

# IPO Report

Choice

“SUBSCRIBE” to

## Gala Precision Engineering Ltd.

Reputed & preferred manufacturer of critical precision components by the OEMs



**Salient features of the IPO:**

- **Gala Precision Engineering Ltd.** (GPEL), a precision component manufacturer is coming up with an IPO to raise around Rs. 170cr, which opens on 2<sup>nd</sup> Sept. and closes on 4<sup>th</sup> Sept. 2024. The price band is Rs. 503 - 529 per share.
- This public issue is a combination of fresh (Rs. 128.7 - 135.3cr) and OFS (Rs. 31.0 - 32.6cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 45.4cr for the pre-payment/re-payment of certain borrowings; Rs. 37cr will be utilized to set-up a new manufacturing facility in Tamil Nadu and Rs. 11.1cr will be used for purchasing certain machineries for the existing facilities in Maharashtra. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.051cr equity shares. Moreover, couple of individual investors are also partially offloading their stake in the company. Post-IPO, P&PG will have 55.44% stake in the company, while public shareholding will be 44.56%.

**Key competitive strengths:**

- Well established manufacturer of precision engineering components with diversified product portfolio and diverse market
- Long-standing customer relationships with both Indian and global original equipment manufacturers (OEM) and Tier-1 players
- Well-equipped manufacturing facilities along with in-house design & other capabilities which offer scale, flexibility and comprehensive solutions
- Track record of consistent financial growth and performance characterized by operational efficiency and high repeat business
- Experienced management team supported by large, diverse and skilled work force

**Risk and concerns:**

- General slowdown in the global economic activities
- Lower than expected growth in the wind energy installations globally
- Delay in the commissioning of expansion projects
- Working capital intensive operations
- Unfavorable foreign currency exchange rates
- Difficulty in maintaining the current profitability
- Competition

**Below are the key highlights of the company:**

- GPEL is a technology driven company engaged in the manufacturing of precision component like technical springs and high tensile fasteners, which are supplied to OEMs, across sectors like renewable energy (wind turbine & hydro power plants), industrial sector (electrical, off-highway equipment, infrastructure & general engineering), mobility (automotive & railways) in India and globally. Its technical springs and high tensile fasteners are supplied to customers in countries such as Germany, Denmark, China, Italy, Brazil, USA, Sweden, Switzerland etc.
- The company's business mainly comprises of the Springs technology, under which it manufactures, discs & strip spring (DSS) including wedge lock washer (WLW); the Coil & spiral springs (CSS); and the Special fastening solutions (SFS) in which it manufacture studs, anchor bolts and nuts. The DSS operations started in 1989, while CSS commenced in 2015 and SFS operations in 2018. Also the company started supplying WLW to Indian Railways in 2018. Currently, it manufactures and sells over 750 stock keeping units across the product categories, thereby enabling it to meet the changing customer requirements. During FY24, it derived 59.5% and 20% of the business from DSS and CSS products, respectively, while 19% from the sales of SFS products.

**Issue details**

Price band	Rs. 503 - 529 per share
Face value	Rs. 10
Shares for fresh issue	0.256cr shares
Shares for OFS	0.062cr shares
Fresh issue size	Rs. 128.7 - 135.3cr
OFS issue size	Rs. 31.0 - 32.6cr
Total issue size	0.317cr shares (Rs. 159.7 - 167.9cr)
Employee reservation	0.001cr shares (Rs. 0.29 - 0.31cr)
Net issue size	0.317cr shares (Rs. 159.4 - 167.6cr)
Bidding date	2 <sup>nd</sup> Sept. - 4 <sup>th</sup> Sept. 2024
Implied MCAP at higher price band	Rs. 670cr
Implied enterprise value at higher price band	Rs. 596cr
Book running lead manager	PL Capital Markets Pvt. Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Industrial Products
Promoters	Mr. Kirit Vishanji Gala and Mr. Smeet Kirit Gala

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.158cr shares
Non institutional portion (Big)	10%	0.032cr shares
Non institutional portion (Small)	5%	0.016cr shares
Retail portion	35%	0.111cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	5 <sup>th</sup> Sept. 2024
Unblocking of ASBA account	6 <sup>th</sup> Sept. 2024
Credit to demat accounts	6 <sup>th</sup> Sept. 2024
Commencement of trading	9 <sup>th</sup> Sept. 2024

