February 13, 2025

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**

Subject: Regulation 30: Transcript of Earnings Call pertaining to the Unaudited Financial Results for the quarter and nine months ended December 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 Unaudited Financial Results of the Company for the quarter and nine months ended December 31, 2024, which was held on Friday, February 07, 2025.

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

Digitally signed by JATIN MAHAJAN
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Jatin Mahajan
Head Legal, Company Secretary and Compliance Officer

Encl: As above

“Uniparts India Limited
Q3 FY '25 Earnings Conference Call”
February 07, 2025

MANAGEMENT:	**MR. GURDEEP SONI – PROMOTER, CHAIRMAN AND MANAGING DIRECTOR – UNIPARTS INDIA LIMITED** **MR. PARAMJIT SINGH SONI – PROMOTER, EXECUTIVE DIRECTOR AND VICE CHAIRMAN – UNIPARTS INDIA LIMITED** **MS. TANUSHREE BAGRODIA – DIRECTOR AND GROUP CHIEF OPERATING OFFICER – 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 Q3 FY '25 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 touch-tone 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, Sagar. Good evening, everyone, and welcome to Q3 and 9 months FY '25 earnings call of Uniparts India Limited. We have on the call Mr. Gurdeep Soni, Chairman and Managing Director; Mr. Paramjit Soni, Promoter, Executive Director and Vice Chairman; Ms. Tanushree Bagrodia, Director and Group Chief Operating Officer; Mr. Rohit Maheshwari, Group Chief Financial Officer; 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 risks that company faces. I will now request Mr. Soni to take us through the financials and the business update, subsequent to which we'll open the floor for questions-and-answers. Thank you, and over to you, sir.

Gurdeep Soni: Thanks, Monali. Good evening, ladies and gentlemen, and welcome to the Quarter 3 FY '25 earnings call of Uniparts India Limited. Trust that all of you are doing very well. As the end market demand environment is being monitored closely, Uniparts team continues to focus on operational endeavors, leveraging competitive strengths, including dual-shoring manufacturing and flexible delivery model with onshore warehouses as well as proposed near-shoring options to optimize these opportunities emerging in the evolving operating environment.

The Uniparts team is navigating this challenging business environment cautiously and creatively while continuing its unwavering emphasis on our core strengths. The company's business continues to generate healthy cash flows, lending requisite strength to the balance sheet to propel growth ambitions organically and as well as inorganically.

Let me now spend next few minutes sharing thoughts with respect to the current operating environment and business highlights. Starting with the construction end market. As alluded during a couple of preceding quarterly con-calls, there have been signs of softness in construction equipment end market in our key geographies globally. Our largest global customer is witnessing early to mid-double-digit decline in this segment. This impact on our sales to them is higher than that due to some impact of inventory destocking.

The healthy rise in business relationship with the global leader in construction equipment as well as another young account in Europe is helping in offsetting some of the end market weakness. The net impact of end market weakness partially offset by increased business with a couple of key clients is about mid-teens decline year-on-year for Uniparts in the Construction segment.

Coming to large ag demand, sluggishness in large agriculture equipment is hurting overall short-term demand in US and Europe with some additional element of inventory correction. However, this is also showing some new opportunities, which Uniparts is working on. In fact, our relationship with a leading tractor OEM is gaining good traction, and we have got some new business with them. This is helping in offsetting the overall weakness in European end markets to some extent.

Coming to the North America and Japan small agriculture equipment market, these are witnessing some further weakness in short-term, while small agriculture equipment market in Europe and India is stable to marginally positive. Our aftermarket segment is performing well post the inventory correction cycle, and that part of demand is seemingly normalizing now. This segment is likely to grow 25% to 30% year-on-year in this fiscal itself. The addition of new customer during our last fiscal who has the second largest group of retail stores in North America is helping this growth and has more room to grow. Sales run rate to this new account has been higher than anticipated.

The company's balance sheet continues to be net debt free with group net cash position at INR208 crores. Our business continues to witness healthy free cash flows at about 16% of revenues from operations during this reported quarter.

The new award pipeline remains encouraging with added traction in all product verticals, including PMP, large agriculture equipment assemblies, agricultural machinery in India, and high horsepower 3-Point Linkage as well as further geographical expansion in below 70 horsepower tractors is also gaining traction. The end market softness may have some bearing on the implementation time lines. And finally, our active evaluation and engagement towards inorganic growth options continues.

With this, before I hand over the mic to Vivek for financial details of the reported quarter, I wish to introduce Ms. Tanushree Bagrodia, who joined us in November as Group Chief Operating Officer, and she is also a member of our Board of Directors. She brings with her extensive experience across diverse geographies and sectors, spanning financial services, automotive and start-ups. She will be in charge of Uniparts Group wide operations and customer service.

