

UNIPARTS INDIA LTD.

June 03, 2024

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 Scrip Code: 543689	National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (E), Mumbai – 400 051 Symbol: UNIPARTS
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Subject: Regulation 30: Transcript of Earnings Call pertaining to the Audited Financial Results for the quarter and financial year ended March 31, 2024

Dear Sir/Madam,

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of earnings call on the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2024, which was held on Tuesday, May 28, 2024.

The same is also being uploaded on website of the Company at https://www.unipartsgroup.com/home/quarterly_financial_results.

You are requested to take the above on record.

Thanking You,

Yours faithfully,

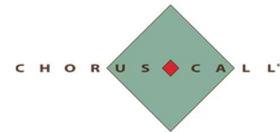
For Uniparts India Limited

Jatin Mahajan
Head Legal, Company Secretary and Compliance Officer

Encl: As above



“Uniparts India Limited
Q4 FY '24 Earnings Conference Call”
May 28, 2024



MANAGEMENT: **MR. GURDEEP SONI – CHAIRMAN AND MANAGING
DIRECTOR – UNIPARTS INDIA LIMITED
MR. ROHIT MAHESHWARI -- GROUP CHIEF FINANCIAL
OFFICER – UNIPARTS INDIA LIMITED
MR. VIVEK MAHESHWARI – VICE PRESIDENT,
FINANCIAL PLANNING, ANALYSIS AND INVESTOR
RELATIONS – UNIPARTS INDIA LIMITED**

MODERATOR: **MS. MONALI JAIN -- GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Uniparts India Limited Q4 FY '24 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Monali Jain from Go India Advisors. Thank you, and over to you, ma'am.

Monali Jain: Thank you, Manoj. Good evening, everyone and welcome to Q4 and FY '24 Earnings Call of Uniparts India Limited. We have on the call Mr. Gurdeep Soni, Chairman and Managing Director; Mr. Rohit Maheshwari, Group Chief Financial Officer and Mr. Vivek Maheshwari, Vice President, Financial Planning and Analysis and Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risk that company faces. I will now request the management to take us through the financials and business updates, subsequent to which we will open the floor for questions and answers.

I will now hand over to Mr. Gurdeep. Thank you, and over to you, sir.

Gurdeep Soni: Thank you very much. Good evening, ladies and gentlemen. I welcome you to the Quarter 4 FY '24 Earnings Call of Uniparts India Limited. We sincerely hope that all of you are doing very well. Prior to getting into the summary of the reported quarter, like always, I would like to reiterate that the core of organizational functioning is guided by the principles of passion, innovation, integrity, excellence and teamwork. The team has been working diligently and with passion over the years to establish Uniparts as a preferred supplier to the global off-highway vehicles market.

We, at Unipart, believe that through our off-highway focus, our well-positioned product offering and marquee customer portfolio, we have a robust global business model to cater to the long-term trends of food security prioritization as well as infrastructure build out and modernization. By way of leveraging engineering competencies and global delivery model, we are proudly partaking in 'building the world and feeding its people'.

With the above backdrop, let me spend next few minutes sharing thoughts with respect to the current operating environment and business highlights. Our quarter 4 FY '24 closed broadly in line with the guidelines given earlier for a 10% to 12% sequential growth. Inventory corrections at customer's end are now practically behind with only minimal tail end impact in Q4 for small agricultural OEMs. The end market near-term dynamics and volatile demand scenario persists.

On the construction side of the end market, the U.S. market for us is steady with new business driven by China plus 1 and US Infrastructure Bill. Europe is witnessing slight softness, while Japan is largely steady. On the large agricultural machines, early signals of slowdown in US large ag, as indicated in the previous 2 quarters, have started to materialize and expect it to have adverse impact on demand vis-a-vis FY '24.

On the small agricultural machines, this segment overall declined about 50% for Uniparts in FY '24. On this reduced base, the demand in near term looks steady and being monitored for any further signals. The Indian domestic tractor market has remained soft through the completed fiscal year. Recovery expectations for now are more linked to monsoon performance this year and pickup in export demand.

In the aftermarket, this segment overall declined approximately 30% for Uniparts in FY '24, owing to the dual impact of demand softness and accentuated by channel inventory correction. Inventory correction cycle appears to be over for now and that part of demand is expected to normalize over the coming quarters. The end market demand is being monitored and some very early green shoots are observed.

The new business pipeline is healthy. However, end market softness could lead to some elongation of implementation timelines and full revenue realization timelines in some cases. Our investments for growth continues plus additional focus on cost optimizations are also continuing. The company's business continues to generate healthy cash flows, lending further strength to the balance sheet. We also continue to augment our digital capabilities, aiding agility and optimizations.

The company has also been making meaningful strides in its CSR as well as sustainability initiatives. During the completed fiscal, we supported several social causes in the community around our manufacturing facilities. Towards sustainable energy adoption, our Vizag facility is now equipped with captive rooftop solar plant, while our Noida facilities are in the process of getting open access solar power supply. We believe that these initiatives will go a long way in generating positive impact on society and environment in which we operate.

