

Rating: Subscribe for Long Term

Issue Offer

Fresh Issue of 85,00,000 equity shares upto INR 130.05cr taking the total issue size at INR 130.05cr

Issue Summary

Price Band (INR)	144-153
Face Value (INR)	10
Implied Market Cap (INR Cr)	390
Market Lot	98
Issue Opens on	Mar, 30, 2022
Issue Close on	Apr, 05, 2022
No. of share pre-issue	169,76,204
No. of share post issue	254,76,204
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤ 30
NIB Portion	≥35
Retail Portion	≥35

Book Running Lead Managers

ITI Capital Ltd

Registrar

Bigshare Services Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	99.1%	66.0%
Public & Others	0.9%	34.0%

Objects of the issue

- Funding capital expenditure requirements.
- Funding the working capital requirements of our Company.
- General corporate purposes.

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Balasubramanian A

Hariom Pipe Industries Ltd is part of the prestigious Hariom Group and headquartered Hyderabad, Telangana. The company is the premium manufacturer of Iron and Steel products. The company has prominent presence in south India and expanding to west India like Maharashtra. The Mild Steel Pipes are marketed and sold in the brand name of "**Hariom Pipes**". The company manufacture MS Pipes and Scaffoldings of more than 150 different specifications and cater to customer requirements. The requirement for MS Pipes and Scaffoldings comes from sectors such as housing, Infrastructure, power, automotive, agriculture, solar power, cement, mining and engineering.

Investment Rationale

Integrated Nature of Operations leads to cost effectiveness: The company use ore to produce sponge iron which is then processed across various stages to manufacture final products. This helps to MS Pipes and Scaffolding manufacturing process cost effective. All finished products in various stages acts as an inputs for next process and provides flexibility in alteration of product mix as per the market demand and supply, market place and the available gross margins.

Product differentiation compared with peers: Hariom prides itself on the degree of Product differentiation and backward integration which puts it at advantage over its competitors.

Strategic location of manufacturing Units: The plants of the company are located strategically, so that material can be transferred from a source location to a plant at low costs. It also allows for the constant availability of the product.

CAPEX Plan will leads to revenue visibility: The IPO will allow the CAPEX objective of INR 50.05 Cr to take place. The issue size is INR 130 Cr. The capacity of the pipe mills will be enhanced from 84 lakh to 132 lakh MT (INR 39 Cr). The furnace capacity will be increased from the current 95,832 to 1,04,232 MT (INR 11 Cr). Working Capital needs are about INR 40 Cr, about INR 8 Cr is issue expenses, and the rest will be directed toward general corporate purposes. All the CAPEX should be completed by September, 2022. The increase in capex will able to execute the industry demand which results better revenue visibility.

Distribution model enables margin benefits: The material is sold to dealers and sub-dealers instead of stockists. Stockists generally sell to dealers that sell to sub-dealers by adding their own margins. This gives the advantage of providing proper material as per requirements to the dealers, plus they also get to keep the margin benefits. The dealer network comprises 200+ distributors, with ~1,500 selling points in south India.

Valuation and View:

At the upper band of INR 153, the issue is valued at a EV/EBITDA of 10.2x based on FY21 EBITDA. We believe Hariom Pipe Industries Ltd has witnessed strong revenue growth from FY19-FY21, strategically located plants with integration, competitive pricing of the products, cost effectiveness, capacity expansion, experienced management and expanding network would lead the growth in going forward. We are recommending "Subscribe for Long Term" for this issue

Industry Overview

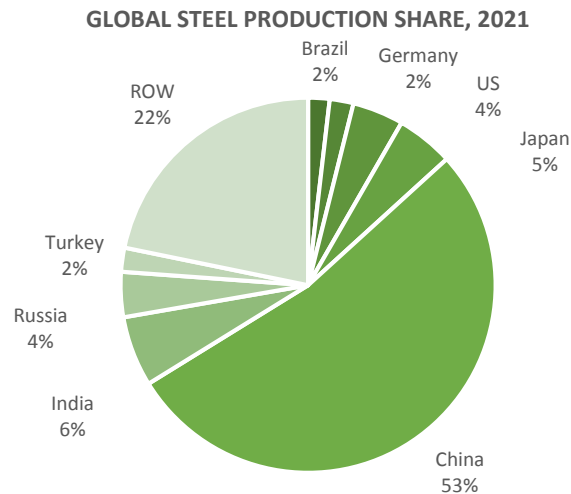
Steel Industry

The demand for steel would be majorly driven by growth in the construction and automotive sectors. Steel in the form of alloy sheets are used in automotive applications, beams and pillars are extensively used in construction works.

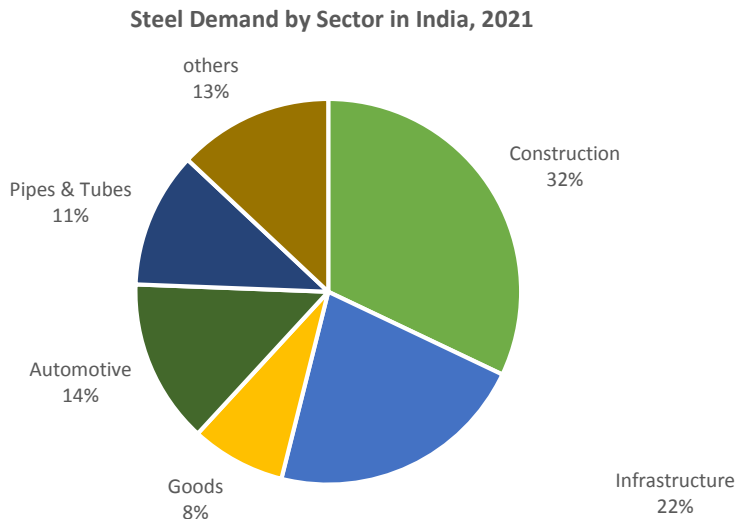
Increasing demand from the automotive and the structural engineering sectors which are the chief consumers of the product in the market is likely to stimulate demand in the future.