Also, at this time, I place on record my sincere gratitude to the outgoing Group Chief Operating Officer, Mr. Sudhakar Kolli for his valuable contributions and leadership. With this, I would like to hand over to Vivek Maheshwari to discuss the details of our financial performance during the reported quarter. Thanks, and over to you, Vivek.

Vivek Maheshwari: Thank you, sir. Good evening all. I would like to share following financial and business highlights of the quarter ending 31st December 2024. Revenue from operations for Q3 came in at INR208 crores, which is a quarter-on-quarter change of minus 18.7% and year-on-year change of minus 19.6%. Reported EBITDA for Q3 was INR37.2 crores, which is a quarter-on-quarter change of minus 11.1% and a year-on-year change of minus 16.1%, while the reported EBITDA margin was at 17.9% for the quarter.

Operating cash flow generation for the quarter was approximately INR46 crores. The net working capital comprising of big 3 elements of inventory, accounts receivables and accounts payables as number of days of trailing 12 months revenue from operations stood at approximately 151 days as on 31st December 2024.

Net working capital during the quarter decreased by approximately INR21 crores. Uniparts balance sheet continues to be net debt free with group net cash position at approximately INR208 crores as also alluded by sir. Cash outgo towards capex commitments during the quarter has been approximately INR11 crores.

Total new business award value during trailing 12 months has been approximately INR203 crores, which represents annualized potential value of underlying projects. Inflationary pressure on operating cost remains in the medium-term to be partially mitigated through operational efficiencies. Macro concerns over global economic slowdown, geopolitical uncertainties, evolving global trade tariff environment and impact of persistent inflation as well as elevated interest rates continues to be key monitorable.

With this summary, I would like to hand the conference back to the moderator for question-and-answer session. Thanks very much.

Moderator: Our first question comes from the line of Rushabh Shah from Buglerock PMS.

Rushabh Shah: So my question is you mentioned many times that top 10 customers that are in construction side outside of China, 5 are your customers. And you said that you are going to add further more. So what has happened, sir, have we progressed on that front?

Paramjit Singh Soni: Yes, I can take that. So I think the bigger one that is moving along is our, as Gurdeep alluded in the call earlier that our relationship with the largest one, Caterpillar is really, really growing very rapidly. And I think the way we are executing new projects there has been very, very high. At the same time, we -- I think we mentioned on our last call that we've taken some very large new awards on construction equipment from another large customer, which is for the Mexico operations as part of our near-shoring strategy.

So in terms of like the new business that we've taken in, like Vivek mentioned, about INR203 crores of new business got awarded. I think a significant portion of that is coming from the construction equipment side and from these customers itself. So the relationship with them continues to be very, very robust.

Rushabh Shah: My second question is, you are executing with many other divisions within Caterpillar. So earlier, it was just the building and construction product division. Now it is ground engagement tools division. And so there are different divisions of Caterpillar, which are now getting on board. So how are we planning with other players also? Are we planning the same thing like we are doing for Caterpillar?

Paramjit Singh Soni: We are quoting other players as well. I think everybody is looking -- so we are, at this time, processing some very large RFQs with Case New Holland Construction as well. So we are processing these RFQs with all these other people and continue to grow horizontally within the existing ones as well. So that part of the strategy continues to remain.

Rushabh Shah: All the other players, sir.

Paramjit Singh Soni: Sorry?

Rushabh Shah: No. With all the other players, we are doing the same strategy as Caterpillar, correct?

Paramjit Singh Soni: It's always the strategy you first make an entry into a customer and then you horizontally grow within them. So our entry points with other customers, those endeavors are going on. We are already in Kobelco. We're already working with Kubota on this. We are already working -- we're trying to extend our relationship -- we entered Case New Holland and now we're trying to expand that relationship. So it continues on all fronts over here.

Rushabh Shah: My third question is, you said that you basically know that the number of vehicles in the agriculture and construction equipment are limited. So they are not like automobiles. Hello. Am I audible? Hello.

Paramjit Singh Soni: Yes, please continue.

Rushabh Shah: Yes. So I'll repeat the question. You said that you basically know the number of vehicles in the agriculture and construction equipment are limited. So they are not like automobile. So your goal was to increase the content per vehicle. So what was it 5 years ago? What is it now? And how are you going to increase or maintain it going further?

Paramjit Singh Soni: So the way we are -- I can't answer with numbers what was it earlier and what is now because it's different with every customer and different on every vehicle. But to give you a situation, we basically -- from a strategy on every vehicle was we had a strategy to stand down and say, hey, we are doing a 3-Point Linkage on below 70 horsepower, then we were going to go in the higher than -- greater than 70 horsepower tractors. And so this year, if you look at a lot of the new awards, they're coming from that part of the strategy.