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	74.56%	55.44%
Public	25.44%	44.56%
Non-promoter & Non-public	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Bid lot	28 shares per lot
Application money	Rs. 14,812 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
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<b>Gala Precision Engineering Ltd.</b>	<b>10</b>	<b>529</b>	<b>670</b>	<b>596</b>					<b>203</b>	<b>39</b>	<b>25</b>	<b>59.1%</b>	<b>19.1%</b>	<b>12.2%</b>
Harsha Engineers International Ltd.	10	539	4,907	4,756	1.5%	6.8%	29.2%	23.8%	1,392	169	111	44.2%	12.1%	8.0%
Ratnaveer Precision Engineering Ltd.	10	176	933	1,080	-11.0%	51.5%	31.0%		595	50	31	14.0%	8.4%	5.2%
Rolex Rings Ltd	10	2,434	6,630	6,511	1.1%	0.0%	12.6%	13.1%	1,222	262	156	48.7%	21.4%	12.8%
SKF India Ltd.	10	5,233	25,872	24,650	-6.5%	-14.5%	15.6%	3.7%	4,570	718	552	39.2%	15.7%	12.1%
Sterling Tools Ltd.	2	557	2,007	1,996	46.7%	52.4%	51.5%	60.8%	932	108	55	47.2%	11.6%	5.9%
Sundram Fasteners Ltd.	1	1,368	28,735	29,266	-3.7%	19.0%	25.6%	11.7%	5,666	887	522	58.4%	15.6%	9.2%
<b>Average</b>												<b>41.9%</b>	<b>14.1%</b>	<b>8.9%</b>

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
<b>Gala Precision Engineering Ltd.</b>	<b>24.3%</b>	<b>47.4%</b>	<b>118.7%</b>	<b>15.2%</b>	<b>6.9%</b>	<b>11.7%</b>	<b>1.9%</b>	<b>155.1</b>	<b>70.1%</b>	<b>13.8%</b>	<b>2.4</b>	<b>0.8</b>	<b>10.8%</b>	<b>10.5%</b>
Harsha Engineers International Ltd.	16.8%	12.8%	34.9%	13.0%	7.3%	21.3%	3.9%	136.2	69.7%	15.6%	3.2	1.0	12.3%	11.3%
Ratnaveer Precision Engineering Ltd.	18.3%	35.9%	78.0%	7.5%	3.5%	55.2%	-3.0%	142.2	1.4%	-1.2%	8.2	1.3	15.0%	16.6%
Rolex Rings Ltd	25.6%	34.0%	21.5%	21.0%	14.2%	24.0%	55.2%	114.0	61.6%	19.4%	2.3	1.0	23.2%	22.3%
SKF India Ltd.	19.6%	19.5%	22.8%	16.0%	11.5%	10.3%	24.4%	64.6	66.6%	12.5%	7.9	0.8	20.7%	21.2%
Sterling Tools Ltd.	37.9%	20.4%	33.1%	13.7%	5.9%	4.3%	86.0%	86.3	55.4%	12.7%	2.3	1.0	9.7%	9.3%
Sundram Fasteners Ltd.	15.8%	10.1%	13.2%	16.3%	9.3%	10.1%	9.0%	91.3	59.9%	15.1%	2.3	1.1	16.1%	15.4%
<b>Average</b>	<b>22.3%</b>	<b>22.1%</b>	<b>33.9%</b>	<b>14.6%</b>	<b>8.6%</b>	<b>20.9%</b>	<b>29.2%</b>	<b>105.8</b>	<b>52.4%</b>	<b>12.4%</b>	<b>4.4</b>	<b>1.0</b>	<b>16.2%</b>	<b>16.0%</b>

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
<b>Gala Precision Engineering Ltd.</b>	<b>19.4</b>	<b>189.5</b>	<b>0.0</b>	<b>0.3</b>	<b>2.9</b>	<b>0.6</b>	<b>10.3%</b>	<b>25.5%</b>	<b>27.2</b>	<b>2.8</b>	<b>2.9</b>	<b>15.4</b>	<b>3.3</b>	<b>3.7%</b>
Harsha Engineers International Ltd.	12.2	129.1	1.0	0.1	3.2	0.9	9.5%	14.7%	44.1	4.2	3.4	28.1	3.5	2.3%
Ratnaveer Precision Engineering Ltd.	5.8	47.5	0.0	0.8	5.0	1.2	12.3%	19.0%	30.1	3.7	1.8	21.6	1.6	3.3%
Rolex Rings Ltd	57.3	329.8	0.0	0.0	2.6	1.1	17.4%	27.9%	42.5	7.4	5.3	24.9	5.4	2.4%
SKF India Ltd.	111.6	542.7	39.9	0.0	8.1	0.8	20.6%	17.2%	46.9	9.6	5.4	34.4	5.7	2.1%
Sterling Tools Ltd.	15.4	124.1	2.0	0.2	3.3	1.3	12.4%	18.3%	36.2	4.5	2.1	18.5	2.2	2.8%
Sundram Fasteners Ltd.	24.8	162.8	5.8	0.2	2.5	1.1	15.3%	18.4%	55.1	8.4	5.2	33.0	5.1	1.8%
<b>Average</b>			<b>8.1</b>	<b>0.2</b>	<b>4.1</b>	<b>1.1</b>	<b>14.6%</b>	<b>19.3%</b>	<b>42.5</b>	<b>6.3</b>	<b>3.9</b>	<b>26.7</b>	<b>3.9</b>	<b>2.4%</b>

