April 25, 2025

Uniparts India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – Fund-based limits	165.00	145.00	[ICRA]AA-(Stable)/[ICRA]A1+; reaffirmed
Total	**165.00**	**145.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for Uniparts India Limited (UIL/the company) factors in the expectation of continuation of healthy credit metrics for the company, going forward, even as its revenue growth prospects remain under pressure on account of a subdued demand environment. As a result of softness in demand across geographies catered (primarily Europe and the Americas), UIL is estimated to have recorded a de-growth in revenues in FY2025 (16% YoY de-growth in revenues in 9M FY2025), while a decline in scale of operations impacted operating leverage and led to a moderation in margins (15.5% in 9M FY2025 vis-à-vis 18.1% in 9M FY2024). Nonetheless, the company's credit profile continues to remain strong, aided by a negative net debt position (~Rs. 240-250 crore of cash and liquid investments as of March 31, 2025) and strong debt coverage indicators.

The recent imposition of tariffs by the US government on the company's products (25% tariff on steel derivative product applicable to precision machined parts (PMP) and the likelihood of reciprocal tariffs being applied to three-point linkage (3PL) product exports is likely to weight on the company's earning over the near term. However, UIL's global service delivery model, strong engineering and product development capabilities and established relationships and healthy business share with some of the leading original equipment manufacturers (OEMs) in the agricultural machinery and construction equipment (CE) industries provide comfort regarding its growth prospects over the medium term. Apart from the company's healthy relationships with several OEMs, UIL is also present in the replacement market (aftermarket constituted ~20% of revenues in 9M FY2025).

The company continues to maintain a conservative capital structure (TD/TNW of 0.1 times in FY2024 and H1 FY2025) and strong debt coverage indicators (TD/OPBDIT and interest coverage of 0.8 times and 17.7 times, respectively, in H1 FY2025). Despite moderation in revenues, the company maintained strong debt coverage indicators in the absence of any major debt on its books. The management has indicated that it is on the lookout to enhance its business profile via the acquisition of a target entity; the size of the entity acquired and the funding mix for the same would remain key monitorables.

The ratings continue to remain constrained by the inherent cyclical nature of UIL's end-user industries (agri-machinery and CE). Additionally, even as the company caters to multiple customers, a significant amount of its revenue stems from a leading global agriculture and construction equipment manufacturer (~30% in 9M FY2025; although it is declining YoY), resulting in reduced customer concentration risk. The risk is further mitigated to an extent by UIL's established relationship with the customer and supplies it across various plants and geographies. Additionally, UIL's efforts to diversify its customer mix through new additions are likely to help reduce the concentration, going forward. ICRA notes that UIL's working capital intensity remains high (~42% in FY2024 and 44% in H1 FY2025), a consequence of its global delivery service model, wherein it maintains adequate inventory at facilities and warehouses across locations to serve its customers in a timely fashion.

The Stable outlook on the long-term rating reflects ICRA's expectation that despite the uncertainty regarding the company's near-term revenue prospects on account of the tariff imposed, UIL will maintain a healthy financial risk profile, benefitting from its established relationships with leading OEMs in agriculture and construction equipment industries.

Key rating drivers and their description

Credit strengths

Established relationships and healthy business share with leading global agriculture and construction equipment manufacturers – UIL has a healthy presence in the agriculture and construction equipment sectors, serving as an established component manufacturer for leading global OEMs with two of its product platforms, 3PL for agricultural machinery and PMPs for agricultural and construction equipment. Over the years, the company maintained a strong business share for these products with the leading global OEMs, leveraging its strong engineering and development capabilities.

Diversified geographic presence through global footprint across key markets – UIL follows a global delivery service model with its manufacturing facilities and warehouses dispersed across geographies. This allows the company to provide multiple delivery options to its customers, wherein they can either opt for premium-priced local delivery (for products manufactured in a nearby plant or stored in a nearby warehouse) and benefit from lower lead time, or for competitively priced offshore delivery (from a relatively low-cost manufacturing location) that entails a higher lead time. Beyond the advantages of a global delivery service model, having customers across geographies also limits UIL's exposure to downturns in demand in any particular geography.

Strong financial risk profile characterised by low gearing and healthy coverage indicators – UIL's financial risk profile remains strong in YTD FY2025, characterised by a conservative capital structure and strong debt coverage indicators; albeit moderated from the peak levels of FY2023. The company's debt levels have increased over the past one year to about Rs. 117.9 crore (including lease liabilities) owing to high working capital limits amid pressure on business prospects. However, despite the increase in debt levels, the company continues to maintain a negative net debt position, with cash and liquid investments of ~Rs. 245-250 crore as on September 30, 2024. Although the business is characterised by high working capital intensity along with substantial inventory holding, UIL's debt coverage indicators remained healthy with an interest coverage of 17.4 times as of December 2024 and total debt/OPBDITA of 0.8 times as of September 30, 2024. An improvement in the scale of operations/earnings would remain key for the entity; additionally, the impact of the tariffs imposed by US government on the company's growth prospects remains monitorable.