As the focus on food security and infrastructure build out by most economies in the world is continuing, this lends a long-term tailwind for the global off-highway vehicle industry. Within this long-term growth journey, propelled by regular demand for off-highway vehicles, there are likely to be shorter periods of highs and lows. Coming off the high base of 2021 and 2022 and calendar year 2023, the current fiscal '23-'24 was one such year of softer demand, further accentuated by some element of channel inventory destocking.

We have been focusing on utilizing such short-term lean patch by investing for growth and ensuring readiness of our facilities and resources. Our focus and efforts are aligned with the medium-term business plan for achieving the targeted growth in coming years. With this, I would like to hand over to Vivek Maheshwari to discuss the details of our financial performances during the reported quarter. Thanks and over to you, Vivek.

Vivek Maheshwari:

Thank you, sir, and good evening, all. I would like to share following financial and business highlights of the quarter and the fiscal year ending 31st March 2024. Revenues from operations for Q4 came in at INR290 crores, which is a quarter-on-quarter change of plus 11.8% and a year-on-year change of minus 11.7%. And for the full year FY '24 came in at INR1,136 crores, which is a year-on-year change of minus 16.6%.

Reported EBITDA for Q4 was INR51.5 crores, which is a quarter-on-quarter change of 16% and a year-on-year change of minus 26.5%. And reported EBITDA for full year was INR210.7 crores, which degrew year-on-year by approximately 32.6%, while EBITDA margin reported at 17.8% for the quarter 4 and 18.5% for the full year FY '24, respectively.

Operating cash flow generation for full year FY '24 was approximately INR200 crores. This is a result of improved working capital performance and healthy profitability despite decline in the revenues. The net working capital comprising of big 3 elements of inventory, accounts receivable and account payable, as number of days of trailing 12-month revenue from operations stood at 152 days as on 31st March 2024. Net working capital during the fiscal year decreased by approximately INR64 crores.

Uniparts' balance sheet continues to be net debt-free, with group net cash position at approximately INR113 crores at the end of March 2024. Full year's cash outflow towards capex commitment has been approximately INR36 crores. Inflationary pressure of the cost remains in the medium term to be partially mitigated through operating efficiencies. Macro concerns over global economic slowdown, geopolitical uncertainties and impact of worldwide high interest rate continues to remain a key monitorable. With this summary, I would like to hand the conference back to the moderator for a question-and-answer session. Thanks very much.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Chetan Vora from Abakkus Asset Manager. Please go ahead.

Chetan Vora: Sir just would like to understand that as you have mentioned that we are largely done with the inventory de-stocking. So what sort of demand growth we are expecting in this fiscal '25 and '26?

Gurdeep Soni: So the end market is still a little flattish for the regular products that we do, but clearly the new product offerings that we have made in the market including additional business simply because of the China plus One and the infra bill and other issues is giving us a good feel and that is what we are expecting in the current financial year.

Chetan Vora: But sir that would not be that meaningful to move the needle. We need to see a growth from over the base business also right to see a positive growth?

Gurdeep Soni: So like I said there are some soft pockets and earlier in the previous call we had said that we were expecting growth this year in the mid-teens, but we are now reassessing that and probably in a couple of months we would be in a more clear position on what type of top line growth are we be looking at for the current financial year.

Chetan Vora: Yes. So on last concall you had mentioned that you are looking at the growth in mid-teens. So that is not doable as what you are trying to say as of now?

Gurdeep Soni: So like I said we are evaluating that because some of the end markets have softened a little bit more in the US especially in the agriculture side. So we are evaluating that plus the new business that we were expecting is also coming up a little bit more. So the net result we are still under evaluation, but I think the growth will be pretty okay. But right now we are evaluating what the

number will be and we should be ready Chetan, to give you that information in another couple of months.

Chetan Vora: Okay. And sir the second question is that the cash flow generation has been quite decent. So what are we planning to do of that cash?

Rohit Maheshwari: The cash flow has been pretty decent in the thing. So we are using the cash flow at the moment certain portion of the cash flow has gone from declaring the dividend which we declare in the last fiscal year also. And we continuing to do -- we have a policy of about 25% dividend. We're doing better than that and at the same time we are looking at the inorganic acquisition side of the business which we have made headway, but still a lot of work need to be done on that part.

Chetan Vora: And what will be the capex for this year and the next year?

Rohit Maheshwari: The capex for this year is about INR40 crores plan. Normally we do 2.5% of the sales, but certain new projects which we have bagged as a company we expect the INR40 crores to be used as a capex at least.

Chetan Vora: All right. Sir I just was trying to understand that still we will not be able to cross our FY '23 numbers in this year also is what I was gathering?

Rohit Maheshwari: We stated that the market has softened in some part of the business, especially the agri side. So we're evaluating the business at the moment. And most of the BD Teams are with the customers. So we'll have a final assessment like we stated in a couple of months' time.