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

- GPEL manufactures disc springs, strip springs and wedge lock washers that are critical for renewable energy, industrial and mobility sectors. Disc springs are springs and fastening solutions used for industrial applications, where mechanical devices are required to apply force. Disc springs deliver powerful springs forces in a compact space. These springs are mainly used in wind turbines, hydroelectricity generators, railway suspension systems and applications where dynamic spring-like motion is required.
- Strip springs are precision stamped and formed metal components made either from spring steel or stainless steel that store and release energy when deflected by an external load. GPEL specializes in strip springs, which are designed for high fatigue applications in two-wheelers, four-wheelers and off-highway vehicles. This product is in compliance to the DIN 2093 standards, bearing series etc.
- WLWs are used in wind turbines to support the fastening of components like nacelle & blade connections. Their resistance to loosening in high-vibration environments makes them extremely useful in fastening joints of wind turbines.
- The company markets the disc springs under the "Gala" brand and WLWs under the "Gallock" brand. These products are as per German DIN standards, which aids in meeting the requirements of its 175+ active global customers.
- The global DSS & WLW market is valued at around USD 891mn in 2023, reflecting a growth of 6% CAGR over 2020-23. GPEL had 2% share in the global DSS & WLW market during 2023. Moreover, in the domestic disc spring market, it had around 10% share. Further, the company had a significant presence in the DSS market for renewable sector with around 70% share in the domestic market and 3% share in the global market (Source: RHP).

