

IPO Report

Choice

“Subscribe with Caution” to Kross Ltd.

Reputed & preferred manufacturer of critical precision components by the OEMs



Salient features of the IPO:

- **Kross Ltd.** (Kross), a trailer axle and other auto components manufacturer is coming up with an IPO to raise Rs. 500cr, which opens on 9th Sept. and closes on 11th Sept. 2024. The price band is Rs. 228 - 240 per share.
- This public issue is a combination of fresh (Rs. 250cr) and OFS (Rs. 250cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 90cr for the pre-payment/re-payment of certain borrowings; Rs. 70cr will be used for the purchasing of machinery & equipment and another Rs. 30cr will be used for funding the working capital requirement of the company. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and partially offloading 1.042 - 1,096cr equity shares. Post-IPO, P&PG will have 67.7% stake in the company, while public shareholding will be 32.3%.

Key competitive strengths:

- Long standing relationship with large OEMs and their tier-1 suppliers, domestic dealers and fabricators
- One of the prominent domestic manufacturers of trailer axles & suspension assemblies
- Diversified product portfolio with a focus on continuous value addition
- Integrated manufacturing operations coupled with in-house product & process design capabilities which offer scale, flexibility and comprehensive solutions
- Track record of sustained growth & robust financial performance in the last three financial years
- Experienced promoters supported by a management and execution team with proven track record

Risk and concerns:

- General slowdown in the global economic activities
- Customer concentration risk
- End-user industry risk
- Product concentration risk
- Manufacturing facility geographical concentration
- Competition

Below are the key highlights of the company:

- Kross, incorporated on May 9, 1991, is a diversified player specializing in the manufacturing and supply of trailer axles, suspension assemblies, and a variety of forged and precision-machined, high-performance safety-critical parts. These products serve the medium and heavy commercial vehicle (M&HCV) and farm equipment sectors. According to the RHP, Kross is recognized as a key manufacturer of trailer axles and suspension assemblies in India, and it has rapidly grown to become a major player in the organized trailer axle manufacturing industry. The company is one of the few in India with the capability to produce these products entirely in-house.
- The company is backward integrated with in-house design, process engineering, forging, casting, and machining capabilities. This gives it greater control over production, delivery schedules, pricing, and quality. As a result, it relies less on third parties, simplifies its operations, and enhances efficiency. Additionally, this integration allows the company to oversee the entire manufacturing process, offering customers faster deliveries and more competitive pricing. Kross has also expanded its reach by forward integrated with a network of sales and service centers across key states in India to support its trailer axles and suspension assemblies.

Issue details

Price band	Rs. 228 - 240 per share
Face value	Rs. 5
Shares for fresh issue	1.042 - 1.096cr shares
Shares for OFS	1.042 - 1.096cr shares
Fresh issue size	Rs. 250cr
OFS issue size	Rs. 250cr
Total issue size	2.083 - 2.193cr shares (Rs. 500cr)
Bidding date	9 th Sept. - 11 th Sept. 2024

Implied MCAP at higher price band	Rs. 1,548cr
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Implied enterprise value at higher price band	Rs. 1,418cr
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Book running lead manager	Equirus Capital Pvt. Ltd.
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Registrar	KFin Technologies Ltd.
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Sector	Auto Components & Equipments
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Promoters	Mr. Sudhir Rai, Mrs. Anita Rai, Mr. Sumeet Rai and Mr. Kunal Rai
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Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.042 - 1.096cr shares
Non institutional portion (Big)	10%	0.208 - 0.219cr shares
Non institutional portion (Small)	5%	0.104 - 0.110cr shares
Retail portion	35%	0.729 - 0.768cr shares

