



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

UNI ABEX ALLOY PRODUCTS LTD

WHAT WE LIKE

STRONG PARENTAGE & CORE COMPETENCIES

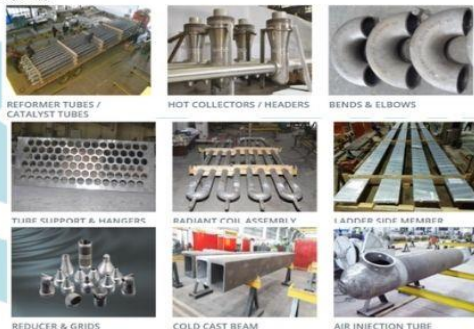
Incorporated in 1972, and a part of the Neterwala Group which has diverse interests in Metallurgy, Software, Specialty Chemicals, Engineering, Geology, Oil & Gas and Environment. Core Competencies

- Pioneer and leader in the manufacture of Centrifugal Castings in India
- Manufacturer of Static Castings for Critical Applications
- Specialized in the manufacture of Heat, Wear, and Corrosion Resistant Alloys

Vision Statement

To have a significant global footprint in the metallurgical space, addressing niche markets, and utilizing exotic alloys & superior technologies.

PRODUCTS



DECENT CONTRIBUTION FROM EXPORT

Disaggregation of revenue

- On the basis of geographical markets

Particulars	₹ in lakhs	
	As at 31 March 2022	As at 31 March 2021
In India	9,340.52	6,873.69
Outside India	4,216.19	3,406.35
Revenue from sale of products	13,556.71	10,280.04

As per management's commentary, the export contribution to further increase in times to come.

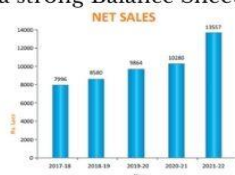
RESILIENT BUSINESS MODEL

- Despite the slowdown in their major segment of OEM, they have managed to grow their sales in the last 3 years
- Despite covid disruptions, decent growth was witnessed in sales, and FY23 being a normalized year, one can expect much better performance.
- The Co is focusing on increasing its share of wallet of OEM customers with a right product offering, closely tracking large tenders and aggressively bidding for the same.

CONSISTENT GROWTH IN SALES & STRONG BALANCE SHEET

In the last 5 years they have consistently increased their sales and each progressive year they managed to close with best ever annual sales. Q2FY23 was their best ever quarter in terms of revenue.

Also, they have maintained decent profitability and cash generation with a strong Balance Sheet.



WHAT WE DON'T LIKE

RISK OF CONCENTRATION

Manufacturing Plant: A single unit in Dharwad, Karnataka

Orders: They are predominantly dependent on govt tenders. However, we at SSS notice that they are trying to increase their OEM share.

Segment: The petrochemical segment is the only segment that has consistently been on the growth path.

UNCERTAINTY ON EXPORTS

Exports form ~30% of their total sales. Pre-covid, this share was ~40%. Given the recessionary fears in Europe and USA, their major export markets, it is uncertain how the export demand will pan out. Commentary of different businesses with sizeable exposure in these regions further supports the above point of uncertainty.

STRETCHED INVENTORY CYCLE

Uni Abex Alloy Products is in a business where they have to keep inventories for long time. Average inventory days for the last 3 years have been ~275 days. At a time when there are uncertainties around the export demand, there is a risk of inventory cycle getting further elongated and thereby stretching the working capital.

RAW MATERIAL, FUEL & LOGISTIC COST RISK

The war between Ukraine and Russia has brought a lot of volatility especially in the supply chain of metals of their interest i.e., Nickel and Chrome which has a cascading effect on Stainless Steel scrap too. Fuel prices went up as well which adversely impacted their overall manufacturing and logistics costs. While the fuel prices have come down a bit in the recent times, the volatility & uncertainty of price movements of all other raw materials and logistics is a cause of concern.

FOREIGN CURRENCY RISK

The Company is exposed to foreign exchange risk arising from foreign currency transactions, with respect to transactions in US Dollar, GBP and Euro. The risk primarily relates to fluctuations in trade payables and trade receivables denominated in US Dollar, GBP and Euro against the functional currency of the Company.

The Company does not enter into any hedge transaction for managing foreign currency exposure risk.

This is a big risk considering 30% of sales are from export.

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