So a lot of new awards in 3-Point Linkage are coming in from the greater than 70 horsepower tractors, while we continue our geographic growth on the below 70 horsepower tractors. So for example, we've taken on some new accounts in Korea to do this, and we are expanding that. At the same time, on the construction equipment, again, we've expanded our capability for much larger size of parts and hence, addressing the larger -- big size excavators and mining equipment as well.

We have added more capabilities on the fabrication side of our business, which is not even a full platform just now. But if you remember from our earlier strategy, we had identified 3 platforms, PTO, fabrications and hydraulics. So on the fabrication platform this year, we've had some very large awards on that side of the business. And these fabrications are also going on some of these vehicles. So you are basically adding more systems next to the existing systems. So our strategy of shifting system boundaries continues to remain.

And I think customers are preferring that because it helps them rationalize their supply chain even more. So we are getting more and more awards. And I think we are seeing a significant amount of traction on the fabrication side of business as more and more issues emerge with China, I think you will see more and more India come into that place.

Moderator: Our next question comes from the line of Saumil Shah from Paras Investment.

Saumil Shah: Sir, this quarter has been the lowest sales and lowest PAT in last 15, 18 quarters. And sir, quarter-after-quarter, we have been waiting for the revival in our industry, but we are not able to see. So by when you think we can go back to our earlier EBITDA margin of 21% and PAT of 14%? And what would be your guidance for FY '26?

Paramjit Singh Soni: So Saumil, thank you for the question. And I agree with you. I think the kind of markets that I have seen, I've never seen in my 3 decades. Having said this, the good news is the worst is behind us now. I alluded to it last -- in my last call as well to say, hey, we will -- quarter 3 is going to be lower. And after that, we will start seeing the uptick, even though the markets are still soft. So if you look at the construction market, that's still soft. For the large agricultural equipment market, that's still soft.

The small tractor -- and while it's still a little bit soft, at least the inventory correction has stopped over there. The aftermarket segment is really, really growing for us, okay? As we go into this next quarter, in Q4 itself, you will see the upswing happen. Part of that is seasonality as well, but the other part is you are seeing a lot of new projects come into line.

So the key over here for us is while the markets will do what they are doing, and I think we've got so much more new awards and new business going in that as we go into our next year, a significant chunk of growth you will see come from the implementation of the new business. So even for the next year market, if I do the segmentation of what is going up, what is going down.

Even the markets are generally going down with our different segmentations in different geographies, we may see flat to maybe low single-digit of just the existing market growth. But I do believe we will see double-digit mid-teen kind of growth just purely from new business. So we will be outperforming the market completely.

And so the last of the quarters, which was really, really low is what we're thinking is over. Q4 is going to be better. I believe sequentially, we will be significantly better than that. And the new projects, they'll start off, they'll kick off. So I do expect the first half of next fiscal year, you'll start seeing the growth come in.

And by the second half of fiscal, you will see the new projects really, really blooming. So that's how I see it just now.

Saumil Shah: Okay. And so basically, Q4, you see -- you are saying that it would be the best quarter out of the 3 quarters which had gone by?

Paramjit Singh Soni: I think it will be between the -- it could be the second best between whatever we were in quarter 1 and quarter 2, I think we will reach that point in any case. So you will see that swing back come over. And then I would imagine by the time we touch Q1 of next year, you will start to see the numbers go up further because of the new projects being implemented. The end markets are still tough.

So some of the end markets -- because the large agricultural equipment and the construction, 2 segments are still tough. I believe the small tractor will start turning around in second half of next year because it's already been 3 years now that it's down back to back. And I think that is going to turn around. Part of it is obviously related to some of the interest rate regimes, we will see how that plays out.

But the entire squeezing of that market is all over. I've never seen a downturn so, so bad in so many years. But the good news is, we've managed to go through it. We managed to still maintain other than the operating leverage, still a reasonable EBITDA margin. And as soon as the things turns around, you will start seeing immediately going back to the 20% because that's just the operating leverage scenario. And I think we're prepared for our growth.

The real good news is all the new business coming into play. And it's coming in, in exactly the strategic areas that we need them to. Even as you look at the global political environment with all the tariffs and everything, I think Uniparts is in a very good position because we strategically implemented all the tools. We implemented the global sourcing model earlier. We implemented the dual-shore manufacturing, which is paying dividends.

We are investing into the near-shoring in Mexico now. So the number of options we are providing customers to be able to deal with all these challenges seamlessly. I think Uniparts may be unique in doing this. And hence, the new business, I think we continue to keep focusing on it. So the worst is over, Saumil, let's put it that way.

Saumil Shah: Okay. So since the base is also low, at least we can expect mid-teens kind of revenue growth for next year?

Paramjit Singh Soni: I think so.