Indicative IPO process time line

Finalization of basis of allotment	12 th Sept. 2024
Unblocking of ASBA account	13 th Sept. 2024
Credit to demat accounts	13 th Sept. 2024
Commencement of trading	16 th Sept. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	67.70%
Public	0.00%	32.30%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Bid lot	62 shares per lot
Application money	Rs. 14,880 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				FY24 total operating revenue (Rs. cr)	FY24 EBITDA (Rs. cr)	FY24 adjusted PAT (Rs. cr)	FY24 gross margin	FY24 EBITDA margin	FY24 adjusted PAT margin
					1 M	3 M	6 M	1 Y						
Kross Ltd.	5	240	1,548	1,418					620	81	45	42.6%	13.0%	7.2%
Automotive Axles Ltd.	10	2,010	3,037	2,939	-2.8%	4.2%	0.1%	-9.7%	2,229	246	166	28.8%	11.0%	7.5%
GNA Axles Ltd.	10	433	1,859	2,016	2.6%	11.8%	0.9%	-20.6%	1,506	197	100	43.0%	13.1%	6.6%
Jamna Auto Industries Ltd.	1	126	5,043	5,121	-9.6%	2.9%	-6.9%	4.0%	2,427	327	205	36.2%	13.5%	8.5%
MM Forgings Ltd.	10	592	2,856	3,457	0.5%	0.3%	27.5%	26.9%	1,563	293	135	54.1%	18.7%	8.6%
Nelcast Ltd.	2	142	1,236	1,448	-1.8%	5.1%	-10.1%	3.3%	1,267	92	54	55.8%	7.3%	4.3%
Precision Camshafts Ltd.	10	266	2,530	2,310	35.9%	41.8%	19.4%	2.1%	1,031	100	40	60.8%	9.7%	3.9%
Ramkrishna Forgings Ltd.	2	978	17,674	18,361	10.2%	37.9%	25.3%	37.1%	3,955	842	341	49.1%	21.3%	8.6%
Shivam Autotech Ltd.	2	52	636	1,018	-4.5%	50.2%	11.7%	58.8%	470	43	(50)	61.3%	9.2%	-10.7%
Talbro Automotive Components Ltd.	2	340	2,098	2,179	-9.0%	18.3%	18.8%	61.9%	778	115	110	45.7%	14.7%	14.1%
Average												48.3%	13.2%	5.7%

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average CFO/EBITDA	4Y average CFO / Capital employed	4Y average fixed asset turnover	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Kross Ltd.	50.0%	61.5%	111.2%	11.3%	5.1%	22.2%	84.9%	84.2	37.2%	12.7%	4.4	1.4	16.6%	17.5%
Automotive Axles Ltd.	35.0%	55.3%	94.2%	9.6%	5.5%	17.3%	74.8%	60.1	58.0%	14.5%	6.9	1.6	14.1%	13.7%