The essential applications of steel in oil & gas sector is anticipated to boost the growth of the market in the upcoming years.

India is the second largest steel producer globally. The steel consumption in India is widely attributed to the infrastructural and construction industry. Rapid industrialization and urbanization, combined with increased private and government investment in infrastructure will fuel product demand.



Source: RHP, Arihant Capital Research



Source: RHP, Arihant Capital Research

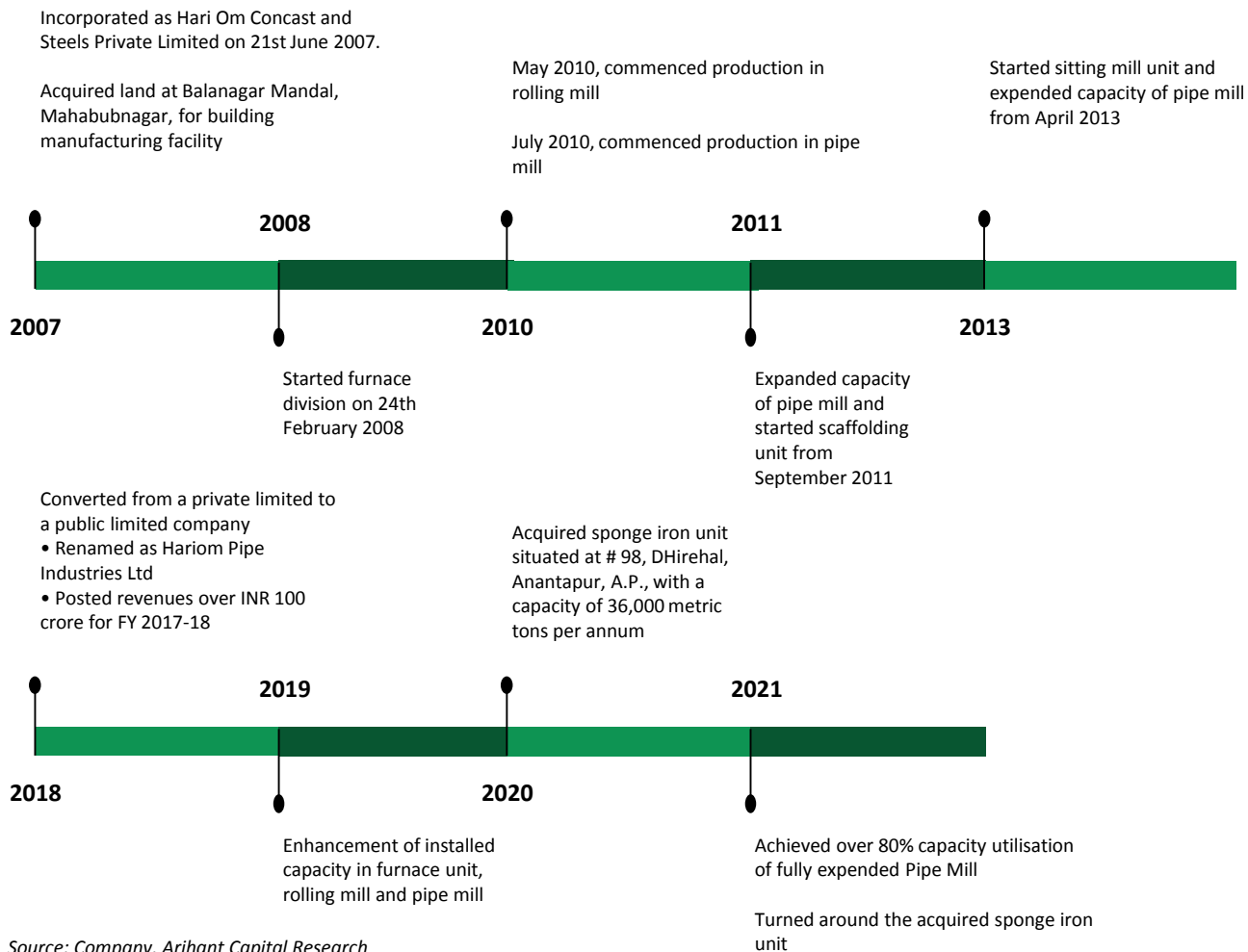
Business Overview

Hariom Pipe Industries Ltd is part of the prestigious Hariom Group and headquartered Hyderabad, Telangana. The company is the premium manufacturer of Iron and Steel products. The company has prominent presence in south India and expanding to west India like Maharashtra. The Mild Steel Pipes are marketed and sold in the brand name of “Hariom Pipes”. The company manufacture MS Pipes and Scaffoldings of more than 150 different specifications and cater to customer requirements. The requirement for MS Pipes and Scaffoldings comes from sectors such as housing, Infrastructure, power, automotive, agriculture, solar power, cement, mining and engineering.

The product portfolio’s are consisting of Mild Steel (MS) Billets, Pipes and Tubes, Hot Rolled (HR) coils and Scaffolding Systems. The company has 3,00,832 MT total manufacturing capacity, 98,832 MT Induction furnace capacity, 84,000 Rolling mill capacity, 1,000 MT Scaffolding capacity and 36,000 MT for Sponge iron capacity.

The company has two manufacturing units, Unit I has located in Mahabubnagar district in Telangana. Unit 1 manufactures finished steel products from Iron scrap and sponge iron. Unit II has located in Anantapur district in Andhra Pradesh, this unit exclusively manufactures sponge iron. Sponge iron majorly produced at Unit II which is transported to Unit I and used as a raw material for manufacturing MS Billets, MS Pipes, HR Strips and Scaffolding. The strategic integration with Unit I and Unit II which helps efficient procurement, logistics, Inventory management, energy savings and quality control.