Chetan Vora: Fine. All the best.

Gurdeep Soni: Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Jain from Sunidhi Securities. Please go ahead.

Saurabh Jain: Thanks for the opportunity. Sir extending to the question of the previous participant I just wanted to reconfirm that you had mentioned top line growth of mid-teens for the current fiscal. And that would have included nearly INR150 crores to INR175 crores of new businesses and also you had mentioned that 20%, 21% kind of margin is possible with that kind of growth.

So of course as you mentioned that you will need a couple of more months to reassess the outlook, but as of now how is that INR150 crores to INR175 crores of new business is faring up? And with 16 -- although we have seen a rebound in our Q4 revenue, but our margins are still at 16.4% EBITDA margins. So would you want to comment on that both new businesses and profitability?

Vivek Maheshwari: So new business, that is right in the range of INR175 crores to INR200 crores is the number that we are expecting in the current year which includes the year 0 and year 1 what we call it. Year 0 is the first year and year 1 is the ramp up year, but with this dynamic end market situation what is happening is the timelines of implementations in some cases gets impacted.

Having said that, we are also in discussion with some of the customers to expedite on the other hand some of the projects. So how some timelines may get adversely impacted while some can be pulled ahead etc. So that is something which is being evaluated as we speak. So that is one. And what -- from previous time to this time a couple of things have changed in the end market as Gurdeep sir also mentioned.

The large Ag, which was -- I mean we indicated that it is likely to peak out, but definitely from then to now clear indications of the order books getting impacted on that front has materialized while on the aftermarket things are improving. So that is the green shoot that is visible. And rest of the things are looking more or less steady, but on a slightly lower base of last fiscal. So that's where things stand as of now broadly.

And on your question of EBITDA definitely our medium-term target is to get back to 20% to 21%, but as the operating leverage comes back so this will happen gradually with that.

Rohit Maheshwari: We are still entering the midterm target to run EBITDA of over 20% plus.

Vivek Maheshwari: Last fiscal year has been 18.5% despite slowdown.

Saurabh Jain: Sorry, I didn't get it.

Vivek Maheshwari: The full year FY '24 reported EBITDA is 18.5% even if we include the other income etc it's closer to 18%.

Saurabh Jain: Yes, but last couple of quarters it has been at 16% and 16.4% that's why I was -- of course you have been mentioning for your 3 years horizon on EBITDA margins of 21% is the -- but we were more considerate about FY '25 since -- like for last few quarters we have been waiting for that. Of course, the markets were not in our favour.

But sir, on a separate thing, according to the recent data released by AEM, US sales of overall tractors including 4-wheeled tractors grew at a healthy rate in April '24 primarily driven by 100 plus HP tractors, but they mentioned that the smaller HP market continues to be very challenging. So if that continues for a couple of quarters do you think growing at single digit also would be an issue for us?

Gurdeep Soni: So you're right the April numbers came out pretty well for tractor sales for 100-plus horsepower and it actually surprised the industry. Also I've looked at some data on the crop sowing happening in the USA and it's actually about 15% to 18% higher up to date than what it was last year. So definitely that's a good surprise that the market is seeing. On the small tractor, it is talking about down about 5% to 7%, but in our case because inventory deleverage has happened and there is a little bit of inventory coming back.

We are still looking at a flattish year for the small tractor requirements the 3 point linkage for the small tractor. We have seen that the biggest customer in the world, John Deere has shown a little bit lesser growth over there, but then we have another customer, who is the second largest in the US Kubota, they are in fact taking away some share from John Deere. So net-to-net, because both are our customers, we are seeing a flattish year in the small ag.