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

- Coil spring is a mechanical device that stores potential energy. It is made from a wire that is twisted into a spiral shape. Spiral springs are specific type of springs made from rectangular metal strips that are wound into a flat spiral. It is designed to store and release rotational energy in the form of torque. Coil springs are used in the engine, suspension, clutch & transmission in the automobile sector. Spiral springs are used in reclination of car seats.
- The domestic CSS market size is estimated at around USD 459mn, which has expanded by 8.2% CAGR over FY21-24. Growth drivers for the CSS market would be the automobile, construction and agriculture equipment sectors; and thus is estimated to expand by 9.8% CAGR to USD 608mn by FY27E.
- Under the SFS vertical, GPEL manufactures make-to-order fasteners in the form of studs, anchor bolts and nuts which has end use applications in renewable energy, railways, off-highway vehicles, electrical and heavy machinery industries. The global fasteners market size has expanded by 6.5% CAGR between 2020-23 to around USD 97bn, of which 45.6% and 42.3% of the demand are from the mobility and industrials applications. 10.4% of the market demand of SFS is from the renewables sector. Over 2023-26E, the global SFS market is anticipated to grow by 6.7% CAGR to around USD 118bn by 2026.
- GPEL's global serviceable addressable SFS market was around USD 26bn in 2023, across product categories like hex bolt, allen bolt, hex nut, flange bolt, flange nut, self-locking nut and castel nut, which are used sectors like agricultural, construction, mining & material handling equipment, renewable energy, railways, warehousing, electrical and general engineering equipment. The company had around 15% market share in the domestic SFS market for wind turbines.
- Currently, GPEL operates from two manufacturing facilities located in Wada, Palghar, Maharashtra. These facilities cumulatively have a capacity to manufacture around 246mn units of springs and washers and 0.4mn pieces of fasteners, respectively. Further, with a capital expenditure of around Rs. 48cr, the company is setting-up new manufacturing facility in Sriperumbuddur, Tamil Nadu, for manufacturing SFS products like foundation studs, nasselle fasteners, hex bolts, nuts etc. This plant is expected to be commissioned during H2 FY25 and will have a capacity to manufacture around 10mn units or 4,600tonnes per annum of stud, hex bolt, nut etc. From the fresh issue net proceeds, GPEL will be utilizing Rs. 37cr to part-finance the expansion of this new facility. Additionally, Rs. 11.1cr will be used for purchasing certain machineries for the manufacturing of hex bolts and also to automate certain operations at the existing facilities in Maharashtra.
- The company's clientele includes 175+ active global customers, including renewable energy customers like Vestas Wind Technology India Pvt. Ltd., Enrecon GmbH, GE India Industrial Pvt. Ltd., Altra Industrial Motion India Pvt. Ltd. etc.; industrial customers like L&T Electrical & Automation Products (a unit of Schneider Electric Pvt. Ltd.), Schneider Electric India Pvt. Ltd., Wuerth Industrial Services India Pvt. Ltd., Bufab India Pvt. Ltd. etc.; automotive customer like Schaeffler India Ltd., Brembo Brake India Pvt. Ltd., Hitachi Astemo Chennai Pvt. Ltd., Exedy Clutch India Pvt. Ltd., Endurance Technologies Ltd. etc.; and Railways like Faiveley Transport Rail Technologies India Pvt. Ltd. (a Wabtec company). During FY24, GPEL derived 62.5% of the consolidated revenue from the domestic market and rest 37.5% from the overseas markets.
- With revival in demand of GPEL's products from the end-consuming sectors, the company reported a robust growth in the business over FY21-24. Further, with efficient and various cost-cutting measures, operating and net profitability margin improved by 8ppts and 10ppts, respectively, during the period. The company reported a 24.3% CAGR in consolidated revenue to Rs. 202.5cr in FY24. Business from the mobility, renewables and industrials, which are the end-consuming sectors increased by 48.3%, 27.4% and 13% CAGR, respectively, during the period. Geographically, business from domestic and overseas market increased by 24.2% and 24.6%, respectively. Net cost of material consumed increased by 26.7% CAGR (a rate higher than top-line growth), resulting to a 220bps contraction in the gross/material margin. However, with efficient and various cutting measures, EBITDA margin expanded by 765bps to 19.1% in FY24. Consolidated EBITDA increased by 47.4% CAGR to Rs. 38.8cr in FY24. Depreciation expenses increased by 5.5% CAGR, while financial cost increased by 3% CAGR during the period. Consequently, adjusted PAT increased by 118.7% CAGR to Rs. 24.6cr in FY24. PAT margin expanded from 2.2% in FY21 to 12.2% in FY24.
- The company reported positive operating cash flows during the period which increased by 1.9% CAGR. Average operating cash flow stood at Rs. 14.5cr. Total financial liabilities reported a modest decline of 0.7% CAGR, however, with better profitability, debt-to-equity ratio improved to 0.6x in FY24, compared to 1.2x in FY21. Pre-issue average RoIC and RoE stood at 13.5% and 14.1%, respectively, during FY21-24.
- With continued positive traction from the end-consuming sector, we are forecasting a 23.3% CAGR growth in the top-line over FY24-26E to Rs. 307.7cr. EBITDA margin is likely to be sustained around to FY24 levels, however, with lower finance costs and absence of exceptional items, adjusted PAT is estimated to increase by 22.8% CAGR to Rs. 37.2cr in FY26E. Post-issue, RoIC and RoE are estimated to be at 10.9% and 12.1%, respectively, in FY26E, compared to 10.7% and 10.3% in FY24.

**Peer comparison and valuation:** At higher price band, GPEL is demanding a EV/Sales multiple of 2.9x, which is at discount to peer average of 4.7x. Thus the issue is attractively priced.

GPEL is engaged in the manufacturing of niche precision components, which are critical to the end-users applications. We are anticipating continued higher demand for its products from the end-consuming sectors like renewables, industrials and railways. Thus, considering the dominant market position, global Tier-1 client base and attractive demanded valuation, we assigning a “**SUBSCRIBE**” rating for the issue.

