-led inventory valuation (₹ Rupee drop).
EBITDA	₹64.0 Cr	↑ 52.6%	↑ 10.6%	↑	High operating leverage; fixed costs scaled over rising revenue.
EBITDA Margin %	22.6%	↑ 560 bps	↑ 190 bps	↑	Normalized margin estimated at 18-19% excluding FX gains.
PAT	₹39.4 Cr	↑ 86.3%	↑ 14.3%	↑	Boosted by operational efficiency and lower material costs.
ROCE (%)	21.5%	↑ 200 bps	↑ 710 bps	↑	H1 annualized; sharp recovery from FY25 trough (14.4%).
Cash Flow (OCF)	₹34.0 Cr	Not stated	↓ 37.0%	↓	CFO/PAT at 0.86x; inventory buildup for Mexico impacted cash.
Net Debt / (Cash)	(₹226.0 Cr)	↑ Cash	↓ 6.5%	□	Reduced QoQ due to ₹139.2 Cr total dividend payout in H1.
Interest Coverage	21.3x	↑ vs 14.4x	↑ vs 16.7x	↑	Negligible debt; interest costs significantly covered.
Working Capital Days	155 Days	↓ vs 183	↓ vs 156	→	Inventory at ₹409.7 Cr; Receivables at ₹135.8 Cr.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Agriculture	₹163.3 (59%)	↑ 7.4%	Not stated	□	Below	US Large Ag "Red"; Asia/India Small Ag "Green."
Construction (CFM)	₹113.5 (41%)	↑ 27.1%	Higher	↑	Above	Driven by US AI infrastructure and Europe green energy spend.
Aftermarket (AFM)	₹43.2 (15.6%)	↑ 12.0%	Highest	↑	Superior	Beneficiary of US 25% flat duty ruling on tractor parts.
3PL (3-Point Linkage)	₹130.6 (47.2%)	↑ 11.2%	18-20%	→	In-line	Dominant double-digit market share in <70HP tractors.
PMP (Precision Parts)	₹137.6 (49.7%)	↑ 17.5%	17-19%	↑	In-line	Gaining share in CFM and Oil & Gas industrial segments.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY26: Mid-teens growth (14-16%).	Achieved 14.6% in Q2; H2 needs ~₹295 Cr/qtr (Feasible via Mexico ramp).	Delivered	Low
Guidance	Margins	Normalized EBITDA: ~20% aspiration.	Currently at 21.7% (H1); sustainable if revenue stays >₹280 Cr.	Beat	Medium
Guidance	Mexico Ops	Operationally ready by Oct 2025.	Confirmed operational in October 2025.	Delivered	Low
Strategy	New Awards	₹200 Cr annualized potential.	Consistent award rate over last 12 months.	Delivered	Low
Strategy	Capital Allocation	Inorganic growth in PTO/Hydraulics.	No deals signed in H1; surplus cash returned as dividends.	Mixed	Medium
Strategy	Diversification	40% US / 30% Europe / 25% Asia.	H1 US at 52%; requires faster growth in Europe/Japan to hit.	In Progress	Low
Macro	US Tariffs	P&L Neutral pass-through.	Successfully passed through prior hikes; negotiating new 25% flat duty.	Reliable	High
Macro	Industry Status	CFM "Green" / Small Ag "Amber".	Order books for CFM customers (Bobcat/CAT) remain strong.	Verified	Medium
Balance	Debt Target	Remain Net-Debt Free.	Net Cash at ₹226 Cr despite special dividend.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Viraj, SIMPL	Gross Margin	Financials	"What drove such high gross margin for us? Was there any element of FX gain or any other element?"	Management confirmed 85-90% of the material cost reduction was due to Rupee depreciation (₹ drop) aiding inventory valuation. Investors must strip out this ~₹7-8 Cr gain to see core EBITDA margins at ~18-19%.	None	5.0	Specific and quantified
1a	4.0	Viraj	OPEX Costs	Financials	"Similarly, there is a slight increase in OPEX cost as well. If you can just give some perspective?"	Higher employee costs were attributed to actuarial valuations, while other expenses rose due to one-time items. Normalization should see these costs stabilize as a % of revenue.	Exact quantum of one-time expense	3.5	Directional
2	4.5	Viraj	Segment View	Business Overview	"If you can just give some color in terms of our performance when it comes to large Ag, small Ag, and construction?"	Management used a traffic light system: North American Large Ag is "Red," Small Ag/Europe Large Ag is "Amber," and CFM/India Ag is "Green." This high-resolution mix explains why revenue grew 14% despite a weak global Ag macro.	None	4.5	Clear and categorized
2a	4.0	Viraj	Aftermarket	Business Overview	"If I look at the	European AFM slowed due to	None	4.0	