- Sourabh Jain:** Okay. And sir, my next question is, now that inventory destocking is behind us, foray into 100-plus HP tractors has already been done, like we have got the Case New Holland, and we have also started with 3PLs for ATVs and UTVs. At the same time, we have been mentioning China plus one for quite some time. So if you can give us some quantitative colour on the same -- some relevant numbers on what kind of business have we got in the last couple of years on account of China plus one, particularly in the US market?
- Gurdeep Soni:** So what happened in the US market is that, of course, like Vivek has mentioned that we are almost looking at close to 200Cr new business for the current year. But that's a combination of China plus one. It's a combination of the Infra Bill and also the fact that some of the manufacturing made in USA or made in Europe is also shifting to India. So when we get a project, we really don't know what segment this is coming from. But overall -- the overall growth the input is coming in is pretty good. And if anything, the China plus one as you all have been reading, it's only going to -- the relationship is only getting worse between Europe and US and China, and we just see a lot more happening in these particular areas.
- Sourabh Jain:** Okay. And my last question is, any updates on other businesses apart from 3PL and PMP, like hydraulic components, fabrications, power take-offs, any amount of businesses if you can mention the number we have acquired in last quarter or last fiscal in the other category.
- Gurdeep Soni:** So a good positive is that on the fabrication, we are attracting some fairly good business. Some orders have materialized and some of this is close to coming in. And on the hydraulic side, we had already started with the customers and so that part is moving on fairly good as anticipated. But on the PTO side, the push has not been so much right now because we've been busy with the other 2 segments. But yes, overall, we are seeing that things are moving in the right direction for us over there.
- Vivek Maheshwari:** Also, Sourabh, just to add to what's mentioned, the new account on the aftermarket side, which is the second largest store group in the, US So we commenced sales to them in Q4 and YTD calendar year seems to have already crossed 0.5 million with them. And obviously, there will be a ramp-up in coming quarters and 2 years. So the midterm, like 3 years kind of a 2 million sort of estimate that we provided earlier, I mean -- the direction is already there.
- Moderator:** The next question is from the line of Jinesh Gandhi from Ambit Capital.
- Jinesh Gandhi:** Gurdeep, few questions from my side. One is, if I look at our gross margin for FY '24, we have come off quite materially over the last 2 years. What would be this -- what would be the reason for this? I mean, I believe there will be some impact of mix as well, but what are the reasons you can produce for the same?
- Vivek Maheshwari:** So Jinesh, broadly, gross margin has been in a stable range of a couple of percentage points and more towards -- gravitating towards 64%. But over particular year, few things impact gross margin. Like last 2, 3 years were more impacted by the steel price changes. Those were happening in '21 and '22, etcetera. And then the freight cost, which went up quite a lot, which was also being recovered in the top line and being paid in expenses side. So those numerator and denominator effect generally distort some of those gross margin figures by a couple of

percentage points. And the other regular elements are the mix, as you also mentioned, mix change a little and the change in inventory also impacts. But having said all of this, broadly a couple of percentage point range -- ranging between 63% to 65%, more gravitating towards 64% has been the steady state.

Jinesh Gandhi: Right, right. And second question pertains to the newer products that we are working on, not necessarily from the next 12, 15 months perspective. But from a medium to long-term perspective, any updates on the PTOs, 3PL for the higher HP tractors. Where are we in terms of development or testing cycle and by when do we expect that to reflect in our P&L?

Gurdeep Soni: So this is a continuous process -- continuing process and we are seeing some fairly good requirements in the plus 100-horsepower tractor range from almost 2 or 3, in fact, 4 of our customers. And a lot of the projects are ongoing, where it has been quoted, but they are in an advanced stage of negotiation and implementation. And so we do see a fairly good traction moving forward in that part of the segment.

And like I mentioned, even on the applications we have actually attracted pretty good, what we call as RFQs, the request for quotes, which are, again, liked by our customers and we are seeing a good traction over there as well. PTOs, like I said, we haven't done so much because we are also busy with other things. And on the hydraulics, we continue with one particular customer and there, it is on an increase.

Jinesh Gandhi: Okay. And would it be fair to say that PTO, any development will be linked to inorganic initiatives. Organically, it might be not that easy to have commercial success there?

Gurdeep Soni: In all fairness, I won't say that. It's just that the attention on the -- if the customer says I want this and I want this and I want this, we have been looking at that more. So the PTO may have gone on the back burner for some time, but it's not by design. It's just that we just wanted to cater to the higher demand that's coming from the construction side and the fabrication side, in particular.

Jinesh Gandhi: Okay. Got it. And the last question pertains to the capacity utilization. So how it would be currently for 3PL and PMP?

Vivek Maheshwari: So Jinesh, as you might remember from our earlier discussions, the capacity is fairly fungible with the machining, the surface finishing, heat treatment, etcetera, are used in both. So the overall capacity is -- I mean, the last year closed at around 60% level. I mean this is a broader approximation, a little here or there. And so there is adequate headroom as far as normal products are concerned. But obviously, first, as Rohit mentioned earlier, for a few special projects, there could be some special capex. And apart from that, there will be regular replacement capex and some debottlenecking.

Rohit Maheshwari: So you mentioned out there's quite a space of, you have the site. If the order book comes in a better way then lot of scope of improvement.

Moderator: The next question is from the line of Vidhan Kumar from Chanakya Capital.