Important Milestones



Business Overview

Products

Hollow Steel Pipes & Tubes

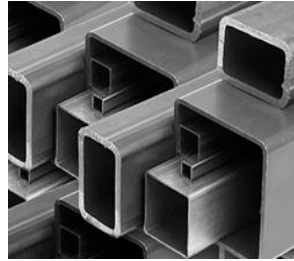
The company manufactures premium quality steel pipes and tubes, ranging from 19.5mm to 127.5mm outer diameter (OD) with thickness ranging from 1 to 3.5mm. The pipes and tubes are made from stripes of Hot rolled steel passed through forming rolls and welded into various shapes such as square, round, rectangular and railing sections.

Square Hollow section



Size: 20x20 mm to 100x100mm and thickness 2mm to 4mm

Rectangular Hollow section



Size: 40x20 to 122x61mm and thickness 2mm to 4mm

Circular Hollow section

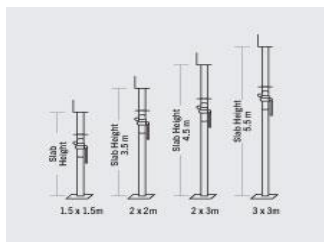


Size: 15mm to 110mm and thickness 2mm to 4.5mm

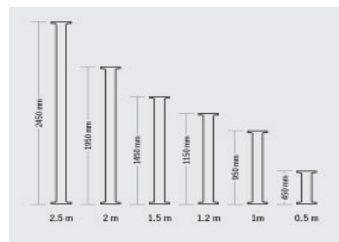
Scaffolding Systems

Scaffolding Systems are a series of temporary work platforms on a construction site. The company manufactures scaffolding systems which have longer life, accurate dimensions and dimensions can be customized as per the customer requirements. These scaffolding systems are helpful for conducting construction activities above the ground level.

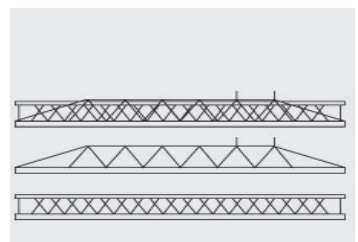
Telescopic Props / Adjustable Props / Jacks



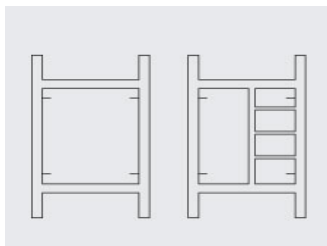
Cuplocks



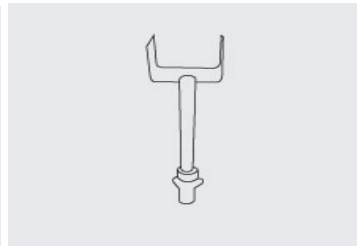
Span / Acro Span/ Telescopic Span/ Adjustable Span



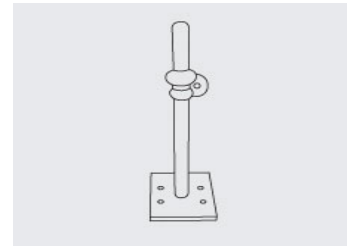
H Frame Systems



Stirrup Head/Universal Jack



Adjustable Base Plate



Source: RHP, Arihant Capital Research

Business Overview

Products

H.R. Skelps/Coils

The company manufactures H.R Skelps and Coils in various shapes and sizes as per the requirement of customers. The H.R Skelps are manufactured through latest technology and these are highly durable. It is majorly used in Industrial cable trays and different industrial setups.

Mild Steel Billets

The company manufactures wide range of MS Billets and offers specific and customised dimensions as per customer requirements. Mild Steel Billets are used in structural steel products and rolling of TMT rebars of Fe415 and Fe500 grades.

H.R. Skelps/Coils



Mild Steel Billets



Source: Company, Arihant Capital Research

Capacity Utilisation

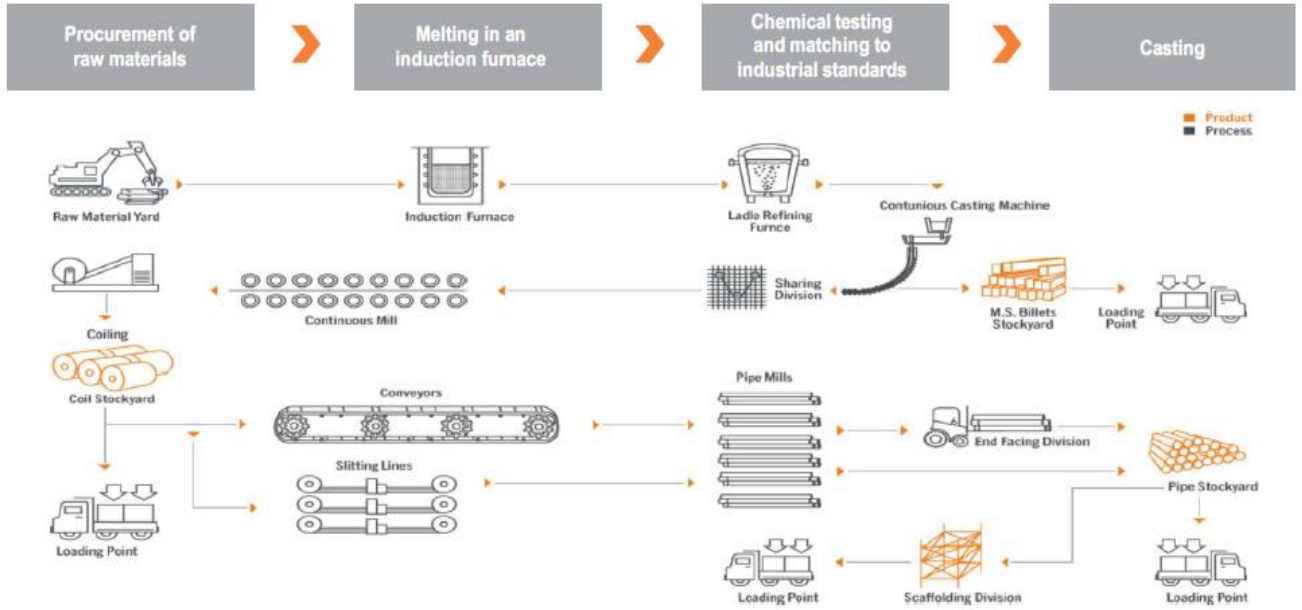
Details of manufacturing unit	Particulars	FY19	FY20	FY21
Unit I - Mahbubnagar				
Induction Furnace	Installed Capacity	37,200	95,832	95,832
	Capacity Utilised	31,000	46,276	44,788
	Utilised Capacity (in %)	83.33%	48.29%	46.74%
Rolling Mill	Installed Capacity	24,000	84,000	84,000
	Capacity Utilised	20,771	34,280	43,546
	Utilised Capacity (in %)	86.55%	40.81%	51.84%
Piping Mill	Installed Capacity	20,000	84,000	84,000
	Capacity Utilised	18,282	24,183	29,303
	Utilised Capacity (%)	91.41%	28.79%	34.88%
Scaffolding	Installed Capacity	1,000	1,000	1,000
	Capacity Utilised	655	980	282
	Utilised Capacity (%)	65.50%	98.00%	28.20%
Unit II – Anantapur				
Sponge Iron	Installed Capacity			36,000
	Capacity Utilised			22,578
	Utilised Capacity (%)			62.72%