GNA Axles Ltd.	19.2%	11.1%	12.3%	14.6%	7.4%	11.4%	43.6%	124.3	35.3%	9.8%	4.2	1.2	14.8%	15.4%
Jamna Auto Industries Ltd.	31.0%	34.7%	41.2%	12.6%	7.7%	13.9%	-3.5%	55.4	61.4%	19.4%	3.6	1.2	19.3%	19.7%
MM Forgings Ltd.	27.6%	31.5%	43.1%	18.2%	7.9%	17.4%	86.3%	75.7	47.9%	14.2%	1.5	0.8	15.5%	11.4%
Nelcast Ltd.	27.2%	25.8%	76.4%	6.8%	2.4%	4.3%	-38.6%	76.2	69.4%	8.2%	2.1	1.0	5.5%	5.7%
Precision Camshafts Ltd.	13.3%	17.7%	159.9%	10.3%	3.4%	-2.9%	3.0%	92.4	124.0%	22.7%	2.4	0.9	4.7%	1.9%
Ramkrishna Forgings Ltd.	45.3%	55.6%	154.5%	20.7%	6.6%	32.3%	64.5%	116.5	63.0%	15.5%	1.4	0.7	13.0%	11.4%
Shivam Autotech Ltd.	-1.2%	-17.6%	30.7%	12.7%	-6.5%	-7.8%	-22.8%	68.6	97.6%	22.9%	1.3	0.8	-38.7%	7.3%
Talbro Automotive Components Ltd.	20.6%	27.2%	41.2%	13.3%	9.8%	31.1%	0.3%	76.5	78.6%	16.6%	3.4	0.9	16.6%	17.0%
Average	24.2%	26.8%	72.6%	13.2%	4.9%	13.0%	23.1%	82.9	70.6%	16.0%	3.0	1.0	7.2%	11.5%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Kross Ltd.	7.0	61.5	0.0	0.3	5.6	1.0	11.3%	39.9%	34.5	3.9	2.3	17.6	2.5	2.9%
Automotive Axles Ltd.	110.0	579.6	32.0	0.0	9.6	1.8	19.0%	26.6%	18.3	3.5	1.3	11.9	1.4	5.5%
GNA Axles Ltd.	23.3	186.7	3.0	0.2	4.3	1.2	12.5%	18.1%	18.6	2.3	1.3	10.2	1.2	5.4%
Jamna Auto Industries Ltd.	5.1	22.6	2.2	0.2	4.1	0.2	22.7%	33.3%	24.6	5.6	2.1	15.7	2.1	4.1%
MM Forgings Ltd.	28.0	163.4	3.0	1.0	1.5	0.8	17.1%	20.7%	21.2	3.6	2.2	11.8	1.8	4.7%
Nelcast Ltd.	6.2	59.7	0.4	0.6	2.5	1.1	10.5%	11.7%	22.8	2.4	1.1	15.7	1.0	4.4%
Precision Camshafts Ltd.	4.3	78.8	1.0	0.1	2.9	1.0	5.4%	4.1%	62.6	3.4	2.2	23.1	2.5	1.6%
Ramkrishna Forgings Ltd.	18.9	148.5	1.3	0.3	1.5	0.7	12.7%	16.1%	51.8	6.6	4.6	21.8	4.5	1.9%
Shivam Autotech Ltd.	(4.1)	4.5	0.0	6.9	1.4	0.9	-90.3%	3.4%	(12.7)	11.4	2.2	23.5	1.4	-7.9%
Talbro Automotive Components Ltd.	17.8	87.0	0.6	0.2	3.6	0.9	20.5%	15.3%	19.1	3.9	2.8	19.0	2.7	5.2%
Average			4.8	1.1	3.5	1.0	3.3%	16.6%	25.1	4.7	2.2	17.0	2.0	2.8%