- Vidhan Kumar:** So can we get a quantitative number on the lines of the margins that we get on 3PL and precision machine parts?
- Vivek Maheshwari:** Yes. So these are in a similar ballpark. And in our case, what matters or what makes a difference is how a product is being sold through the channel. And as we highlighted earlier as well, the channels that we generally follow are the warehousing channel, where we sell the products through our overseas warehouses or the domestic, which is made in India and sold in India, made in US and sold in US.
- And the other channel is direct export from India, directly to the customer location. So channel -- I mean, these channels generally define the margin. And for the products, they are in similar ballpark range. And the warehousing channel is the highest margin for us, yes, which is about 47% to 48% proportion of our sales as of now and is in the 25% to 28% EBITDA range, I mean, depending upon the deleverage effect a little bit.
- Vidhan Kumar:** Okay. So my next question would be -- so the PMP business that we have, do we have a significant competitive advantage for that? Because by the nature of that business it seems very fragmented.
- Vivek Maheshwari:** Yes, you're right. It is a fragmented space. So the advantage that we have is our existing relationship with the key global OEMs and the India base for manufacturing and the China Plus One tailwind has been helping in recent times. And otherwise, yes, it is a fragmented market. So it's not -- like any player is not having a very large 20%, 30% sort of market share. Unlike the 3-point linkage, where there are 3 large global players, we are one of them.
- Rohit Maheshwari:** The relationship is so strong that some of our customers are asked to come to Mexico, which we have evaluated in February as mentioned in the last call, we're looking at that order book. So, it's a customer-centric relationship that's built over a period of time.
- Moderator:** Thank you. The next question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.
- Rushabh Shah:** Two questions from my side. How good is the aftermarket segment. Where do you stand as of now in that market? Do you have any plans on increasing this segment going forward?
- Vivek Maheshwari:** Sorry, your voice was not very clear. Could you repeat the question?
- Rushabh Shah:** Sir, how good is the aftermarket segment? And where do you stand as of now in that market? And do you have...
- Moderator:** Rushabh, your audio is not clear.
- Vivek Maheshwari:** The aftermarket you are checking on?
- Rushabh Shah:** Do you have any plans on increasing that segment?
- Gurdeep Soni:** Definitely. What we are seeing is that, like we said we already added the second largest customer in the U.S. for that. The first one was already with us. And in fact, what has happened is that

even on the inventory side, where the deleverage has happened but in this case, the swing on the other side is now taking place. And in fact, our top 3 customers all 3 of them, 1 in U.S. and 2 in Europe, actually ordering more products because they feel that inventories have come down a bit too much and now, they want to ramp up a little bit more. So we are seeing overall a good positive traction on the aftermarket that we would see in this current financial year.

Rushabh Shah: Okay. So my second question is the new segment, which is supplying 3PL to UTV and ATV. How is that business picking up on your target?

Vivek Maheshwari: So yes, as we mentioned earlier and in our presentation, also. So, the pilot batch for the same has already reached the about 160 stores to 170 stores in the U.S.A. and some it is already on the shelf and sales have started to happen, but this is a very recent development. So it will take some time for the data to flow in and exact feedback to come in. So this is a work in progress as we speak.

Rushabh Shah: My last question is are you targeting more exports? And are you planning to increase your hold in any other geographies?

Vivek Maheshwari: Geographies, we are pretty much covering all -- I mean, our geographies it's more relevant from the point of view, where the machines are getting produced and not so much where the machines are getting sold. So wherever they are produced be it North America, Europe, India or Japan, except China where obviously a lot of construction machines are produced but we don't cater too much to China.

Rest everywhere, we are already supplying, and we are supplying to most of the large OEMs globally on the Ag side and construction side. Only 1 or 2 large names on the construction side are missing, where obviously, we are trying to make inroads. But pretty much all the top OEMs are our customers. So from that perspective, our spread is pretty large and it's about mining those accounts more and more going forward.

Gurdeep Soni: Vivek, I would also like to mention that recently, we've already seen as a geography, South America, there is some fairly good requirements coming in. Also from the same customers that we have already for their manufacturing requirements, what they manufactured in South America. So that's -- again, that's another opportunity that's coming up. So that was an unexplored continent for us, so to say and then we see both Brazil and Argentina, as you know are very large countries for agricultural produce globally.

Moderator: The next question is from the line of Chirag Fialoke from Ratnatraya Capital. Please go ahead.

Chirag Fialoke: My first question was around the other expenses. They seem to have a decent uptick sequentially. Is this just because of the increase in sales that we have seen? Or is there a freight component to this?

Vivek Maheshwari: Hi, Chirag, so in the other expenses, yes, since some of the variable expenses also sit there. So because of the sequential growth, some part linked to that. And then there is a slightly higher travel expense because of the sales and BD team traveling and slightly higher repair expenses. So a few of the drivers.