Saumil Shah: Okay. And sir, in last call, you mentioned that we are adding one more product line. So any updates on the same?

Paramjit Singh Soni: I think the fabrication business definitely is continuing to grow. Like I mentioned, we've added new products over there, and I think we're seeing more and more traction over there. And so that part is continuing even like Vivek alluded earlier, the new customer we had added on the aftermarket with all the new stores, they are performing much better, more and -- so they had about 800 stores and originally, maybe only 400, 450 of those had come on board. Now the rest of them are coming on board. So you continue to see higher growth over there.

So with new product as well as new customers, I think it continues nicely. I mean for you to see -- in the aftermarket in this year, if you're giving about -- my guess is about close to between 25% to 30% of growth over last year. The market hasn't grown that much. So obviously, we are way outperforming it. And that's a good margin business as well. So that's helping us.

Saumil Shah: Okay. So this is a new line business, I mean, fabrication?

Paramjit Singh Soni: Yes, fabrications is coming from a lot of new products which are coming in. So fabrications, we're looking at to develop it more into a serious platform itself. I think there is a need opening up in these markets for this. And we are seeing a lot of interest from customers on that side. Fabrication is on the attachment side itself. So again, it's synergistic to what we do.

Like I said, already we are doing stuff which is attaching to the -- use the vehicle and attaches equipment to it. And so now we're trying to see how we expand with more fabrications in the attachment space itself.

Saumil Shah: Okay. And sir, my final question, sir, are we following any dividend distribution policy? I mean, what we can expect every year?

Paramjit Singh Soni: I think our dividend distribution policy is stated and we are outperforming it every year. I think right now because the cash flows are very, very robust. And so while I'm maintaining some cash flow to see if I can fund some inorganic endeavors, but we are maintaining a very high dividend ratio. Vivek or Rohit, can you give the numbers on the dividend policy and the numbers that we've had, Vivek?

Vivek Maheshwari: Yes, sir. The stated policy is 25% of profit or above. While this year itself with the second interim dividend, total dividend has been about INR14 or so, which is very close to the Y-T-D EPS as well. So right now, we are giving out almost 80% to 90% of the profits because of the surplus cash.

Saumil Shah: Okay. So basically -- okay, more than 25%. This year, it would be, I think...

Paramjit Singh Soni: Yes, we are doing more than 25%. The stated policy is that, but currently, we have more significant cash flows. So we are maintaining a healthy rate over there. So even despite the lower markets this year, I think our dividend this year is higher than last year as well.

Moderator: The next question comes from Nikunj Doshi from Bay Capital.

Nikunj Doshi: It's nice to hear some positive note this conference call. So congratulations on that. And just we've seen recent resolution about some INR1,500 crores-odd we can land or something. So are we looking at really large acquisition or something? Or what is it for?

Paramjit Singh Soni: I can't really comment too much. I'm actively looking at acquisitions. I think it will be premature for me to give any numbers at this stage. But the acquisitions are going to be such that -- I'm not for some very, very large things. We will manage stuff, which is -- we can manage easily, which fits strategically. And so I think our goals of – criteria's of what we are looking for, what size we will look for, I think, are pretty well defined. But...

Nikunj Doshi: It looks very large INR1,500 crores, enabling resolution looks very large as well.

Paramjit Singh Soni: Yes, the enabling resolution may be large, but I think we will be -- for us, that's more an enabling thing. What I'm actually working on or what the team is working on is more at a situation where it will be strategically very positive to the company. Let's put it that way. All right?

Nikunj Doshi: And again, this acquisition we have been hearing for more than a year now. So is it still far away or we can expect things in near future?

Paramjit Singh Soni: Well, it's a very hard thing to answer. All I can say is it's been consuming a lot of our time. But -- so we are putting a lot of effort into it. And I think like with all these things, it's not done till it's done, but I think I can just tell you that the team is spending a lot of resources on it. All right?

Moderator: Next question comes from Devchandra Ramani.

Devchandra Ramani: We are guiding next year for around 15% revenue growth. Can you split this growth between small tractors, large tractors, aftermarket and construction? That would be helpful.

Paramjit Singh Soni: I think we have those numbers, but it's coming from all. The bigger growth is coming from 2 zones. It's the large tractor, the greater than 70 horsepower, which is where we said our focus used to be. So there's a very nice chunk of growth coming from there. There is a chunk of growth coming in from the PMP construction side with the near-shoring Mexico strategy as well.

And also from the aftermarket and new products, the least growth is actually coming from the below 70 horsepower tractor because that we had high market shares in the first place. There, we are seeing some growth come in geographically from markets like Korea and all that. But the bigger stuff is coming from our strategic areas where we had room to grow.

And also from new platforms and some fabrications and stuff like that. So -- but it's coming -- thankfully, it's coming from all sides rather than just one side. And more importantly, it's even the robustness of the delivery model with the amount that goes to the warehouse or through direct, I think that ratio is not changing significantly.