Source: Company reports, Arihant Capital Research

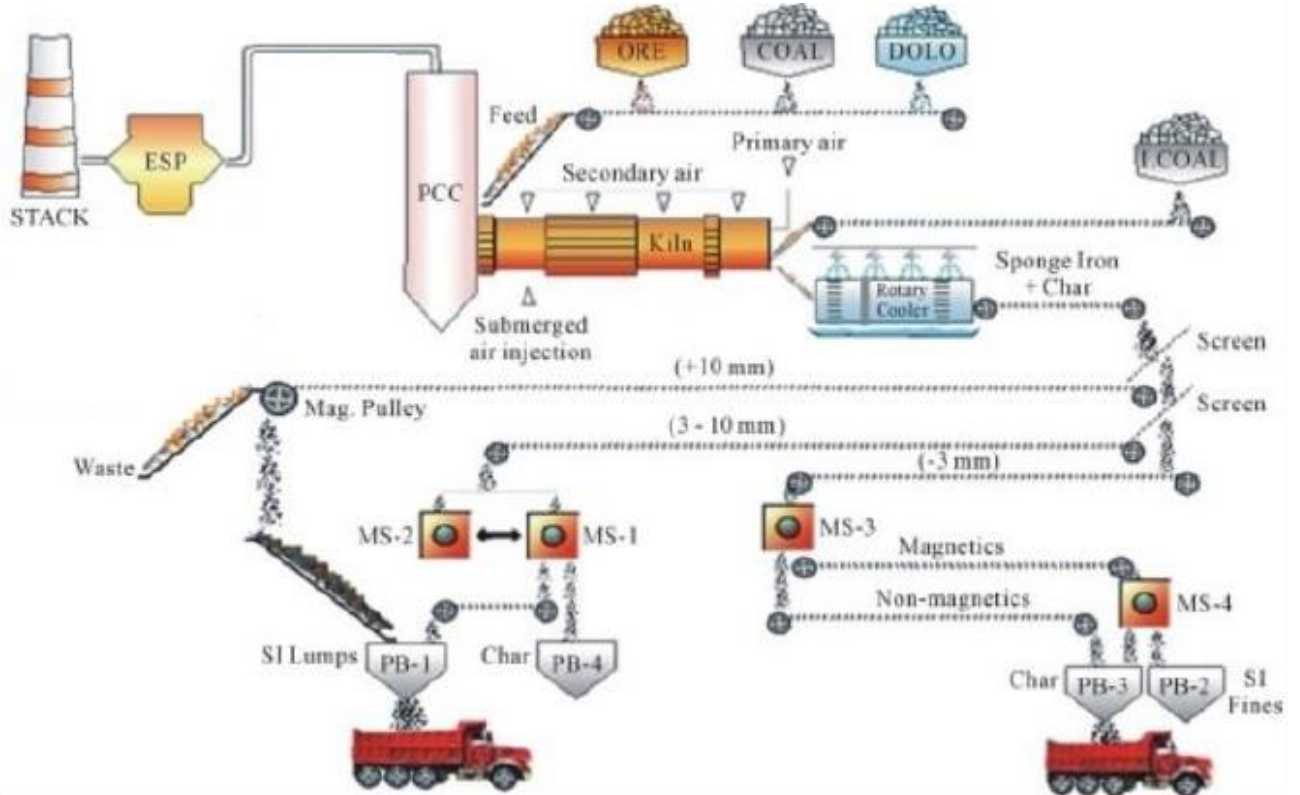
Business Overview

Manufacturing Process

Pipe Manufacturing Process – Unit I



Sponge Iron Manufacturing Process – Unit II



Source: Company, Arihant Capital Research

Key Strengths

Integrated Nature of Operations leads to cost effectiveness: The company use ore to produce sponge iron which is then processed across various stages to manufacture final products. This helps to MS Pipes and Scaffolding manufacturing process cost effective. All finished products in various stages acts as an inputs for next process and provides flexibility in alteration of product mix as per the market demand and supply, market place and the available gross margins.