Note: Considered annual financials for the period during FY21-24; Source: Choice Broking Research

Key highlights of the company (Contd...):

- Kross is a diversified company specializing in the manufacturing and supply of a wide range of forged and precision-machined components and assemblies. It is well-known in India for producing trailer axles and suspension assemblies and is a key manufacturer of differential spiders in the Medium and Heavy Commercial Vehicle (M&HCV) sector (Source: RHP).
- Kross is also an expert in producing high-precision, safety-critical components, including companion flanges, axle shafts, rear-end spindles, anti-roll bars, stabilizer bar assemblies, differential spiders, inter-axle kits, bevel gear assemblies, suspension linkages, and trunnion pins. Additionally, the company manufactures universal joints, gear joint assemblies, clutch release forks, pole wheels, input and output shafts, adapter ring gears, planet carrier assemblies, camshafts, and various tractor components used in hydraulic lift systems, such as control spring assemblies, arm rams, hydraulic lifts, PTO shafts, and spindle front axles.
- Kross operates five advanced manufacturing facilities in Jamshedpur, Jharkhand, each equipped with state-of-the-art technology. These include forging presses and upsetters with induction billet heaters, a foundry with a high-pressure molding line, and high-precision machining equipment such as turning centers, milling centers (both vertical and horizontal), grinding, broaching, hobbing, shaping, and robotic welding systems. Additionally, the facilities feature an in-house cathodic electro-deposition (CED) plant, powder coating, spray painting, and heat treatment furnaces along with induction hardening equipment.
- All of Kross's manufacturing units (Units I, II, III, IV, and V) have received ISO 9001:2015 certification for the production of axle shafts, PTO shafts, lift shafts, ring gears, bevel gear assemblies, and related parts from TÜV NORD CERT GmbH. They have also obtained IATF 16949:2016 certification for the manufacture of axle shafts, universal joints (for steering and propeller shafts), differential spiders, companion flanges, anti-roll bars, bevel kit assemblies, and trailer axle assemblies from TÜV NORD CERT GmbH.
- Over the past three decades, Kross has built strong, lasting relationships with several prominent Indian and global customers, including major OEMs like Ashok Leyland Limited, Tata International DLT Private Limited, a leading Indian automotive OEM, a top Indian farm equipment manufacturer, and a global Tier 1 auto components supplier. Kross's diversified product portfolio allows it to meet the needs of a wide range of clients, including prominent domestic and global OEMs in the M&HCV segment, its Tier 1 suppliers, and domestic dealers and fabricators in the trailer axle and suspension sector. Over the past three fiscal years, Kross has served more than 200 customers. However, most of the company's revenue comes from just five key customers. In fact, these top five customers contributed 70.47% of total revenue in FY22, 68.37% in FY23, and 66.02% in FY24.
- Kross has been working with Leax Falun AB, a company based in Sweden, and a Japanese OEM commercial vehicle manufacturer. Kross has received purchase orders from Leax Falun AB for six product categories, including universal joint crosses, cross tooth flanges, spline journals, tube yokes, and spline sleeves. Bulk shipments of the universal joint crosses began in August 2023, while the other components are still undergoing validation. For the Japanese OEM manufacturer, Kross has developed and submitted samples and prototypes for several parts, including planet carriers, sleeve gears, input shafts, and differential spiders.
- The demand for its products is closely linked to the production and sales of M&HCV and farm equipment by its customers. These factors can be influenced by overall economic conditions, industrial growth, agricultural output, infrastructure development, and changing regulatory requirements. Additionally, government policies and trade agreements play a role. Its sales depend directly on the production levels of OEMs in M&HCV and farm equipment sectors, as well as tractor trailer manufacturers. Inventory levels within these industries also impact the company's performance. The M&HCV industry is expected to grow at a steady annual rate of 2-4% from fiscal year 2024 to fiscal year 2029. This growth will be driven by factors such as increasing industrial activity, stable agricultural production, and the government's focus on infrastructure development.
- Kross's main source of revenue comes from the M&HCV segment, which includes trailer axles and suspensions. In FY22, this segment generated Rs. 223.0cr, accounting for 75% of the total revenue. In FY23, revenue from this segment grew to Rs. 404.3cr, making up 82.75% of the total, and in FY24, it further increased to 88.87%. Revenue from equipment sales in FY22 was Rs. 54.6cr, contributing 18.37% to the total revenue. In FY23, this rose slightly to Rs. 59.2cr, representing 12.13% of the revenue, while in FY24, it dropped to Rs. 55.9cr, or 9.02%. For other components and services, Kross generated Rs. 19.7cr in FY22, which was 6.63% of the revenue. In FY23, this increased to Rs. 25.0cr (5.12%), but in FY24, it declined to Rs.13.0cr, or 2.11% of the total revenue.
- The company manufactures a wide range of components and has the capability to produce forged parts with an input weight of up to 40 kg. Recently, Kross strengthened its backward integration by establishing a new casting facility at Unit V, which includes a high-pressure molding line foundry and a machine shop. The company is currently expanding its production capacity by adding new production lines to its existing facilities. This expansion will enable the company to introduce new products, such as hydraulic covers for tractors, as well as an in-house machining line for hubs and brake drums.

Peer comparison and valuation: Kross is a diversified company specializing in the manufacturing and supply of trailer axles, suspension assemblies, and a wide range of forged and precision-machined, high-performance safety-critical parts for M&HCV and farm equipment. By integrating backward with in-house product design and development, Kross has successfully attracted major customers, including a leading automobile OEM and an Indian farm equipment OEM. This has positively impacted the company's business growth.

At the higher price range, Kross is asking an EV/Sales ratio of 2.3x, which is in-line to the peer average. The company's performance is closely tied to the growth of its end industries; any negative impact on these sectors could affect the company's business. Thus, we recommend a **"Subscribe with Caution"** rating for this issue.