It's -- the warehouse one still continues to grow, which was the better margin business in the first place. And thankfully, this year, we've had the aftermarket growth, which also is a better margin business. So it's an area there, I think, which are good for us.

Devchandra Ramani: Okay. But when I'm looking at our end customers, specifically within North America, I'm talking about tractor customers. So most of the customers are forecasting 2025, CY 2025, maybe somewhere around minus 5% to minus 10%. And even construction customers as well, specifically our largest customer within construction side.

So that is forecasting 2025 at somewhere around 5%, 6% kind of revenue growth. So I'm just trying to reconcile the numbers. The contribution from new business would be significant, that's why we are forecasting for 15% growth or we'll be gaining wallet share within...

Paramjit Singh Soni: Absolutely. You hit nail on the head. It is -- like I mentioned in my comments earlier, the existing business that I have is only going to give me flat to small low-digit numbers. And frankly, a lot of that will also coming from the aftermarket as well. So the existing business on the OEM side is not going to drive the growth. For me the aftermarket is driving it from here. But the significant large one, if you factor that like what I said, the trailing 12 months, we've had about INR203 crores of new awards.

A significant portion of them -- and this is the trailing 12 months, the data has been going up and up. And so once you start factoring that in and you look at maybe another INR150 crores of growth come in from there, that gives you a lot of room to grow then. And that is what's going to drive it.

So it's the efforts we were putting in on implementing new projects, getting in new projects during this time. I think you will now -- the next year, you will see us do better because of that. But that is traditional Uniparts. Traditional Uniparts is when the markets have gone down, we still outperform the market to some extent.

And it's difficult when the inventory correction happens, so you lose a little bit more. But during that period, we've tightened our belt. We made sure our margins are reasonably protected. It's very hard to protect 20% levels at that time, but protecting a 17% to 18% level is -- with that kind of downturn, I think the team has done a phenomenal job.

Now when the market kind of picks back up, even if the market is flat, we will outperform it with the new business. And then at the same time, with that the operating deleverage, which was causing an issue, some of it will go away, the margins creep back up. So as the market -- and then literally, when the market is coming back.

Let's say, in a year or 2 after that, you will see the cycle that we will continue to grow. And what have we done in the meantime? We actually implemented -- we are going to have implemented our Mexico strategy with the near-shoring. So another tool in the toolbox will be sitting when we are doing this.

Devchandra Ramani: Okay. So basically with an existing base business, small tractors, large tractors and construction, will be more or less flat to single-digit. And since we have grown so much business specifically within last 1 year, that along with growth in aftermarket would be driving primarily this 15% guidance, which we are kind of projecting. That's a fair assumption, right?

Paramjit Singh Soni: Yes. Absolutely. So it's the new business, which is the key driver to this, not the markets. The markets are giving me flattish. Even though customers are down, the markets are flattish for me on the existing side. OEMs are actually down. Aftermarket is up. So consolidated mix is kind of a small 2% to 3% growth, but the bigger growth is coming in from the new business in the next year.

Devchandra Ramani: And within the new order wins, which Vivek talked about approximately INR203 crores and on the basis of trailing 12 months, would it be possible to classify new orders on the basis of maybe agriculture versus construction?

Paramjit Singh Soni: I think we have all of that data. And -- but I don't have it off the top of my head. You can coordinate with Vivek and get that, but we have all of that separately. All right?

Moderator: The next question comes from the line of Richa from Equitymaster.

Richa: Sir, I just wanted to know what is the delta between margin delta in aftermarket versus OEM?

Paramjit Singh Soni: So typically, for us, the margin on the OEM -- again my -- the lowest margin I have is obviously the India OEM. So produce in India, sell in India has always been the lower margin. Produce in US and sell in US has also been the lower margin. I think for us, the direct export was our mid-level margins and our warehouse model used to give us the better margins.

But to separate between aftermarket and OEM, I believe the delta -- I don't specifically look at it because we are more focused on our delivery model, but my consolidated guess is it's at least a 3% to 4% better margin on the aftermarket.

Richa: And sir, what would be the contribution of this sales from warehousing channels of the all 3 channels like India versus local and warehousing? What is the mix of warehousing as of now, 9 months?

Paramjit Singh Soni: I believe it's in the region of 46% to 47% of our sales are coming from there.

Richa: And is this a function of slowdown in the market and could change when the cycle turns or is it likely to be on this growing trajectory?

Paramjit Singh Soni: Say that again, Richa, I could not understand it.

Richa: Sir, my question is that currently, there is a down cycle, and we have seen a substantial expansion in the mix of warehousing. Is this linked to cycle in some way? So when the cycle turns, this number could again normalize because I think your warehousing has a better margin, right?