Induction Plant Output → MS Fillets

MS Fillets can be sold independently or used as an input for rolling mills.

Rolling Mill Output → HR Strips

HR Strips can be sold independently or used as an input for manufacturing MS Pipes.

The company believes that their ability to change the product mix as per market demand and supply dynamics gives the flexibility to serve a wider spectrum of customers across various sectors. The seamless operations and integration of production process provides cost advantage over competitors.

Environment Friendly Manufacturing Process: The company consciously preferred and installed the hot charging process of manufacturing products as it significantly reduces the usage of coal and power. The company have synchronized manufacturing processes to ensure smooth transition from one process to the other including environmental considerations.

For example; for environment considerations, for shifting raw materials inside Unit; the company have laid down rail trolley system to eliminate the usage of diesel trucks and other polluting vehicles.

The company have installed pollution control equipment at smoke emanating chimney's that collect the dust particles which are then stored in filter bags for disposal. These filter bags are sold to cement and other industries for their operations.

The company also planted over 3,000 trees in and around our manufacturing units and installed drip irrigation to maintenance of the plantation.

Key Strengths

Strategic location of manufacturing Units: Unit I is located around 70 km from Hyderabad in the Mahabubnagar District, State of Telangana and close to Jadcherla industrial area. This proximity enables ease of logistics, power, water supply and raw materials for operations in Unit I.

Unit II is located at Anantapur District, Andhra Pradesh which is around 18 kms from Bellary, which is one of the hubs in South India for iron ore production. The connectivity between Unit I and southern markets provides the benefits of logistics considering accessibility and proximity.



Source: Company, Arihant Capital Research

Cost advantage in manufacturing products: The Company has established a manufacturing process which keeps costs low, leading to a competitive price advantage as compared to others in the industry. The company have synchronized processes in such a manner that one product follows the other without any break leading to costs and time efficiencies.

The company have 32 KVA dedicated feeder for furnace at Unit I which makes eligible for obtaining private power from IEX through the online bidding process, against contracted load of 9,999 KVA with TSSPDCL with fixed power cost.

In peak season for agriculture where there is shortage of supply of power from The Southern Power Distribution Company of Telangana (TSSPDCL), the Company have the alternative facility of receiving uninterrupted supply of power from IEX at competitive rates.

The company have installed multiple operations at a single location. In Unit I, the company manufacture the entire range of products such as MS Billets to Mild Steel (MS) Pipes and Scaffolding.

The hot charging process installed in Unit I enables the MS Billets produced to be directly fed into the rolling mill for producing HR Strips leading to savings in the cost of coal and power.

Key Strengths

Competitive pricing of products: The Company is able to face competition from other industry players effectively as its products are a result of backward integration which leads up to the Sponge Iron stage of manufacturing. Backward integration has its own cost and savings advantages which competitors may be lacking giving to the company as a competitive advantage as to price.

The company have also built in manufacturing process some flexibility as to thickness, length and quality of products which enables customisation leading to better margins for products.

Due to the flexibility in manufacturing a range of products having specific thickness, length and quality, the demand for the company products is higher as compared to competitors who manufacture and sell standard industry sizes or dimensions of products.

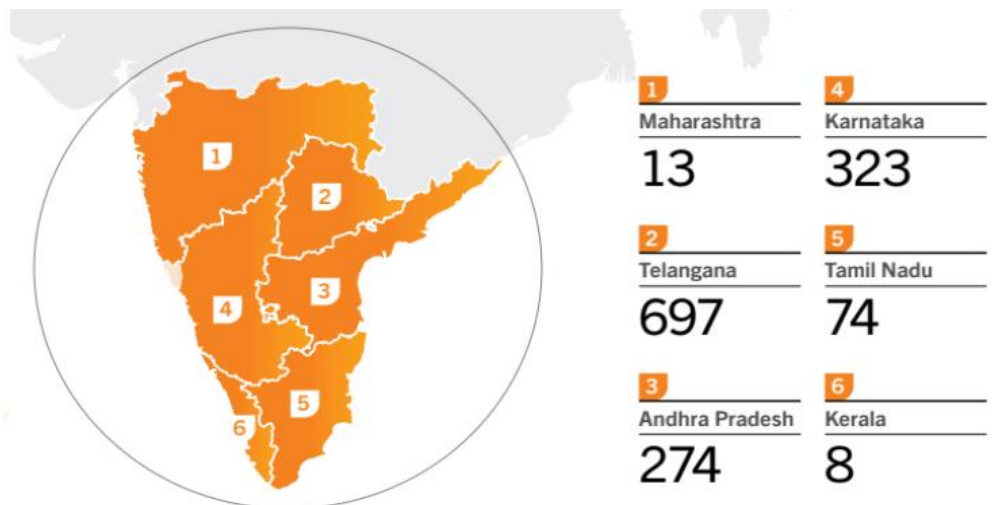
Experienced & Qualified Team: Mr Rupesh Kumar Gupta (Promoter) has been the main guiding force behind the growth and business strategy of Company and has more than a decade of experience in the iron and steel industry. Mr Sailesh Gupta (Promoter) also has over a decade experience in iron and steel industry and is actively involved in day to day business, administration and marketing of the Company.

The management team's experience and their understanding of the industry will enable to continue to take advantage of both current and future opportunities. A large number of senior management personnel have worked with the company for a significant period of time, resulting in effective operational coordination and continuity of business strategies.

Key Strategies

Expanding geographical network: The Company is presently serving the markets of Southern and some parts in Western India. The distribution channels developed over the years have been critical to growth. The company have vast distribution and sales network and currently have ~1500 sales points. The company intend to continue developing and nurturing existing markets and creating new distribution channels in under and non-penetrated geographies. Also, aim to further develop domestic sales networks in those territories where there are lower transportation costs having a significant demand for products.