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					aftermarket business, if I look at the last two quarters, we have seen subdued sales... what is happening there?"	inventory buildup at customers, while US AFM faced tariff uncertainty now resolved by a new 25% flat duty ruling. Recovery in US AFM is expected in H2 due to this regulatory clarity.			Specific regulatory catalyst
3	4.0	Prolin Nandu	Mix Trends	Management Commentary	"How should the mix look like between construction equipment, large Ag, small Ag and aftermarket?"	CFM is now 40-45% of the business, Small Ag 25%, Large Ag 17-20%, and the rest from Aftermarket. The shift toward CFM is the primary driver of current outperformance and margin resilience.	None	4.0	Verified by PPT
4	4.5	Prolin Nandu	Pass-throughs	Financials	"How do we pass on the depreciation of currency to our end customers in terms of pricing?"	Contracts have clear bands for RM and FX; management emphasized they are "strategic partners" sitting at the table to find balanced solutions. This validates Uniparts' pricing power and the stability of its long-term OEM relationships.	None	4.0	Strategy-led
5	3.5	Prolin Nandu	M&A Strategy	Capex and Allocation	"Is that plan temporarily off the table or	Global inorganic growth remains	None	3.5	Consistent

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					are we still evaluating to do something on the inorganic side?"	core; the special dividend was declared because cash was surplus, but debt capacity remains for any strategic deal. Signals that management will not overpay for growth but is not cash-constrained.			
6	3.5	Rishabh Shah	South America	Business Overview	"Are we taking any steps to increase our business in that region?"	Management downplayed South America, stating focus remains on 40/30/25/5 geographic targets for US, Europe, and Asia. Growth is currently being prioritized in Europe (25% share) and Japan (6%).	None	3.5	Focus-driven
7	4.0	Rishabh Shah	Market Share	Business Overview	"When we talk about 3PL, PMP, what has been our market share... now versus four to five years back?"	Uniparts holds double-digit market share in 3PL and high single-digits in PMP for Small Ag. Dominance is being maintained despite market weakness via new business wins and dual-shoring flexibility.	Specific recent market share study	3.0	Vague but confident
8	4.0	Dheeraj Kumar	Revenue Peaks	Management Commentary	"When do you anticipate we can get back to such a level [FY23	Management expects to reach peak revenue levels (₹1,300 Cr+) by	None	4.0	Specific timeline

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					peak earnings]?"	FY27 or mid-FY28 based on mid-teens growth targets. Provides a clear timeline for the recovery phase of the business cycle.			
9	4.0	Dheeraj Kumar	Diversification	Business Overview	"Why are we not thinking about the mining or say some other areas?"	Management clarified that "Construction" includes mining, metals, and AI infrastructure; they also supply to Oil & Gas. Diversification is happening horizontally within existing customer engineering platforms.	None	3.5	Useful context
10	3.5	Saurabh Das	Margin Sustainability	Management Commentary	"Do we see that normalization [to 18%] likely to happen in the second half itself?"	If Rupee depreciation continues, gross margins will remain high; management targets 20% EBITDA in healthy cycles. Signals that 22.6% is the peak, not the new base, for H2.	None	3.5	Hedges on FX
11	4.0	Vipul Kumar	CFM Mix	Business Overview	"Two, three years down the line, we can have a mix which is construction, that contributes around 60%-65%?"	Management aims for diversification rather than over-reliance on one segment (CFM). They will continue to balance Ag and	None	4.0	Risk-conscious