Credit challenges

Customer concentration risk with high dependence on an agricultural and construction equipment major – UIL caters to a large number of customers; however, a significant share of its revenue is derived from a single agriculture and construction equipment manufacturer (~30% in 9M FY2025; albeit declining YoY). The high customer concentration risk exposes the company to vulnerability in demand from the OEM. Nonetheless, the risk is mitigated to an extent by its established relationship with the customer and its multiple touch points across the globe. Additionally, UIL's efforts to diversify its customer mix has reduced its single-customer dependence to an extent (from 45% in FY2018). Going forward, an increase in supplies to its other customers is likely to help reduce this risk further.

Working capital intensive nature of operations mandated by global delivery model – UIL's working capital intensity remains high (~43% in FY2024 and 44% in H1 FY2025), resulting in fund requirements for its working capital, which ultimately increased its overall debt levels in the past two years. The same is further a consequence of its global delivery service model, wherein it maintains adequate inventory at facilities and warehouses across locations to serve its customers in a timely manner. The company's inventory days remain high. For warehouse sales of products manufactured in India, the inventory holding period is about 5-6 months, which includes transportation and warehousing time until the products are picked up by customers.

Exposed to vulnerability in demand as end-user industries are inherently cyclical – The company derives its revenues from the agriculture and construction equipment industries, which are largely dependent on global/ macroeconomic growth. A bulk of UIL's revenues are derived from the export markets, with domestic supplies constituting ~14-15% of its revenues (primarily export requirements of domestic tractor OEMs). Accordingly, UIL's prospects remain linked to global demand conditions, especially in the North American market, which constituted ~50-55% of its revenues in 9M FY2025.

ESG related comments

Environmental considerations – Even as UIL is not directly exposed to climate-transition risks from a likelihood of tightening emission-control requirements, its tractor and CE manufacturing customers remain highly exposed to the same. Accordingly, UIL's prospects remain exposed to agro-climatic risks and its customers' ability to meet tightening emission requirements. The company has been taking steps to reduce its carbon footprint by enhancing its reliance on alternative energy sources. It also manages effective water recycling; and its exposure to litigation/ penalties from issues related to waste and water management remains low.

Social considerations – UIL, like most automotive component suppliers, has a healthy dependence on human capital. Retaining human capital, maintaining healthy employee relations and supplier ecosystem remain essential for disruption-free operations. UIL's annual reports indicate that it has been taking initiatives to support its vendors in upgrading their operations, skills, quality, and technology. Another social risk that UIL faces is that of product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm its reputation and create a more long-lasting adverse impact. In this regard, UIL's strong track record in catering to leading companies across the world underscores its ability to mitigate these risks. The company's strong technological capabilities, moreover, are likely to help it align its products with any change in customer preferences.

Liquidity position: Strong

UIL's liquidity position remains **strong**, characterised by healthy cash and liquid investments, expectation of healthy cash flows and availability of adequate unutilised credit limits (buffer of ~Rs. 50 crore in working capital limits as of January 2025). The entity is expected to have more than sufficient liquidity to meet its marginal debt repayments (~Rs. 1 crore in FY2026) in a timely manner. The company had a balance of ~Rs. 245-250 crore in cash and liquid investments, as on September 30, 2024, and is expected to generate about Rs. 80-100 crore in retained cash flows per annum. Going forward, the company's dependence on external financing is likely to remain limited owing to its anticipated moderate capex plans.

Rating sensitivities

Positive factors – A material improvement in the business profile, driven by diversification of the customer and end-user industry profile, would be favourably considered for an improvement in ratings. The company's ability to record a material improvement in its scale of operations while maintaining a healthy liquidity and credit profile would be favourably considered for a rating upgrade.

Negative factors – The ratings may be revised downwards in case of any inability of the company to arrest the moderation in the scale of operations/margins for the existing business. Additionally, a material adverse impact of any acquisition on the credit profile of the company would remain monitorable.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto components
Parent/Group support	Not applicable

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of UIL. As on December 31, 2024, the company had four subsidiaries and one stepdown subsidiary (under indirect control), which are all enlisted in Annexure-II.

About the company

Incorporated in 1994, Uniparts India Limited is a global manufacturer and supplier of engineering systems and solutions, servicing global OEMs in the off-highway vehicle, agricultural machinery and construction equipment sectors. The company primarily manufactures three-point linkage assemblies for the agricultural machinery sector and precision machined parts for the agriculture and construction sectors. It also manufactures other products such as hydraulic cylinders (for agriculture and construction sectors), power take-off devices (for the agriculture sector) and fabrication parts (for agriculture and construction sectors). The company, along with its wholly-owned subsidiaries, has six manufacturing units across India and one in USA, equipped with forging, machining, heat treatment and welding capabilities, among others. Additionally, the company has three warehouse facilities (two in USA, and one in Germany) for its overseas customers.