Distributors presence across 6 states



Source: Company, Aриhant Capital Research

Key Strategies

Organic growth by expansion of manufacturing capacity: The Company has embarked on a phase of growth to build scale and expand its portfolio of value-added products.

The company deploying funds (funds from Issue) for expansion of MS Pipe manufacturing capacity by setting up of two additional pipe mills adjacent to existing Unit I.

MS Pipe Manufacturing Capacity (84,000 MTPA)	→	MS Pipe Manufacturing Capacity after expansion (1,32,000 MTPA)
Furnace Unit Capacity (95,832 MTPA)	→	Furnace Unit Capacity after expansion (1,04,232 MTPA)

The Company acquired the Sponge Iron manufacturing facility in Sep, 2020. Unit II as a part of backward integration initiatives. The company will continue to explore both backward and forward integration initiatives to achieve the goal of becoming an end-to-end and cost-effective manufacturer of products.

Upgrading existing manufacturing facilities: The Company constantly endeavours to improve its productivity levels by optimum resource utilization, improvement in manufacturing process, skill upgradation of workers, modernization of machineries to achieve better asset turnover.

The company will continue to further improve manufacturing processes to identify the areas of bottlenecks and correct them. This would help to improving efficiency and putting resources to optimal use.

The company have a team of chemist and engineers who strive to improve the production methodologies by conducting experiments and creating innovative prototypes to enhance manufacturing processes.

Expanding product range to add more value-added products: MS Pipes and Scaffoldings are the end products that are manufactured from the conversion of Sponge Iron to HR MS Billets and HR Strips. The company provides a range of product specifications in MS Pipes and Scaffoldings in terms of thickness, length, quality, availability, and customised products.

The company intend to further enhance value proposition by manufacturing value added products which have better margins and wider markets. Certain value added products require a certain modifications and extensions to existing lines which are in the development phase.

Increasing Operational efficiency: The company continue to invest in increasing operational efficiency throughout the organization. The increasing operational output through continuous process improvement, QC / QA activities, customer service, consistent quality and technology development.

Alignment of people to 'process improvement' through change management and upgrading of skills as required for customer satisfaction is a continuous activity. Awareness of this quality commitment is widespread amongst employees.

Key Management

Personnel	Designation	Description
Mr. Pramod Kumar Kapoor	Chairman and Independent Director	Mr. Pramod Kumar Kapoor is the Chairman and Independent Director of the Company. He holds a Bachelor's degree in Textile Technology from Birendra Narayan Chakrabarty University, Kurukshestra. He has more than 17 years of experience in textile industry. Previously, he has worked as President – Marketing (Textiles- Domestic Sales) in Visaka Industries Limited. Presently, he is into business of plastic manufacturing.
Mr. Rupesh Kumar Gupta	Managing Director	Mr. Rupesh Kumar Gupta is one of the Promoters of the Company, and Managing Director of the Company. He has been the main guiding force behind the growth and business strategy of the Company. He has more than two decades of experience in steel industry.
Mr. Sailesh Gupta	Whole-time Director	Mr. Sailesh Gupta is one of Promoters of the Company and the Whole-time Director of the Company. He has experience of more than a decade in Marketing. He is a Commerce Graduate from Osmania University. He has been a backbone of Company for identifying, negotiating and implementing new business opportunities. He is in charge of overall sales & marketing function with focus on continuous communication and building relationships with clients. He plays crucial role in team building and clients addition and retention.
Mrs. Sunita Gupta	Non-Executive Director	Mrs. Sunita Gupta is the Non-Executive Director of the Company. She has 2 years of experience in steel industry.
Mrs. B. Shanti Sree	Independent Director	Mrs B. Shanti Sree is the Independent Director of the Company. She is a member of Institute of Chartered Accountants of India. She has completed post-graduate course in Applied Science from CMC Ltd. She also holds registration with Insolvency and Bankruptcy Board of India to act as an Insolvency Professional. She has more than 10 years of experience in audit, taxation, banking and finance. She is currently a practicing Chartered Accountant and associated as Designated Partner with M/s Tukaram & Co LLP., Chartered Accountants, Hyderabad. Previously, she was on the board of State Bank of Hyderabad as nominee director.
Mr. G. Rajender Reddy	Independent Director	Mr G. Rajender Reddy is the Independent Director of the Company. He has completed his B.Sc. (Agriculture) and M.Sc. (Agriculture) from Andhra Pradesh Agricultural University, Hyderabad. He is a retired Banker and has worked as General Manager in Canara bank and retired in Jan, 2020. He has over 25 years of experience in the field of banking including credit analysis, infrastructure lending, project finance and corporate finance, stressed asset management, risk management and compliance functions.
Mr Amitabh Bhattacharya	Chief Financial Officer	Mr Amitabh Bhattacharya is the CFO of the company. He has holds bachelors' degree in commerce from University of Calcutta and masters degree in Computer Application from Indira Gandhi National Open University. He has having over 14 years of experience in diverse industries including textiles, tyres and logistics.
Mr Ashish Agarwal	Head – Marketing	Mr Ashish Agarwal is the Head of Marketing of the company. He has completed his masters in business administration from Osmania University, Hyderabad. He has more than 4 years of experience in the field of marketing.

Source: Company, Arihant Capital Research

Management Meet Highlights

CAPEX plans: The IPO will allow the CAPEX objective of INR 50.05 Cr to take place. The issue size is INR 130 Cr. The capacity of the pipe mills will be enhanced from 84 lakh to 132 lakh mt (INR 39 Cr). The furnace capacity will be increased from the current 95,832 to 1,04,232 mt (INR 11 Cr). WC needs are about INR 40 Cr, about INR 8 Cr is issue expenses, and the rest will be directed toward general corporate purposes. All the CAPEX should be completed by September 2022.