Paramjit Singh Soni: I think this is lesser to do with cycles. It's more to do with how customers look at their risk management. We've always said our global delivery model is the biggest thing we have, and that helps customers mitigate risk in global sourcing. And I think ever since COVID has occurred, this is front and center in all customer strategy, how they are going to mitigate risk. So like I told you earlier, we had the dual-shore manufacturing, we had the warehouse solution here to take risk out.

Now with all the situation, customers were looking at a near-shore manufacturing. So we said, okay, we'll put something in Mexico with -- for starters, and we've been going with that. As we have set up more and more, my gut sense is customers want suppliers to manage all of this. So do I see the warehouse model go a little bit higher? Strategically, the answer is yes. I believe the challenge is going to be more what do you produce in a country like produce in US and sell in US.

I think that's going to be the challenge with the cost pressures that everybody will face. So I don't see that part growing as much, but then that was a lower margin business in any case. And the Indian market, again, is dependent on how the Indian market grows. So to me, the direct export business and the warehouse businesses, which are slightly better margins are the ones which are projected to grow better strategically. And that's what I see longer-term.

So if you -- when we -- 3 years ago, we were sitting at about warehouse at maybe 42%, 43% of our sales. I had said in 5 years, we'll go to 47%, 48%, well, we already did 47% now. I didn't do anything to influence this. I can't take any credit for this or discredit for it, right? It is what the market did. But it's a testament to what I've been saying that customers will move more towards a more risk-averse situation, asking the supply chain to manage this. And I think Uniparts does a good job at it.

Richa: Okay. Sir, my last question is, if you could just once highlight what kind of share you are looking at, let's say, FY '26 in higher HP tractors. I think it was in single-digits. Is it going to change meaningfully? And second question is, I know you have not shared a lot of details for acquisition because it might be premature, but what kind of strategic fit you're looking at? Is it a geographical diversification or is it into a different kind of product?

Paramjit Singh Soni: No, we are -- I've always said that we have 2 platforms, which is 3-Point Linkage and PMP, and we had 3 identified platforms. PTO, hydraulic and fabrications. And I think strategically, we are looking at it to be in one of those. So it's not a bolt-on thing. It's something which will add more capabilities. It will leverage what we do with our existing customers. So I think we are looking at it in that context. And so it's got to be an additional platform. It is our goal that eventually we will drive revenues from multiple platforms.

So right now, 2 platforms are giving us almost half and half of our sales. So that is risk mitigated. I'm hoping to add another third platform, which gives us at least maybe 25%, 30% of our sales. And as we go forward in another maybe 1 or 2 years, we'll add another platform. So to me, it's synchronous with the strategy where I said, expand system -- shift system boundaries. Wherever our product goes just now, what's the next product next to it.

Let's take that to the customers, let's add more value per vehicle. So it's in sync with that. We are not changing course on our strategy at all.

Richa: Okay. And sir, if you could also answer it, what kind of share you are looking at, let's say, 2 to 3 years from now in higher HP tractors?

Paramjit Singh Soni: We haven't defined that as to what we are looking for as a share, but all our marketing efforts are going in that. And if I look at the business awards and maybe Vivek can do some numbers with you later on that, but a significant chunk of the 3-Point Linkage growth that is the new business awards that have happened in this year is coming from that only. Like is said, below 70 horsepower, there's some maybe geographical growth.

And because I already have high market shares in the US. So -- in India, we have a reasonable market share as well. So to me, I'm linked to the market or to some extent in these geographies. And in the below 70, we were sitting at like more than 25% of the market share globally, whereas in the above 70 horsepower, we were in single-digits, 8%, 9%. So over the next 5 years, could we be 20%, 25% of the market? The answer is yes.

Moderator: The next question comes from Mohammed Farooq Umair from Pearl Capital.

Mohammed Farooq: So I would like to appreciate the management for engaging with the shareholders. In the last conference call, I noticed how well prepared and confident you were despite the challenges, especially coming up right after the IPO. Your transparency and commitment to keep the investors informed are truly valued, okay? So now coming to my question. In the last meeting, management mentioned that a decline in revenues from the top client has impacted Uniparts' business.

Could you provide an update on the performance of your most notable clients in the previous quarter, that is October to December? And additionally, how have orders intake trend evolved? And what visibility do you have on client demand heading into 2025?

Paramjit Singh Soni: Vivek, do you have the breakout on that or you want me to do it?

Vivek Maheshwari: Yes. So Mohammed, I think there are a few things that we can share with you, and most of it is public data. So one of our largest clients and it's a public listed company, so has been facing degrowth as well as the end markets. So they pretty much on a revenue basis declined about 20% overall. And the largest chunk was coming from the agriculture market and while also some part was coming from the construction market.