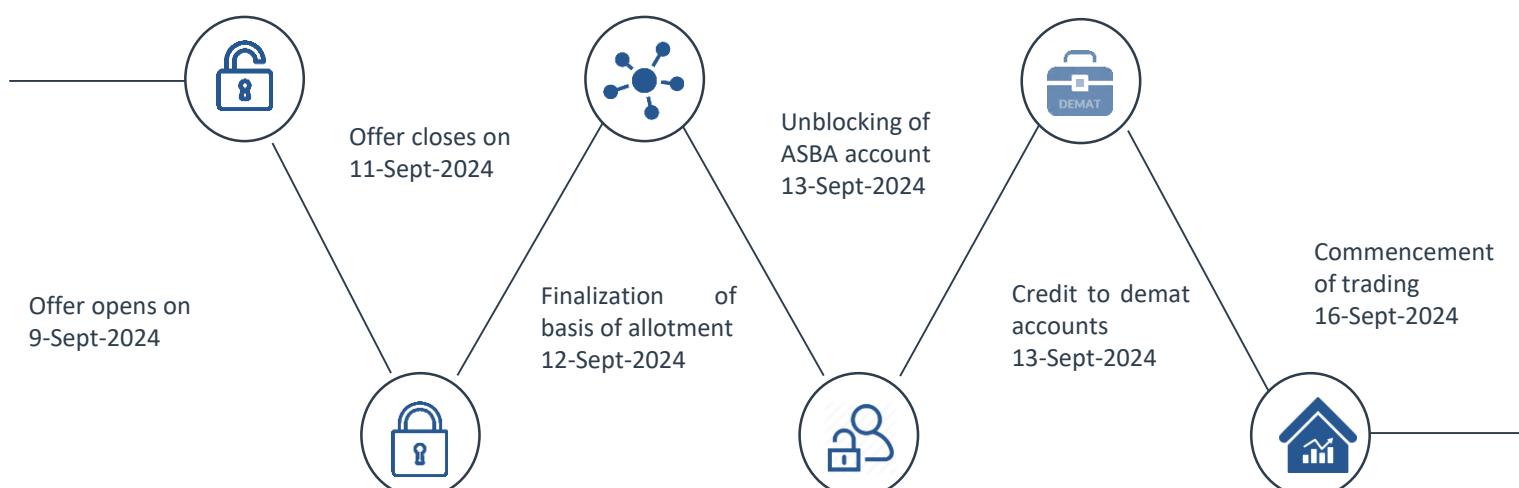
About the issue:

- Kross is coming up with an IPO with 2.083 - 2.193cr shares (fresh issue: 1.042 - 1.096cr shares; OFS shares: 1.042 - 1.096cr shares) in offering. This offer represents 32.3 - 33.71% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 500cr.
- The issue is through book building process with a price band of Rs. 228 - 240 per share.
- Lot size comprises of 62 equity shares and in-multiple of 62 shares thereafter.
- The issue will open on 9th Sept. 2024 and close on 11th Sept. 2024.
- This public issue is a combination of fresh (Rs. 250cr) and OFS (Rs. 250cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 90cr for the pre-payment/re-payment of certain borrowings; Rs. 70cr will be used for the purchasing of machinery & equipment and another Rs. 30cr will be used for funding the working capital requirement of the company. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and partially offloading 1.042 - 1,096cr equity shares. Post-IPO, P&PG will have 67.7% stake in the company, while public shareholding will be 32.3%.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	67.70%
Public	0.00%	32.30%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-24: Due to rising demand for Kross's products across its end-user sectors, the company experienced strong business growth from FY21 to FY24. Its broad client base and diverse product offerings have helped attract new customers.

The company has experienced significant growth, with total operating revenue reaching Rs. 620.3cr, showing a CAGR of 50.0%. This growth is mainly driven by increased sales of key products such as trailer axles and suspensions, axle shafts, coupling flanges, and anti-roll and stabilizer bars. These products have seen revenue growth rates of 128.6%, 43.6%, 42.4%, and 75%, respectively.

The company experienced a significant increase in material costs as a percentage of revenue, in absolute terms, these costs increased at a CAGR of 63.1%. As a result, gross profit margin declined by 910 bps to 42.6%. Additionally, a decrease in other expenses positively impacted the EBITDA margin, which expanded by 259 bps to 13.0%. In absolute terms, consolidated EBITDA saw impressive growth, with a CAGR of 61.5%, reaching Rs. 80.8cr in FY24.