Earlier, its PE investors, Ashoka Investment Holdings Limited (15.9%) and Ambadevi Mauritius Holding Limited (4.8%), collectively held a ~20.7% stake in the company. Pursuant to the completion of its offer for sale (OFS) for shares under its initial purchase offer (IPO), the investors sold their entire shareholding and exited the company.

Key financial indicators

Consolidated	FY2023	FY2024	9M FY2025*
Operating income	1,366.2	1,139.5	710.9
PAT	204.9	124.7	65.2
OPBDIT/OI	21.2%	16.6%	15.5%
PAT/OI	15.0%	10.9%	9.2%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	NA
Total debt/OPBDIT (times)	0.2	0.5	NA
Interest coverage (times)	48.5	33.5	17.4

*Source: Company, ICRA Research; *Based on Limited audited financials; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based limits	Long-term and Short term	145.00	**Apr 25, 2025**	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	Jan 08, 2024	[ICRA]AA-(Stable)/ [ICRA]A1+	Jan 16, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term / Short-term – Fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based limits	NA	NA	NA	145.00	[ICRA]AA-(Stable)/[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Uniparts India Limited	100.0% (rated entity)	Full Consolidation
Uniparts USA Limited	100.0%	Full Consolidation
Gripwel Fasteners Private Limited	100.0%	Full Consolidation
Uniparts India GmbH	100.0%	Full Consolidation
Gripwel Conag Private Limited	100.0%	Full Consolidation
Uniparts Olsen Inc.*	100.0%	Full Consolidation

*Source: UIL annual report FY2024; wholly owned subsidiary of Uniparts USA Limited**

Note: ICRA has considered consolidated financials of Uniparts India Limited while assigning the ratings.

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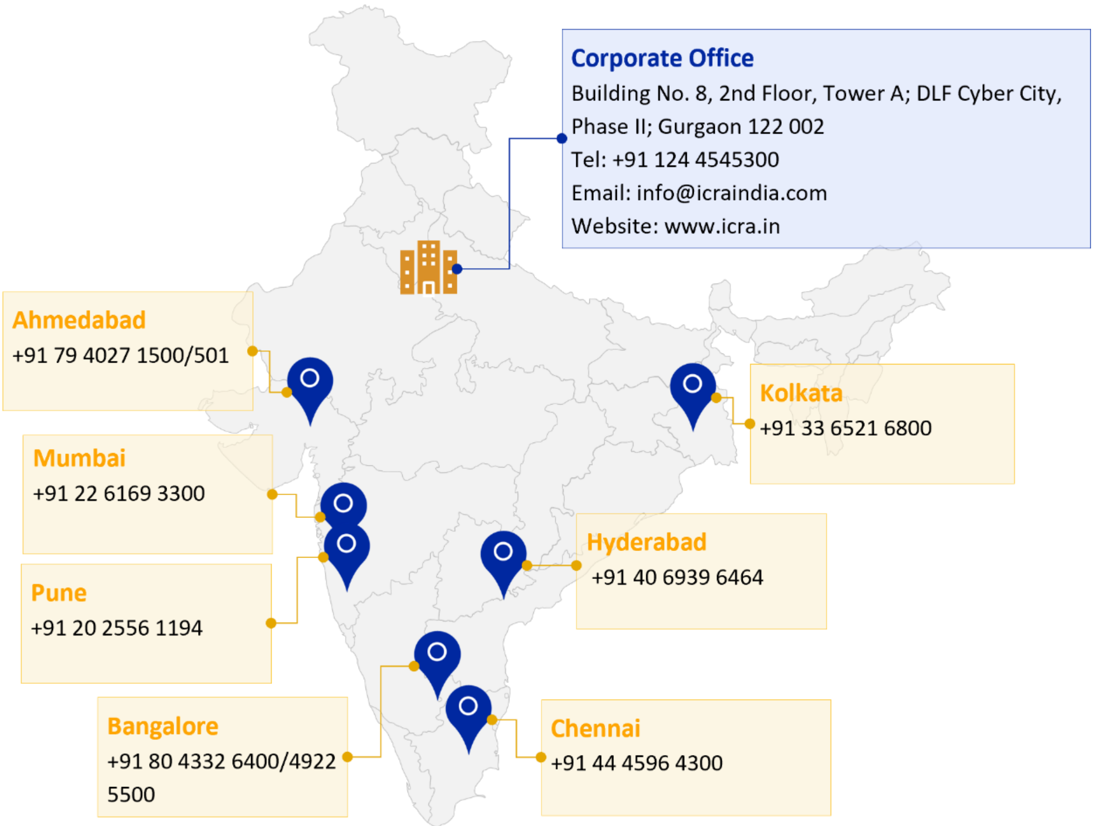

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