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						CFM to maintain a risk-mitigated portfolio.			
12	3.5	Shil Aditya	Op Leverage	Financials	"What kind of operating leverage do you have in the business?"	Management noted that Q1/H1 results prove operating leverage; fixed costs are steady, so incremental revenue flows significantly to EBITDA. Re-rating catalyst if revenue sustains above ₹280 Cr/qtr.	None	4.0	Confirmed by data
13	4.5	Viraj	Top Customer	Management Commentary	"What is causing the absolute sales drop from the largest customer [32% to 27%]?"	The drop is due to the customer's own production de-growth (Large Ag), not a loss of market share for Uniparts. Share is shifting to CFM-heavy customers who are growing faster.	None	4.5	Specific customer context
14	4.0	Miten Lathia	Tariff Timing	Management Commentary	"Should we take this quarter as being representative of the full impact of tariffs?"	No, tariffs are an "ever-evolving situation" with new rulings (Oct 31) changing duties from 50% to 25% on specific parts. Management stays P&L neutral through open negotiation.	Specific dollar impact of new 25% duty	3.5	Regulatory flux

PATTERN FLAGS & SENTIMENT * The "Traffic Light" Recovery: Analysts were fixated on the divergence between the Ag and Construction sectors. Management successfully used a "Red/Amber/Green" framework to

show that while Ag (their legacy base) is soft, their deliberate pivot into CFM (Construction/AI Infrastructure) and India/Asia is offsetting the drag. This posture shifted analyst sentiment from "macro-worry" to "segment-pivot execution." * **Margin Skepticism (FX vs. Core):** Multiple analysts poked at the 22.6% EBITDA margin. Management's transparency in admitting that ₹-8 Cr came from FX inventory gains actually *improved* their credibility, as it provided a clear "normalized" baseline (18-19%) which is still strong. The concern remains that margins might "revert" if the Rupee appreciates, but the operating leverage gains are now accepted as structural. * **Tariff Navigation:** Analysts were relieved by the mention of the Oct 31st US ruling (flat 25% duty for tractor parts). This transformed the tariff narrative from a "threat to India exports" to an "opportunity to gain share in Aftermarket."

Analyst Sentiment Verdict: Optimistic but cautious on margin quality. Management's credibility improved significantly due to hitting the Mexico warehouse timeline and providing granular segment data. The primary unresolved risk is the "Red" status of US Large Ag, which could still surprise on the downside if the bottom is not reached in H2.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Gross Margin** | 69.4% reported. | ~85-90% of expansion is FX-led. | Core GM is likely 64-65%, not 69%. | Low | | **Ag Recovery** | Bottoming out (Prior Q). | NA Large Ag is still "Red." | Recovery in High-HP Ag is delayed to FY27. | Medium | | **M&A** | Priority focus. | Large special dividend paid. | Suggests no immediate large deal is imminent. | Low |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
Revenue (Ops)	₹273.7 Cr	₹276.8 Cr	↑
EBITDA Margin	20.7%	22.6%	↑
CFM Mix	37.0% (FY25)	41.0% (H1)	↑
Mexico Status	Planning/Near-ready.	Operational (Oct 2025).	↑
US Tariff Regime	Uncertain / 50% risk.	Flat 25% ruling for specific parts.	↑
Net Cash	₹241.6 Cr	₹226.0 Cr	↓
Inventory	₹385.8 Cr	₹409.7 Cr	↓
H1 Annualized ROCE	14.4% (FY25)	21.5% (H1FY26)	↑

INVESTOR NOTES: * **The "Dual Shore" Proof Point:** For the first time, management linked the Mexico warehouse directly to "customer tools to mitigate tariff impact." This validates the thesis that Uniparts is no longer just a "cheap India supplier" but a "geopolitical supply chain manager." * **Inventory Quality:** The absolute inventory rise (₹23.9 Cr) is not a sign of slowing sales but a strategic buildup for the Mexico warehouse and a ₹B currency valuation impact. CFO/PAT at 0.86x is healthy given this backdrop. * **Thesis Verdict: Maintain Positive.** The company has successfully navigated the macro trough. While margins are FX-inflated this quarter, the underlying shift to Construction and the operationalization of the Mexico asset derisks the long-term growth story. Re-rating depends on H2 execution in the Mexico channel.