During this period, the company saw a reduction in depreciation costs. These savings, combined with lower operating expenses, contributed to a significant 464 bps increase in the PAT margin, bringing it up to 7.2% in FY24. Additionally, the reported PAT showed substantial growth, reaching Rs. 44.9cr at a CAGR of 111.2% in FY24.

Kross has gradually increased its borrowings over the years, resulting in a 14.2% CAGR in financial liabilities. Despite this rise in debt, the company has strengthened its profitability, leading to an improved debt-to-equity ratio, which decreased from 1.4x in FY21 to 0.9x in FY24. Pre-issue RoIC and RoE stood at 29.3% and 30.6%, respectively, in FY24.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	FY24	CAGR over FY21-24	Y-o-Y (FY24 annual)
Medium & heavy commercial vehicles (M&HCV)	116.3	223.1	404.3	551.2	68.0%	36.3%
Farm equipment	56.4	54.7	54.7	56.0	-0.2%	2.4%
Other component/service	11.1	19.7	19.7	13.1	5.6%	-33.6%
Revenue from operations	183.8	297.5	478.7	620.3	50.0%	29.6%
Gross profit	95.0	137.2	198.9	264.3	40.6%	32.9%
EBITDA	19.2	29.5	57.5	80.8	61.5%	40.4%
Reported PAT	4.8	12.2	30.9	44.9	111.2%	45.1%
Restated adjusted EPS	0.7	1.9	4.8	7.0	111.2%	45.1%
Cash flow from operating activities	1.3	17.5	41.7	8.3	84.9%	-80.2%
NOPLAT	11.8	17.9	39.5	54.9	67.0%	39.2%
FCF	(3.0)	6.0	7.0	7.3		4.2%
Revenue growth rate	14.4%	61.9%	64.3%	26.9%		
Gross profit growth rate	34.7%	44.3%	45.0%	32.9%		
Gross profit margin	51.7%	46.1%	40.7%	42.6%	(910) bps	191 bps
EBITDA growth rate	16.0%	54.1%	94.7%	40.4%		
EBITDA margin	10.4%	9.9%	11.8%	13.0%	259 bps	125 bps
EBIT growth rate	19.1%	66.8%	121.3%	40.9%		
EBIT margin	7.8%	8.1%	10.9%	12.1%	424 bps	120 bps
Restated adjusted PAT growth rate	131.6%	155.3%	154.2%	45.1%		
Restated adjusted PAT margin	2.6%	4.1%	6.3%	7.2%	464 bps	91 bps
Inventories days	87.4	51.8	38.7	42.9	-21.1%	10.8%
Trade receivables days	75.0	56.0	38.2	47.6	-14.1%	24.7%
Trade payables days	(34.7)	(21.7)	(19.9)	(24.4)	-11.1%	22.6%
Cash conversion cycle	127.7	86.1	57.0	66.1	-19.7%	16.0%
Fixed asset turnover ratio	2.6	3.9	5.5	5.6	28.5%	1.6%
Total asset turnover ratio	1.1	1.5	2.0	1.8	18.6%	-9.7%
Current ratio	1.4	1.4	1.5	1.5	2.4%	-0.6%
Quick ratio	0.8	0.9	0.9	1.0	7.6%	8.5%
Total debt	84.6	87.4	91.1	125.8	14.2%	38.1%
Net debt	83.9	86.7	82.3	120.0	12.7%	45.8%
Debt to equity	1.4	1.2	0.9	0.9	-15.3%	-3.9%
Net debt to EBITDA	4.4	2.9	1.4	1.5	-30.2%	3.8%
RoIC	12.2%	16.7%	28.4%	29.3%	1,710 bps	89 bps
RoE	8.0%	16.8%	30.3%	30.6%	2,261 bps	28 bps
RoA	2.7%	6.2%	12.3%	12.8%	1,001 bps	40 bps
RoCE	14.0%	20.9%	38.0%	39.9%	2,590 bps	189 bps

Note: Pre-IPO financials; Source: Choice Equity Broking



Competitive strengths:

- Long standing relationship with large OEMs and their tier-1 suppliers, domestic dealers and fabricators
- One of the prominent domestic manufacturers of trailer axles & suspension assemblies
- Diversified product portfolio with a focus on continuous value addition
- Integrated manufacturing operations coupled with in-house product & process design capabilities which offer scale, flexibility and comprehensive solutions
- Track record of sustained growth & robust financial performance in the last three financial years
- Experienced promoters supported by a management and execution team with proven track record

Business strategy:

- Expand capacities at the existing manufacturing facilities
- Create manufacturing capabilities in axle beam extrusion and backward integration capabilities into the seamless tube
- Expand geographical reach through growing exports
- Continued focus on reducing operating costs and improving operational efficiency
- Improve financial profile



Risk and concerns:

- General slowdown in the global economic activities
- Customer concentration risk
- End-user industry risk
- Product concentration risk
- Manufacturing facility geographical concentration
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY21	FY22	FY23	FY24	CAGR over FY21-24	Annual growth over FY23
Revenue from operations	183.8	297.5	488.6	620.3	50.0%	26.9%
Cost of raw materials consumed	(87.3)	(159.6)	(294.2)	(378.7)	63.1%	28.7%
Changes in inventories of finished goods & work-in-progress	(1.5)	(0.7)	4.5	22.8		411.1%
Gross profit	95.0	137.2	198.9	264.3	40.6%	32.9%
Employee benefits expenses	(16.2)	(20.2)	(26.5)	(30.4)	23.5%	14.8%
Other expenses	(59.7)	(87.4)	(114.9)	(153.2)	36.9%	33.3%
EBITDA	19.2	29.5	57.5	80.8	61.5%	40.4%
Depreciation and amortization expenses	(4.8)	(5.5)	(4.3)	(5.8)	6.7%	33.9%
EBIT	14.4	24.0	53.2	75.0	73.3%	40.9%
Finance costs	(9.0)	(8.2)	(12.2)	(14.9)	18.2%	21.9%
Other income	0.4	0.4	0.7	1.2	40.7%	66.5%
Exceptional items						
PBT	5.8	16.3	41.7	61.3	119.0%	46.9%
Tax expenses	(1.1)	(4.1)	(10.8)	(16.4)	148.7%	52.2%
Reported PAT	4.8	12.2	30.9	44.9	111.2%	45.1%

Consolidated balance sheet statement (Rs. cr)						
	FY21	FY22	FY23	FY24	CAGR over FY21-24	Annual growth over FY23
Equity share capital	13.5	13.5	13.5	27.0	26.0%	100.0%
Other equity	46.4	58.9	88.6	119.8	37.2%	35.2%
Non-current borrowings	34.7	34.0	36.5	35.7	0.9%	-2.3%
Non-current lease liabilities				0.5		
Non-current provisions	4.4	4.6	4.6	4.9	3.4%	7.5%
Net deferred tax liabilities	4.7	5.0	5.6	5.9	8.1%	5.3%
Trade payables	16.2	19.2	34.0	48.8	44.2%	43.2%
Current borrowings	48.8	52.0	51.7	81.4	18.6%	57.5%
Current lease liabilities			0.0	0.3		
Other current financial liabilities	1.1	1.4	2.9	7.9	94.6%	175.3%
Current provisions	0.4	0.4	0.5	0.6	17.2%	33.3%
Net current tax liabilities	1.0	2.5	4.8	8.7	102.4%	80.2%
Other current liabilities	2.8	6.3	7.8	10.5	55.5%	34.3%
Total liabilities	174.1	197.8	250.5	352.0	26.5%	40.5%
Property, plant & equipments	59.0	75.8	89.1	105.1	21.2%	18.0%
Intangible assets	0.0	0.0	0.0	0.1	95.7%	462.5%
Capital work-in-progress	11.1			5.4	-21.2%	
Right-of-use assets			0.1	0.8		1042.6%
Non-current investments	0.0	0.0	0.0	0.0	0.0%	0.0%
Other non-current financial assets	5.9	6.2	6.6	3.1	-19.2%	-52.6%
Other non-current assets	1.2	2.3	3.3	3.3	39.9%	-1.5%
Inventories	43.1	41.4	62.2	83.5	24.7%	34.3%
Trade receivables	41.0	50.4	51.8	109.8	38.9%	112.0%
Current investments	0.1	0.1	0.1	0.5	75.6%	405.7%
Cash & cash equivalents	0.6	0.6	8.7	5.3	107.4%	-38.8%
Other bank balances			5.6	5.2		-6.6%
Other current financial assets	0.2	0.2	0.2	0.2	-5.3%	-3.3%
Other current assets	11.9	20.8	23.0	29.6	35.5%	28.9%
Total assets	174.1	197.8	250.6	352.0	26.5%	40.5%

Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY21	FY22	FY23	FY24	CAGR over FY21-24	Annual growth over FY23
Cash flow before working capital changes	19.5	30.0	58.2	81.6	61.2%	40.2%
Working capital changes	(18.0)	(9.3)	(7.6)	(63.0)	51.7%	723.2%
Cash flow from operating activities	1.3	17.5	41.7	8.3	84.9%	-80.2%
Purchase of fixed assets and CWIP	(10.9)	(12.3)	(18.6)	(27.1)	35.7%	45.9%
Cash flow from investing activities	(10.5)	(12.0)	(18.8)	(30.4)	42.6%	61.7%
Cash flow from financing activities	4.7	(5.5)	(10.6)	14.8	46.6%	
Net cash flow	(4.5)	0.0	12.4	(7.3)	18.0%	
Opening balance of cash	5.0	0.5	0.6	12.9	37.2%	2179.5%
Closing balance of cash	0.5	0.6	12.9	5.6	118.1%	-56.7%

Consolidated financial ratios				
Particulars	FY21	FY22	FY23	FY24
Profitability ratios				
Revenue growth rate	14.4%	61.9%	64.3%	26.9%
Gross profit growth rate	34.7%	44.3%	45.0%	32.9%
Gross profit margin	51.7%	46.1%	40.7%	42.6%
EBITDA growth rate	16.0%	54.1%	94.7%	40.4%
EBITDA margin	10.4%	9.9%	11.8%	13.0%
EBIT growth rate	19.1%	66.8%	121.3%	40.9%
EBIT margin	7.8%	8.1%	10.9%	12.1%
Restated reported PAT growth rate	131.6%	155.3%	154.2%	45.1%
Restated reported PAT margin	2.6%	4.1%	6.3%	7.2%
Turnover ratios				
Inventory turnover ratio	4.2	7.0	9.4	8.5
Trade receivable turnover ratio	4.9	6.5	9.6	7.7
Accounts payable turnover ratio	10.5	16.8	18.4	15.0
Fixed asset turnover ratio	2.6	3.9	5.5	5.6
Total asset turnover ratio	1.1	1.5	2.0	1.8
Liquidity ratios				
Current ratio	1.4	1.4	1.5	1.5
Quick ratio	0.8	0.9	0.9	1.0
Total debt	84.6	87.4	91.1	125.8
Net debt	83.9	86.7	82.3	120.0
Debt to equity	1.4	1.2	0.9	0.9
Net debt to EBITDA	4.4	2.9	1.4	1.5
Cash flow ratios				
CFO to PAT	0.3	1.4	1.3	0.2
CFO to Capex	0.1	1.4	2.2	0.3
CFO to total debt	0.0	0.2	0.5	0.1
CFO to current liabilities	0.0	0.2	0.4	0.1
Return ratios				
RoIC (%)	12.2%	16.7%	28.4%	29.3%
RoE (%)	8.0%	16.8%	30.3%	30.6%
RoA (%)	2.7%	6.2%	12.3%	12.8%
RoCE (%)	14.0%	20.9%	38.0%	39.9%
Per share data				
Restated adjusted EPS (Rs.)	0.7	1.9	4.8	7.0
DPS (Rs.)	0.0	0.0	0.2	0.0
BVPS (Rs.)	9.3	11.2	15.8	22.8
Operating cash flow per share (Rs.)	0.2	2.7	6.5	1.3
Free cash flow per share (Rs.)	(0.5)	0.9	1.1	1.1
Dividend payout ratio	0.0%	0.0%	4.4%	0.0%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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