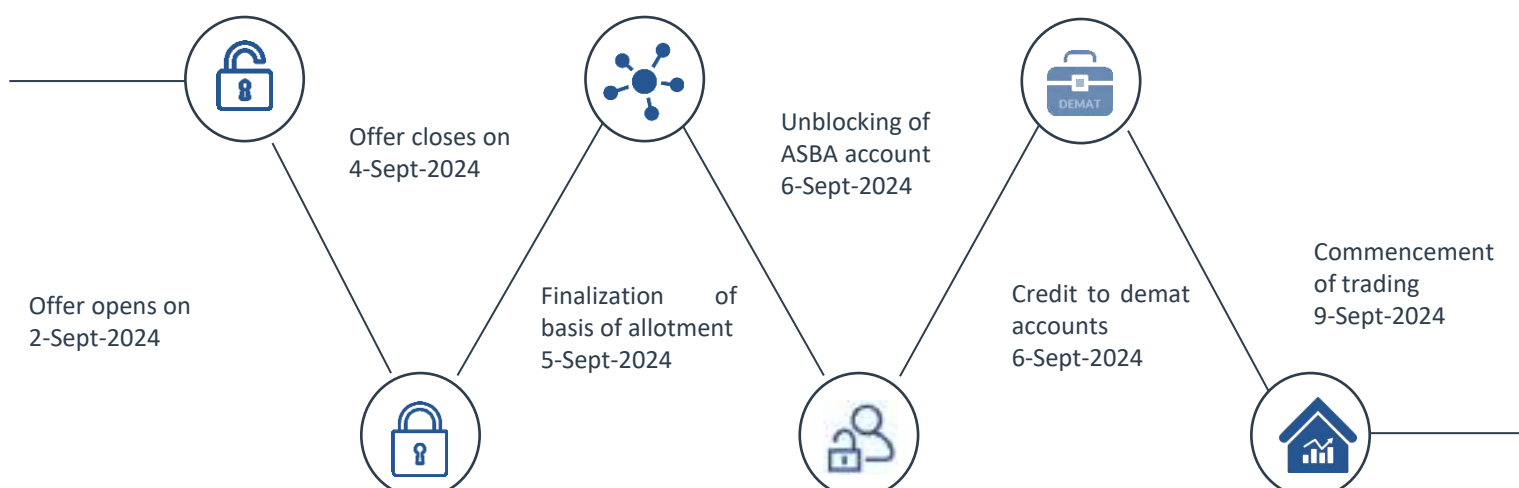
## About the issue:

- GPEL is coming up with an IPO with 0.317cr shares (fresh issue: 0.256cr shares; OFS shares: 0.062cr shares) in offering. This offer represents 25.05% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 159.7 - 167.9cr.
- The issue is through book building process with a price band of Rs. 503 - 529 per share.
- Lot size comprises of 28 equity shares and in-multiple of 28 shares thereafter.
- 0.001cr shares are reserved for eligible employees.
- The net issue size is Rs. 159.4 - 167.6cr.
- The issue will open on 2<sup>nd</sup> Sept. 2024 and close on 4<sup>th</sup> Sept. 2024.
- This public issue is a combination of fresh (Rs. 128.7 - 135.3cr) and OFS (Rs. 31.0 - 32.6cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 45.4cr for the pre-payment/re-payment of certain borrowings; Rs. 37cr will be utilized to set-up a new manufacturing facility in Tamil Nadu and Rs. 11.1cr will be used for purchasing certain machineries for the existing facilities in Maharashtra. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.051cr equity shares. Moreover, couple of individual investors are also partially offloading their stake in the company. Post-IPO, P&PG will have 55.44% stake in the company, while public shareholding will be 44.56%.
- 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	74.56%	55.44%
Public	25.44%	44.56%
Non-promoter & Non-public	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Choice Equity Broking

## Indicative IPO process time line:





## Pre-issue financial performance:

**Performance over FY21-24:** With revival in demand of GPEL's products from the end-consuming sectors, the company reported a robust growth in the business over FY21-24. Further, with efficient and various cost-cutting measures, operating and net profitability margin improved by 8ppts and 10ppts, respectively, during the period.

The company reported a 24.3% CAGR in consolidated revenue to Rs. 202.5cr in FY24. Business from the mobility, renewables and industrials, which are the end-consuming sectors increased by 48.3%, 27.4% and 13% CAGR, respectively, during the period. Geographically, business from domestic and overseas market increased by 24.2% and 24.6%, respectively.

Net cost of material consumed increased by 26.7% CAGR (a rate higher than top-line growth), resulting to a 220bps contraction in the gross/material margin. However, with efficient and various cutting measures, EBITDA margin expanded by 765bps to 19.1% in FY24. Consolidated EBITDA increased by 47.4% CAGR to Rs. 38.8cr in FY24.

Depreciation expenses increased by 5.5% CAGR, while financial cost increased by 3% CAGR during the period. Consequently, adjusted PAT increased by 118.7% CAGR to Rs. 24.6cr in FY24. PAT margin expanded from 2.2% in FY21 to 12.2% in FY24.