- Chirag Fialoke:** Understood. But freight as a percentage of sales broadly in Q3 and Q4 has been similar. Is that right?
- Gurdeep Soni:** Yes, little impact of the Red Sea targets not a very large needle mover but yes, there is a little one, which is recoverable and corresponding part can generally sit in the revenue line.
- Chirag Fialoke:** Understood. My second question is if the senior management could share some thoughts on the overall cyclicity of the business, whenever we see such a down cycle, right? And the small Ag tractor at least the outlook from the largest customer seems to be pretty weak still. How long does it take typically for it to come back? What are sort of macro signals that you are looking at? Because small Ag tractors, if I'm not wrong is not really that much related to the agriculture demand. It's more the non-Ag use case that is driving it. Could you just talk about that on a macro level, how long do you think that softness will continue? And what kind of leading indicators you typically look for?
- Gurdeep Soni:** So, thanks for the questions. What has happened is that, as you rightly said the small tractors in the U.S. market it's not a farming tractor or a serious farming factor. It's more like –utility tractor used by people in large properties. And this is the first time that the interest rates have gone up so much in the U.S. after, I think a decade or 1.5 decades that some of that effect is happening because of that. And -- we think that even though there are cycles, but this particular one is unusual because of the interest rate situation on the small tractor. And with indications that the moment there are some indications that the feds will start cutting down the interest rate we see some of that coming back.
- Chirag Fialoke:** Understood. Last question. In our overall business, what is the seasonality of Q4. Typically, is there any seasonality? Is Q4 around 25% of the year sales and not about this year? I have obviously the report number for this year. But on a more...
- Vivek Maheshwari:** Yes. So there's no huge seasonality, Chirag. I mean generally the quarters range between 23% to 27%. Long back -- I mean post-COVID things have changed a little bit. But long back before that, Q4 used to be slightly higher, which is more like 26%, 27% sometimes. But yes, I mean, each year could be a little different from the other. But yes, the range is broadly closer to 25%, 26%. It's not usually seasonal.
- Moderator:** The next question is from the line of Jayesh from Hidden Gems Capital. Please go ahead.
- Jayesh:** My question regarding, what are the guidance for FY '25 and '26? And also how much is the operating profit margin for FY '25, '26?
- Vivek Maheshwari:** So as sir mentioned in response to one of the earlier questions, so complete fiscal guidance is being worked out and will take some more time for the management to get back to that. And I mean, broad - the end market dynamics and the business operating environment has been explained already. So we are not putting a particular number to that just now and so is the margin because that operating leverage coming back, it is slightly linked to that.
- Jayesh:** And how much is the order book right now?

- Vivek Maheshwari:** We get regular orders. So there's no long-term order book that is available. The association with most of our OEM customers is very, very long-term. I mean most are there with us for 15-20 years. And depending upon their sales, we get a visibility of anywhere between 6 months - or 3 months-12 months, depending on which customer operates in what manner. But there's no particular order book number that we are able to give out at any time.
- Jayesh:** And sir, one more question. How much is the replacement cycle for 3PL and for other parts, like precision part, in engineering sector. How much is the replacement cycle on this part?
- Vivek Maheshwari:** So for 3 Point Linkage, typically, it is anywhere between 7, 8 years or so. But it's a combination of 8, 9 subparts. So there is a possibility that one of the subparts breaks and that gets replaced. So it's not always that the entire system gets replaced. It is sometimes 1 or 2 parts get replaced. So it's that's kind of a product. While on the other hand, the PMP is slightly less than that because these are the joints where the load-bearing happens. And the replacement market for PMP is more through OEMs themselves. And on the other hand, on the 3PL side, there's a large aftermarket - organized aftermarket also out there.
- Jayesh:** Okay. And my question is about dividend policy. Will the Uniparts continue with this dividend policies because post IPO, the financial is not that great by sequential, by quarter and FY - compared to FY '23 and '24. So will the dividend policy be continue?
- Gurdeep Soni:** Definitely, it will. In fact, our stated dividend policy is 25%. We did about 40% last year. And even for the current year, we think we should be in the same percentage simply because the cash flows are - generation is pretty good, in fact, last year, the cash flow was, like I mentioned, is about INR200 crores. So clearly, we see the dividend policy continuing and probably in the range of 35%-40%.
- Rohit Maheshwari:** If we identify the target on inorganic side, that might change slightly a bit. But otherwise, we'll comment on that part.
- Jayesh:** Okay. My last question is about the IPO listing time actually and for Uniparts from last 1 year also and also in early conference call. Do you see that during the IPO listing the operating profit margin about was 22, 23 or I guess I think that was because of COVID impact. And now the operating profit margin is about 14, 16 now because of the, you can say, the down cycle or maybe a normal business of Uniparts. Don't you think so the IPO timing of Uniparts was not a true picture of the Uniparts because that was a one-off event of COVID that's why the operating profit margin was better.
- Vivek Maheshwari:** No. So even during the IPO times, the management was very clear that the 23% or above, which was getting reflected for a few quarters, was having certain tailwinds. And the real EBITDA levels were closer to 21%, which was at the, let's say, around the FY '23 revenue levels. From there, things have declined 16%-17%. So obviously, the operating deleverage is playing out. So our medium-term target is to get back to that 20%, 21%, which we believe at that kind of a revenue level is a steady state.
- Jayesh:** Okay. Thank you and best of luck.