Revenue-wise break up: Telangana 41%, Karnataka 25%, Tamil Nadu 20%, Andhra 10%, balance to Maharashtra, Pondicherry, Goa, Kerala, Punjab, etc.

Distribution model: The material is sold to dealers and sub-dealers instead of stockists. Stockists generally sell to dealers that sell to sub-dealers by adding their own margins. This gives the advantage of providing proper material as per requirements to the dealers, plus they also get to keep the margin benefits. The dealer network comprises 200+ distributors, with 1,500 selling points in south India.

Good relationship with suppliers: Hariom pipes have maintained good relationships with suppliers, customers, banks (1 on 1 arrangement with Canara bank as the sole banker).

Superior Margins: Margins are superior to peers like APL because of blended costs being optimal, since operations are fully integrated, every segment has an EBITDA from 4% to 16%. Other competitors don't have fully integrated units.

The current margins are sustainable. All price rises will be passed on, which is aided by the backward integration as it allows them to properly understand the industry.

Higher EBITDA Margins: The company manufactures from iron ore to final pipes. Ore is purchased from an auctioned platform and is converted into sponge iron. The induction furnace in the Hyderabad plant melts and makes it into billets. It is then put into rolling mills. Hariom uses a hot charging facility to convert this into coils. The facility allows saving a lot on coal, labour, and timing which covers EBITDA a lot. Rolling mills also allow for good control of thickness variations- different thicknesses available in the market today are provided only by Hariom. The company offers 200+ variants of thicknesses and pipes that are distributed through a dealer network-. The company does not have a distribution model of its own. The company also manufactures scaffolds. Leftover steel and scrap in the crushers are also re-melted in induction furnaces and used/ sold. This is one of the USPs of Hariom which allows for high EBITDA margins. It is also helped by the fully integrated plant.

EBITDA per ton is about INR 8,000 to INR 8,500.

Capacity Expansion: Harioms existing capacity for pipes is 84,000 MTPA and Ultrapiques has 36,000 MTPA After the IPO Harioms capacity will become 1,32,000 MTPA

Harioms crude steel capacity is 1,32,000 MTPA, primary steel is 1,69,000 MTPA which includes the pipes' capacity of 84,000 MTPA. The main business of the company is pipes.

Plants are strategically located: The plants of the company are located strategically so that material can be transferred from a source location to a plant at low costs. It also allows for the constant availability of the product. The products along different verticals (billets, coils, etc.) also have a number of uses and applications in different industries.

Cash and Carry Model: The company uses a cash and carry model as it does not believe in credit. It is used mostly for projects (10%), namely in the scaffolding business.

Management Meet Highlights

Product differentiation compared with peers: Hariom prides itself on the degree of Product differentiation and backward integration which puts it at advantage over its competitors. The quality of the product speaks for itself. Blast furnaces allow for preparing steel from iron order but do not maintain scrap. The company uses induction furnaces, which allow maintaining scrap. This scrap is the purest form of steel.

Other Highlights

The company has had no bad debts in the past 14-15 years. None have been written off.

Hariom supplies coils and steel to competitors like JSW steel.

Hariom has a one-stop-shop concept with the wide array of pipes offered by them.

Hariom pipes have an unlisted group company for which NDAs have been signed, and a merger will come in the future.

The company has a pan India presence around Maharashtra, Andhra Pradesh, Telangana, Kerala, Tamil Nadu, Karnataka, Gujarat, etc. They deliver different goods as per order within 3-4 days.

Induction furnaces were introduced in 2008, followed by rolling mills and pipe mills. Sponge iron units were acquired in the last 2 years. All funds generated are applied to CAPEX. It is now a 4th generation business. Prior to 2007, they were into steel trading. All the income earned has been Put into expansion.

Pipes are required for all equipment and construction across different industries. Lower thickness pipes are used for temporary projects and vice versa. Competitors do not provide all thicknesses. They charge a premium for it sometimes and deliver within 3-4 months. Hariom provides an array to choose from and gives delivery in a few days contrary to their competition.

Ultrapipes make pipes only. They are a partnership firm with Hariom. The plant is located right next to Harioms unit. The company used to get subsidies from the Telangana state government which is why it was set up. Ultrapipes make heavy thickness pipes from coils. The pipes offered by Ultrapipes are different from Hariom, which manufactures small thickness pipes. Ultrapipes has a 36,000 mt capacity. Hariom supplies coils to the company (RM), the rest are purchased from other suppliers like JSW and so on.

Pricing of the pipes (premium to be charged) is based on thickness, size, etc. up from the base price. Ultra makes pipe with a size of 2+ inches size and thickness ranging between 1.6mm-4mm. Hariom makes pipes with a size ranging ¾-2 inches' size and thickness of 1mm-4mm.

80% of the material sold is directly sold to dealers, 10% to OEMs and the rest 10% is through direct purchases.

Hariom gets many benefits of selling to dealers being- maintaining high margins, direct contact with customers, and loyalty. They have also divided customers across diamond, platinum, gold, and silver tiers, all of which are allowed different discounts. This allows maintaining royalty. They try not to supply directly to projects.