The company reported positive operating cash flows between FY21-24, which increased by 1.9% CAGR. Average operating cash flow stood at Rs. 14.5cr during the period. Total financial liabilities reported a modest decline of 0.7% CAGR, however, with better profitability, debt-to-equity ratio improved to 0.6x in FY24, compared to 1.2x in FY21. Pre-issue average RoIC and RoE stood at 13.5% and 14.1%, respectively, during FY21-24.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	FY24	CAGR over FY21-24	Y-o-Y (FY24 annual)
<i>Springs technology</i>	75.4	113.3	138.9	162.3	29.1%	16.9%
<i>Fastening solutions</i>	20.0	21.5	22.6	39.2	25.1%	73.1%
<i>Surface engineering solutions</i>	10.0	10.5	4.0	1.1	-52.1%	-72.4%
Revenue from operations	105.4	145.3	165.5	202.5	24.3%	22.4%
Gross profit	64.6	86.1	98.7	119.8	22.8%	21.4%
EBITDA	12.1	19.7	27.3	38.8	47.4%	41.8%
Adjusted PAT	2.4	6.6	14.5	24.6	118.7%	70.5%
Restated adjusted EPS	1.9	5.2	11.4	19.4	118.7%	70.5%
Cash flow from operating activities	14.8	11.6	16.0	15.6	1.9%	-2.3%
NOPLAT	6.0	7.9	18.7	27.7	66.2%	48.1%
FCF	(2.7)	4.2	(4.1)	19.2		
Revenue growth rate	3.1%	37.9%	13.9%	22.4%		
Gross profit growth rate	1.2%	33.2%	14.6%	21.4%		
Gross profit margin	61.3%	59.3%	59.6%	59.1%	(220) bps	(49) bps
EBITDA growth rate	31.5%	62.5%	38.9%	41.8%		
EBITDA margin	11.5%	13.5%	16.5%	19.1%	765 bps	262 bps
Restated adjusted PAT growth rate	89.8%	181.6%	118.0%	70.5%		
Restated adjusted PAT margin	2.2%	4.6%	8.7%	12.2%	993 bps	343 bps
Inventories days	141.1	112.1	116.3	102.2	-10.2%	-12.2%
Trade receivables days	76.8	58.7	61.1	69.3	-3.4%	13.4%
Trade payables days	(43.1)	(30.5)	(24.2)	(19.6)	-23.1%	-18.8%
Cash conversion cycle	174.8	140.3	153.3	151.9	-4.6%	-0.9%
Fixed asset turnover ratio	1.7	2.4	2.5	2.9	18.9%	13.0%
Total asset turnover ratio	0.8	1.0	1.0	1.1	11.0%	10.5%
Current ratio	1.7	1.6	1.9	1.8	2.8%	-5.5%
Quick ratio	0.8	0.7	0.9	0.9	6.6%	3.1%
Total debt	64.1	62.6	68.8	62.9	-0.7%	-8.6%
Net debt	61.6	62.1	68.3	61.5	-0.1%	-9.9%
Debt to equity	1.2	1.1	0.8	0.6	-20.8%	-27.0%
Net debt to EBITDA	5.1	3.2	2.5	1.6	-32.2%	-36.5%
RoIC	6.6%	8.6%	16.3%	22.6%	1,594 bps	630 bps
RoE	4.4%	11.2%	17.3%	23.5%	1,907 bps	624 bps
RoA	1.8%	4.6%	8.5%	13.1%	1,131 bps	458 bps
RoCE	7.0%	14.5%	18.1%	25.5%	1,855 bps	741 bps

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



### Competitive strengths:

- Well established manufacturer of precision engineering components with diversified product portfolio and diverse market
- Long-standing customer relationships with both Indian and global OEM and Tier-1 players
- Well-equipped manufacturing facilities along with in-house design and other capabilities which offer scale, flexibility, and comprehensive solutions
- Track record of consistent financial growth and performance characterized by operational efficiency and high repeat business
- Experienced management team supported by large, diverse and skilled work force

### Business strategy:

- Strengthening core capabilities in precision engineering for sustainability
- Moving up the value chain from niche markets to large addressable markets
- Leverage in-house design & development capabilities to grow product offerings and capitalize on future trends
- Strengthen relationships with existing customers and expand customer base
- Expand manufacturing capacity at the existing facilities and set-up additional strategically located facility



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Lower than expected growth in the wind energy installations globally
- Delay in the commissioning of expansion projects
- Working capital intensive operations
- Unfavorable foreign currency exchange rates
- Difficulty in maintaining the current profitability
- Competition

## Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY21	FY22	FY23	FY24	CAGR over FY21-24	Annual growth over FY23
<b>Revenue from operations</b>	<b>105.4</b>	<b>145.3</b>	<b>165.5</b>	<b>202.5</b>	<b>24.3%</b>	<b>22.4%</b>
Cost of raw materials consumed	(39.4)	(60.1)	(71.4)	(90.0)	31.7%	26.2%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(1.3)	0.9	4.6	7.3		59.2%
<b>Gross profit</b>	<b>64.6</b>	<b>86.1</b>	<b>98.7</b>	<b>119.8</b>	<b>22.8%</b>	<b>21.4%</b>
Employee benefits expenses	(19.1)	(21.5)	(23.2)	(24.8)	9.0%	6.7%
Other expenses	(33.4)	(44.9)	(48.1)	(56.3)	19.0%	16.9%
<b>EBITDA</b>	<b>12.1</b>	<b>19.7</b>	<b>27.3</b>	<b>38.8</b>	<b>47.4%</b>	<b>41.8%</b>
Depreciation and amortization expenses	(5.8)	(6.3)	(6.1)	(6.9)	5.5%	12.8%
<b>EBIT</b>	<b>6.3</b>	<b>13.4</b>	<b>21.2</b>	<b>31.9</b>	<b>72.1%</b>	<b>50.2%</b>
Finance costs	(5.6)	(4.9)	(5.2)	(6.1)	3.0%	19.0%
Other income	1.5	2.7	1.6	1.8	7.1%	13.3%
Exceptional items			9.8	(2.3)		
<b>PBT</b>	<b>2.1</b>	<b>11.2</b>	<b>27.5</b>	<b>25.3</b>	<b>128.0%</b>	<b>-7.9%</b>
Tax expenses	0.2	(4.6)	(3.2)	(3.3)		1.3%
<b>PAT before minority interest</b>	<b>2.4</b>	<b>6.6</b>	<b>24.2</b>	<b>22.0</b>	<b>110.6%</b>	<b>-9.2%</b>
Minority interest				0.3		
<b>Reported PAT</b>	<b>2.4</b>	<b>6.6</b>	<b>24.2</b>	<b>22.3</b>	<b>111.7%</b>	<b>-7.8%</b>
<b>Adjusted PAT</b>	<b>2.4</b>	<b>6.6</b>	<b>14.5</b>	<b>24.6</b>	<b>118.7%</b>	<b>70.5%</b>

Consolidated balance sheet statement (Rs. cr)						
	FY21	FY22	FY23	FY24	CAGR over FY21-24	Annual growth over FY23
Equity share capital	2.5	2.5	2.5	10.1	58.7%	300.6%
Other equity	50.5	56.8	81.1	94.7	23.3%	16.7%
Minority interest			0.0	(0.3)		
Non-current borrowings	34.2	27.5	24.2	14.5	-24.9%	-40.2%
Non-current lease liabilities			1.5	1.1		-23.2%
Non-current provisions	3.8	4.0	4.6	5.3	11.0%	14.3%
Net deferred tax liabilities	1.0	2.1	3.7	0.9	-1.9%	-74.9%
Trade payables	10.5	13.8	8.1	13.7	9.4%	68.6%
Current borrowings	24.8	29.4	34.4	40.5	17.8%	18.0%
Current lease liabilities			0.3	0.3		19.0%
Other current financial liabilities	5.2	5.7	8.4	6.4	7.2%	-24.5%
Current provisions	0.7	1.0	0.6	0.5	-9.0%	-19.2%
Net current tax liabilities	0.1	1.7	0.0			
Other current liabilities	1.1	1.2	0.9	1.0	-4.1%	11.5%
<b>Total liabilities</b>	<b>134.3</b>	<b>145.6</b>	<b>170.4</b>	<b>188.7</b>	<b>12.0%</b>	<b>10.7%</b>
Property, plant & equipments	39.1	38.4	38.2	41.3	1.8%	8.2%
Intangible assets	17.9	16.8	17.7	18.6	1.3%	5.2%
Capital work-in-progress	0.5	0.1	1.3	3.2	88.1%	158.4%
Intangible assets under development	3.1	2.9	3.5	3.3	2.3%	-3.5%
Right-of-use assets	1.1	1.1	5.0	4.5	58.4%	-8.9%
Investment property	0.3					
Goodwill			0.0			
Other non-current financial assets	0.7	0.6	0.9	1.1	17.5%	23.8%
Non-current net tax assets	0.1	0.1	1.1	0.7	76.6%	-33.7%
Other non-current assets	0.2	0.4	0.7	1.6	96.0%	126.8%
Inventories	39.5	49.7	55.8	57.7	13.4%	3.4%
Trade receivables	21.3	25.5	30.0	47.0	30.2%	56.8%
Cash & cash equivalents	2.5	0.5	0.5	1.4	-17.7%	159.0%
Bank balances other than cash & cash equivalents	1.7	2.1	11.5	2.7	16.1%	-76.3%
Current loans	0.4	0.3	0.6	0.1	-35.2%	-80.5%
Other current financial assets	2.4	2.1	0.4	1.7	-10.1%	333.5%
Other current assets	3.4	4.8	3.4	3.7	3.4%	8.6%
<b>Total assets</b>	<b>134.3</b>	<b>145.6</b>	<b>170.4</b>	<b>188.7</b>	<b>12.0%</b>	<b>10.7%</b>