And as sir alluded in one of our responses earlier to another question that the impact on our sales to them has been, in some segments has been slightly more magnified because of some inventory destocking impact as well. So that's how it is going on. But having said that, also how the markets are now panning out as sir elaborated a little earlier, things are either close to bottoming out in certain segments. Or there is some more downside in certain segments, which may be witnessed in the next 2 to 3 quarters before things become better.

Paramjit Singh Soni: Just to give you a sense, the large agricultural equipment, the pain is not fully gone, Mohammed. Some of that is still going to continue. And I think I alluded it earlier also, it's going to probably get started. Construction has started the downturn. So when the cycles start, it takes about year, 1.5 years of the cycle to get out of the way. The small tractor one, which had started as a cycle almost 2.5 years ago now, I would have expected -- it lasted longer than I expected. But anyway, I'm seeing green shoots on that already come out now that at least that is behind us.

The aftermarket was more coming because of the logistical challenge caused with shipping, disruptions and all that, and that cycle has gone through, all the inventories being cycled through and so you're seeing some nice growth there. But 2 segments are still tough, the large agricultural equipment and the construction equipment. The good news is the new business awards over there. So despite the market doing what it's doing, I think the key is Uniparts is going to outperform the market completely.

Mohammed Farooq: Yes. That's good. Okay. So now given the current demand environment, could you provide an updated outlook for Q4 revenues and margin expectation? And additionally, with the US imposing 10% tariff on Chinese import, do you see an opportunity for Uniparts to gain market share? Have you observed any meaningful sourcing, shifting from American buyers looking to diversify their supply chain? And do you expect this to translate into stronger order flow?

Paramjit Singh Soni: The answer to your second question is very, very easy, yes. I think again, but let's be careful with this. If the tariffs come on India as well, that's going to be a challenge, right? So -- but at the same time, yes, here's the thing. I don't care where the tariffs go. And the reason for that is wherever the tariffs go, Uniparts is in a better position than anybody else to deal with it. If I need to ramp up in India, I'll ramp up in India.

If I need to ramp up in the US, I'll ramp up in the US. If I need to do something and with a dual-shore mix of that, we are able to do that. If I need to do something in Mexico, in 6 months' time, I will have that tool in my toolbox. And so we will have more tools in our toolbox than any of our competition or anybody else in this field.

So to me, the really good thing is the strategy that we have implemented and hence if there's a 10% tariff on China, you will see more growth. I'm already seeing -- already increased stuff on all these new products. We were talking about fabrications earlier. I'm seeing a large shift happen because of that. So there's a threshold point that, once you cross that threshold point, suddenly a larger amount of business becomes available. I think that is coming. We can already sense it.

How long do customers take to actually translate that? I think that's a moving target to some extent. But the number of RFQs we are processing just now and all of this is very, very high. Here's something else that I'm going to tell you. Anybody -- most of our big OEM customers. And if you track any of this, you will realize that they are putting more and more people and staffing more and more people in India.

It doesn't matter whether it's Deere, it doesn't matter whether it's Kubota, it doesn't matter whether it's Caterpillar, anybody and everybody is staffing their India operations more. And the reason they are doing it is the shift out of China to India, right? So I think the large corporations are moving in that direction. So before these wheels move, you have to set up the infrastructure to move it. I think that is already underway.

So the second part of your question is very easy for me as to what is happening, right? Let's go back. I forgot what the first one was. Can you repeat your first question to me again, please?

Mohammed Farooq: The current demand environment, could you provide an updated outlook for Q4 revenues and margins next quarter?

Paramjit Singh Soni: We already spoke a little bit about it. We said the large construction equipment for next year, like I said, it's -- the health of the aftermarket, I think we're outperforming. Otherwise, the OEMs are not doing well on this. They are actually going to be flat to negative. And because of that, our existing business is just going to grow maybe next year 2% to 3%, but we are driving the mid-teens growth there based on new business.

So the existing demand is still soft. But despite the existing demand being soft, we are going to grow.

Mohammed Farooq: And are you going to maintain the margin or there will be a slight increase?

Paramjit Singh Soni: I believe the margin will improve because as we grow the business, the operating deleverage, which was sitting a little bit lower, is going to come back a bit.

Mohammed Farooq: Okay, fine.

Paramjit Singh Soni: Medium-term indication of the 20% plus remains. I think we are getting back to that.

Mohammed Farooq: Okay. That's good. With Uniparts India shares in the past declined like 50% from its high, despite the strong growth prospect outlined by the company, do the promoters see there's any opportunity to increase the stake? Are there any plans for promoter stake enhancement to reinforce confidence among the investors?

Paramjit Singh Soni: We had considered that, but each time I try to do something, you get stuck way, you can't do this or you can't do that, right? So there are so many laws around it. But to give you a sense, I would love to buy my own stock at this stage, let's put it that way.