- Moderator:** Thank you. The next follow-up question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.
- Rushabh Shah:** Thank you for the opportunity. My question is, which are the major sectors contributing toward revenue? Are we planning to expand our reach into various other sectors?
- Gurdeep Soni** Are you talking about inorganic?
- Rushabh Shah:** Yes, inorganic.
- Rohit Maheshwari:** So we have clearly laid down the verticals what we want to expand it. It will be in similar to the verticals, what we are operating at the moment. We have mentioned this toward the hydraulics for the PTOs part of the business, here we can leverage on our manufacturing scale and our relationship with our customers. It is just like insuring what we always call a dual shore model, and that is our usp model, and we want to upgrade in that segment. And that's the area we are looking for in our growth globally.
- Rushabh Shah:** So, what is the contribution towards our revenue from the top 3 of your customers?
- Vivek Maheshwari:** So, the top 10 customers are about 76%, 77%. Top 5 are closer to in the 55% to 60% range all put together.
- Rushabh Shah:** And my last question is, with the introduction of new products, how much additional revenue are we able to flop? And how much additional market share are we able to gain?
- Gurdeep Soni:** Is that again linked to the inorganic? Your inorganic question?
- Rushabh Shah:** Yes, sir.
- Gurdeep Soni:** So that will be driven by the size of the targets that we find. Obviously, the intent would be to. It's like building up a vertical in that flight. If you want to do it in the atoll, that's a new vertical that's going to be a cycle one in there. Because organically, it would take time to build it up. That's why we're looking in that area to build it up as well.
- Rushabh Shah:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Darshil Javeri from Crown Capital. Please go ahead.
- Darshil Javeri:** Sir, just wanted to know -- a lot of my questions have already been answered. Just wanted to know, so currently, if you would have some visibility of Q1 and Q2, will we say it's mostly flattish as compared to FY'24? Would that be a fair assumption?
- Vivek Maheshwari:** So as of now, we would not like to comment beyond Q1 for stated reasons earlier. Q1 could be sequentially broadly flattish in that range. Beyond that, we are evaluating, and we'll revert in due course.
- Darshil Javeri:** So we would assume that currently margins will also be around 16% only, right, sir?

- Vivek Maheshwari:** Yes, in fact, ballpark. Also, we are working on various cost optimization efforts. So those can add. But broad ballpark is, yes, you can take that.
- Darshil Javeri:** Okay, that's it from my side. All the best, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ronak Mehta from JM Financial. Please go ahead.
- Ronak Mehta:** Just a clarification, you just said that IQ will be flattish on a Y-o-Y basis or sequentially?
- Vivek Maheshwari:** Sequential, Ronak. Although Y-o-Y and sequential, there's not a huge difference, but I meant more sequential.
- Ronak Mehta:** So I have a couple of questions for Gurdeepji. So firstly, can you talk about the new order wins that have happened in the last couple of quarters given that there's a lot of traction from China Plus One thing that is happening. So any new order events or increasing the wallet share with existing customers, where that you have gained market share, something to highlight?
- Gurdeep Soni:** Like I said, the overall we are looking close to INR200 crores figure, and this is only changing month-on-month because there are so many new cores and things that are happening, and they're happening much faster than what it were earlier because of the market conditions. But -- and it's coming -- in fact, while we keep saying China Plus One and that is happening but it's surprisingly coming a lot also because what is made in USA. or made in Europe, if that is also we are seeing a lot of traction coming to India, where they are finding manufacturing is getting on far more expensive and people availability in this particular industry is not so good.
- Ronak Mehta:** So most of them are at RFQ stage, there's no concrete orders as yet, right?
- Gurdeep Soni:** So what I said was that we were already looking at -- we've got a bagged-in about close to INR200 crores of, let's say, firm up business, which is new business. But it's not going to stay there because it continues to -- new RFQ is getting quoted and some of them that were quoted 1 months or 2 months ago, they are likely to come through as well. So this is a continuous kind of a traction that happens.
- Vivek Maheshwari:** Yes. So Ronak, just to add to what sir just mentioned. Just to clarify there is a stage called award of business. Once the business is awarded, so that INR200 crores number is more -- I'm talking about that stage. Post that, the real purchase orders follow in due course, right, which is the next stage -- and then gradually the ramp-up happens. So broadly, that's how process evolves.
- Ronak Mehta:** So my next question is on the slightly longer-term strategy for the company, given that OHV is a fairly cyclical business. Any thoughts on entering new segments, like CVs or PVs? Because there's a lot of traction from global companies to set up manufacturing to source more from India and some of your peers in the forging space have been talking about that, and they are winning -- consistently winning new orders and growing at a fairly decent pace. So any thoughts on that?