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	14.8	26.1	33.1	39.8	39.2%	20.3%
Working capital changes	0.1	(12.6)	(12.7)	(18.5)		45.4%
<b>Cash flow from operating activities</b>	<b>14.8</b>	<b>11.6</b>	<b>16.0</b>	<b>15.6</b>	<b>1.9%</b>	<b>-2.3%</b>
Purchase of fixed assets and CWIP	(4.9)	(6.6)	(11.7)	(13.0)	38.3%	11.1%
<b>Cash flow from investing activities</b>	<b>(4.8)</b>	<b>(6.6)</b>	<b>(12.4)</b>	<b>(3.0)</b>	<b>-14.7%</b>	<b>-75.9%</b>
<b>Cash flow from financing activities</b>	<b>(7.8)</b>	<b>(6.9)</b>	<b>(3.6)</b>	<b>(11.8)</b>	<b>15.0%</b>	<b>226.0%</b>
<b>Net cash flow</b>	<b>2.2</b>	<b>(2.0)</b>	<b>0.0</b>	<b>0.8</b>	<b>-27.4%</b>	
Opening balance of cash	0.3	2.5	0.5	0.5	25.9%	0.9%
<b>Closing balance of cash</b>	<b>2.5</b>	<b>0.5</b>	<b>0.5</b>	<b>1.4</b>	<b>-17.8%</b>	<b>159.3%</b>

Consolidated financial ratios				
Particulars	FY21	FY22	FY23	FY24
<b>Profitability ratios</b>				
Revenue growth rate	3.1%	37.9%	13.9%	22.4%
Gross profit growth rate	1.2%	33.2%	14.6%	21.4%
Gross profit margin	61.3%	59.3%	59.6%	59.1%
EBITDA growth rate	31.5%	62.5%	38.9%	41.8%
EBITDA margin	11.5%	13.5%	16.5%	19.1%
EBIT growth rate	47.0%	114.3%	58.5%	50.2%
EBIT margin	5.9%	9.2%	12.8%	15.7%
Restated adjusted PAT growth rate	89.8%	181.6%	118.0%	70.5%
Restated adjusted PAT margin	2.2%	4.6%	8.7%	12.2%
<b>Turnover ratios</b>				
Inventory turnover ratio	2.6	3.3	3.1	3.6
Trade receivable turnover ratio	4.8	6.2	6.0	5.3
Accounts payable turnover ratio	8.5	12.0	15.1	18.6
Fixed asset turnover ratio	1.7	2.4	2.5	2.9
Total asset turnover ratio	0.8	1.0	1.0	1.1
<b>Liquidity ratios</b>				
Current ratio	1.7	1.6	1.9	1.8
Quick ratio	0.8	0.7	0.9	0.9
Total debt	64.1	62.6	68.8	62.9
Net debt	61.6	62.1	68.3	61.5
Debt to equity	1.2	1.1	0.8	0.6
Net debt to EBITDA	5.1	3.2	2.5	1.6
<b>Cash flow ratios</b>				
CFO to PAT	6.3	1.7	1.1	0.6
CFO to Capex	3.0	1.8	1.4	1.2
CFO to total debt	0.2	0.2	0.2	0.2
CFO to current liabilities	0.3	0.2	0.3	0.3
<b>Return ratios</b>				
RoIC (%)	6.6%	8.6%	16.3%	22.6%
RoE (%)	4.4%	11.2%	17.3%	23.5%
RoA (%)	1.8%	4.6%	8.5%	13.1%
RoCE (%)	7.0%	14.5%	18.1%	25.5%
<b>Per share data</b>				
Restated adjusted EPS (Rs.)	1.9	5.2	11.4	19.4
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	41.8	46.8	66.0	82.7
Operating cash flow per share (Rs.)	11.7	9.2	12.6	12.3
Free cash flow per share (Rs.)	(2.1)	3.3	(3.2)	15.2
Dividend payout ratio	0.0%	0.0%	0.0%	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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