Mohammed Farooq: Yes. When we know that there is a strong growth coming in and we get it at a 50% price now…

Paramjit Singh Soni: I know. So I don't like it. I think it hurts people who invested in us and it's fundamentally against my ethos to have that happen. So I'm going to be doing everything possible to see how this reverses quickly. I couldn't help what the markets did, but I think we're doing strategically what the right things for the business are.

And I do believe as you continue to do this, it's a matter of this coming back. And I think we still have the confidence of our customers. The strategy is still strong. So ultimately, all this has to -- all the noise has to eliminate at some point. So that's how I see it, Mohammed. I think, I don't look at it short-term like that, okay?

Moderator: The next question comes from Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I'm trying to understand, is there any update on the UTV, ATV and some new projects that we were hopeful of getting new business from? So any update on that front?

Paramjit Singh Soni: Yes. So on the UTV, ATV, I had said last time that we had done the test pilot over there. It didn't take off as well, and we were extending some new marketing program. So we have launched over there a complete marketing campaign in the different stores over there. We are also now going to be launching our own online retail sales on that as well as tools to take it to the dealer distributor market. So there are marketing efforts going on. So it is going to take time. The market is there, but it's taking me more time than I originally thought.

Madhur Rathi: And sir, also in recent times, steel prices are at 5 year low and rupee is at all-time low. So are we seeing some benefit on the margin front? Or do we have to pass on these benefits to our customers?

Paramjit Singh Soni: So in the main, the exchange rate with all these things used to be passed on. But what we've done over the last few years is, we tend to trade our -- the inflation that occurs in India versus the exchange rate, we've tended to take that. So what it has done is it's allowed us to compensate ourselves for all the inflationary movements that are happening. The fact that the Indian rupee is depreciating, I think, obviously, it keeps you competitive.

But again, when I look at the depreciation of the Indian rupee versus the Chinese yuan, it's about the same. So is it relatively changing that? It's not. But overall, is it helping us compared to, let's say, US manufacturing? Yes, India is definitely more competitive now with the US dollar. So the foreign exchange shift in general is good because otherwise, for inflation, if you wanted to get price increases, that's not a good thing, right?

So I think just the avoidance of that and still recovering inflation is going to help maintain or improve the margin slightly.

Madhur Rathi: And sir, just wanted one clarification. You mentioned earlier that for the fourth quarter, you are expecting revenues between the first and the second quarter of this year. Is that correct?

Paramjit Singh Soni: That is what I said. Because somebody asked me, is it going to be the highest? I said no. But because the highest one was the first one, right? So I'm going to be somewhere in between those, and then it will come back out of that, all right?

Madhur Rathi: Sure, sir. And sir, lastly, sir, you mentioned about the Mexico, sir, are we only -- are we planning to do some manufacturing over there? Or is it just a stocking operation warehousing?

Paramjit Singh Soni: Step one is stocking. And once that is stabilized, Mexico is a new working environment for us. So we want to learn about the environment before we make significant bigger investments there. But our teams has gathered way more information and what opportunities exist. But a lot of our customers, the bigger customers are very excited that we are there, and they are throwing more opportunities with us because we've gone there.

So like, for example, Bobcat, like I'd alluded, they awarded us a $6.5 million business, which is going to start in January 2026. So it's not even -- so some of the things that we were doing now, what we had done about a year ago, you're seeing the results now coming in for next year where I'm telling you new business is going to drive better growth.

Already the seeds for '26 are already being laid now know. So all that is already happening. And as we do this in the second phase over there, if it makes sense to produce something in Mexico, we will consider it. My model is not going to be a low-cost country. My model is going to be best cost country. If I can produce something in the US cheaper than India, that's what I'm going to do. If India produces it cheaper than anywhere in the world, that's what we will do.

If Mexico is a better place for a platform, that's what we will do. I'm not looking at a low-cost country solution. I'm only looking at a best cost country solution.

Madhur Rathi: Sure, sir. And sir, also, we had entered Korea and Japan. Sir, so any significant revenues expected from those new geographies?

Paramjit Singh Soni: Korea, we took a pretty nice award from a major customer there. So Korea -- Korea grows. Japan continues -- Japan is seeing a little bit of a slowdown just now, but our new business has come from there, but the existing markets are slowing down over there. But Korea, we are seeing some significant jumps. All based on new business, all based on new awards.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Gurdeep Soni: Thank you. Thank you, everyone. We continue to focus on our core strengths and build stronger business franchise by strategically partnering with our customers in their journey and success. Our focus and efforts are aligned towards achieving the targeted growth in coming years. With this, I would like to thank all of you for taking out your time for joining this call today. Thank you, everyone, and have a great evening and a weekend. Bye.

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