- Rohit Maheshwari:** So the main focus is still being the off-highway market, which we are there operating. But at the end of the day, we are also an engineering company, dealing with the 12000 plus SKUs. So we are looking at certain areas in this sector and of course the, demand outlook is positive out there.
- Gurdeep Soni:** Over here and something that Vivek and Rohit may not know off, but the largest construction company in the world who our customer, they always thought we do the PMP sort of thing and everything, but the key people came and visited our Ludhiana facilities and they were surprised to see our forging capabilities and machine forging capabilities. And just 2 weeks ago, they have approved us for that, and they say, this is another area that is going to open up for us to give you new business." So that's a pretty interesting development over there. So you mentioned the word foreseeing, that's why -- that's what let me talk about it.
- Ronak Mehta:** All right. Yes. Thank you for that.
- Moderator:** The next question is from the line of Rajesh Mangal Agrawal from Rajesh Mangal and Company. Please go ahead.
- Rajesh Agrawal:** Sir, I'm attending this con call for the first time. So why this ROCE has been reduced from 36% to 20%. Can you break -- elaborate that?
- Vivek Maheshwari:** Yes. So it is because of the decline in the numerator because of the operating leverage, while the denominator has grown obviously because of the retained profit. So both numerator and denominator are impacting -- temporarily impacting adversely.
- Rajesh Agrawal:** Okay. And second thing is sir, what sort of PLI benefits we are availing from Indian government?
- Gurdeep Soni:** So there is no benefit as of now.
- Rohit Maheshwari:** There is no government benefit except the duty to the sector.
- Rajesh Agrawal:** Okay. Sir, in this agriculture equipment et cetera, we are not having such a benefit?
- Gurdeep Soni:** No, there is no benefit alongside the government of India. Just a PLI benefit scheme in this particular segment.
- Moderator:** Thank you. The next question is from the line of Manu Jindal from Thorin Technology Solutions, LLP. Please go ahead.
- Manu Jindal:** Sir, most of my questions have been answered. Just two questions. The first one out of the 46% share of 3PL. How much was greater than 70 hp? Have you made any sales for the 3PLs, which are greater than 70 hp? That is my question.
- Vivek Maheshwari:** Yes. So we already do -- at component level, we have been doing for some time. While some of the new orders or awards have been for the more complete systems, which are in the stage of getting implemented. But at a component stage for high hp -- I mean, large tractors, high HP, we already do sales. So over there, our share is broadly 7% to 8% kind of share.

- Manu Jindal:** 7% to 8% of the 3PLs sale or for total sales?
- Vivek Maheshwari:** Of the market size I mean, the mapped OEM market size for large tractors.
- Manu Jindal:** Got it. And my second question is again, just to -- it has been asked earlier also in this con call to counter the cyclicity obviously, we understand that U.S. agriculture has been not doing but greater interest rate cycle yet to reverse. So countering the cyclicity of the agriculture industry, like what are the long-term views of the company? How do we plan to -- how do we plan to adjust to the down cycle of such industries?
- Vivek Maheshwari:** Two, three things over here. See, the diversification, which the company has been able to do over the years and getting -- adding new customers has helped. As you may observe that last year's proportion between 3-point linkage and PMP versus this year's FY '24 completed year is there is quite a change. But what has happened is while the 3-point linkage remained weak, which is the tractor cycle remained weak, but the construction cycle did well in the last completed fiscal. So that helped. Then also the account additions have been helping. So those are the things, which help in diversifying and derisking the business more and more. And we continue to work on further new accounts and new business and new projects obviously, will lead the growth.
- Manu Jindal:** Got it. Okay. And can you mention PMP portion in your presentation it is for construction industry only, right? Like remaining 53% revenue contribution of PMP, that is majorly for construction industry or PMP is also shared by some by agricultural industry?
- Vivek Maheshwari:** It is largely for construction. Few agriculture machines also include PMP, but that's a smaller portion. Some of the larger machines -- agriculture machines use PMP, but it's predominantly the construction industry.
- Manu Jindal:** Sure. And the very last question, sorry for that again. The very last question was, is it like the PMP customers, which take the PMP parts from Uniparts. Is that due to like advantages due to the engineering capabilities as well there in 3PL or is it something else? Like why would they primarily come to Uniparts as compared to other Indian players, like if we discount the China plus one like is it engineering capabilities? Or is it like customization which you provide, like what is that exactly? Well, if you can just throw a bit of a light there?
- Gurdeep Soni:** Okay. Thanks for the questions. See, first of all, just remember that we are catering to the top companies in the world and engineering capability and quality systems are taken for granted. You have to have that. Otherwise, you cannot do it, but most of the products that -- the new business that we get, we are also getting of the fact that it's made in those countries or it's China plus one effect. But we, in India, the only one per se to offer low-cost manufacturing globally to these kind of parts.
- And add to that, the fact that we are doing so much of a business through the warehousing, we have taken the different sort of the equation. It's almost like having product next to the manufacturing locations in the US and Europe, where we can just apply on just-in-time deliveries. So the warehousing model, coupled with low-cost manufacturing in India and like I

said, with engineering and quality systems, if you didn't have that, you would never get into this business in any case. That's the way I put it.

Manu Jindal: Sure. Thank you. Thank you, sir. That's answers my questions. And we will be awaiting for the guidance maybe in the next one.

Vivek Maheshwari: Definitely. Sure.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Gurdeep Soni: Thank you so much and really glad talking to investors and potential investors. And -- but for all, I would like to reiterate that the company remains committed to maintaining our high-quality standards and delivering exceptional outcomes. We continue to focus on strengthening our customer relationships and leverage our core capabilities to partner our customers in their journey and success. Our focus and efforts are aligned with the medium-term business plan for achieving the targeted growth in the coming years. Ladies and gentlemen, with this, I would like to thank you all for taking out the time for today's call. Thank you very much.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.