Key Risks

- The company has not entered into long term agreement with customers for purchasing the products. There is no assurance that customers will continue to purchase the products.
- Raw materials and stores spares and consumables consumed continue a significant percentage of company total expenses. Any substantial change in raw material prices adversely affect the business.
- Steel Industry cyclical in nature. The cyclicity has adversely affect the business.
- The company has negative cash flows in recent financial years. The sustained negative cash flows could adversely impact the business.
- The company have certain contingent liabilities, if it realised that could adversely affect the business.
- The company depends on small set of customers. The uncertainty demand from customers could adversely affect the business.
- The manufacturing process involves extreme heat and fire. If any accidents happen it could cause damage and adversely affect the business.
- The significant portion of income are from top 10 customers.
 - FY20 – 49.78% of revenue from top 10 customers
 - FY21 – 60.74% revenue from top 10 customers
 - H2FY22 – 62.37% revenue from top 10 customers
 - Revenue concentration risk is there in the business. If the company unable to keep the customers, it could impact the business.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	H2FY22
Revenue	134	161	254	201
Net Raw Materials	84	91	173	135
Employee Cost	6	8	10	10
Other Expenses	27	38	37	30
EBITDA	17	23	34	26
EBITDA (%)	12.7%	14.6%	13.5%	12.7%
Depreciation	(2)	(5)	(6)	(4)
Interest expense	(4)	(7)	(8)	(4)
Other income	0.3	0.4	0.7	0.3
Profit before tax	12	11	21	18
Taxes	(4)	(3)	(6)	(5)
Net profit	8	8	15	13
Reported Netprofit Margin (%)	6.0%	4.9%	6.0%	6.4%
Other Comprehensive income	(0)	0	0	0
Net profit	8	8	15	13
EPS (INR)	6	6	9	8

Source: Company Reports, Aриhant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	H2FY22
Equity capital	13	13	17	17
Reserves	23	35	54	67
Net worth	36	48	71	84
Provisions	0.2	0.2	0.2	0.0
Debt	57	71	90	94
Other non-current liabilities	1	2	4	3
Total Liabilities	94	122	164	181
Fixed assets	43	49	59	57
Capital Work In Progress	-	0	8	10
Investments	0	0	0	0
Other non current assets	0	0	0	0
Net working capital	47	70	95	114
Inventories	39	60	80	103
Sundry debtors	10	23	20	23
Other current assets	7	5	5	5
Sundry creditors	(8)	(15)	(4)	(10)
Other current liabilities & Prov	(2)	(3)	(5)	(7)
Cash	4	2	1	0
Other Financial Assets	0	0	0	0
Total Assets	94	121	164	181

Source: Company Reports, Aриhant Capital Research

Cashflow summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	H2FY22
Profit before tax	12	11	21	18
Depreciation	2	5	6	4
Tax paid	(4)	(3)	(6)	(5)
Working capital Δ	(47)	(23)	(26)	(18)
Change in Goodwill	-	-	-	-
Operating cashflow	(37)	(10)	(4)	(1)
Capital expenditure	(45)	(12)	(24)	(3)
Free cash flow	(82)	(22)	(28)	(5)
Equity raised	28	4	7	0
Investments	(0)	(0)	(0)	(0)
Others	(0)	0	(0)	(0)
Debt financing/disposal	57	14	19	4
Other items	1	1	1	(0)
Net Δ in cash	4	(2)	(1)	(1)
Opening Cash Flow	-	4	2	1
Closing Cash Flow	4	2	1	0

Source: Company Reports, Aриhant Capital Research

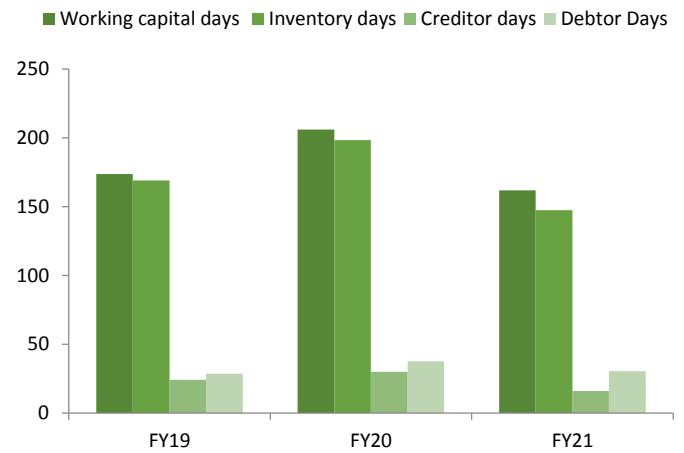
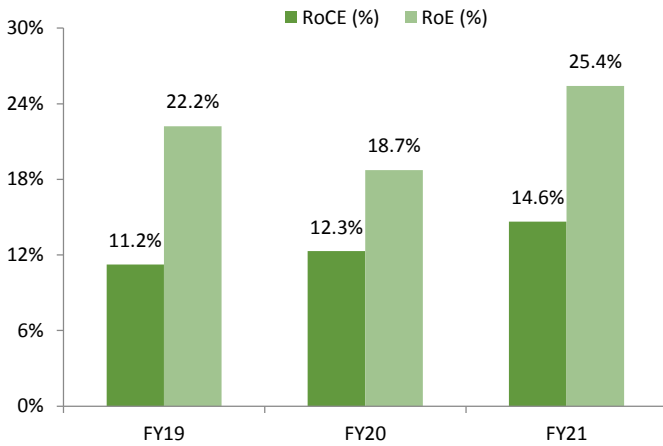
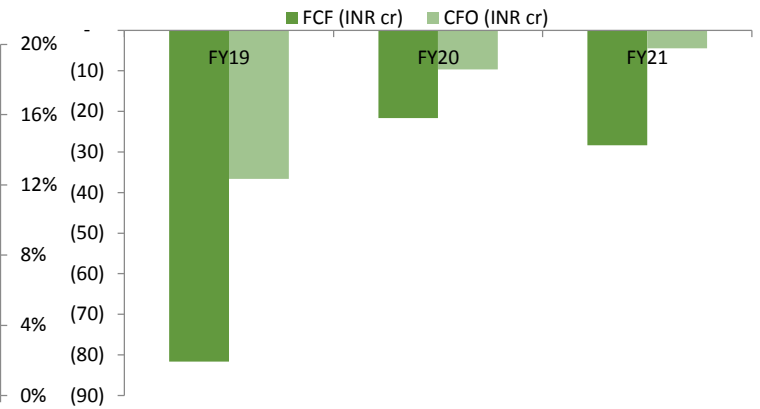
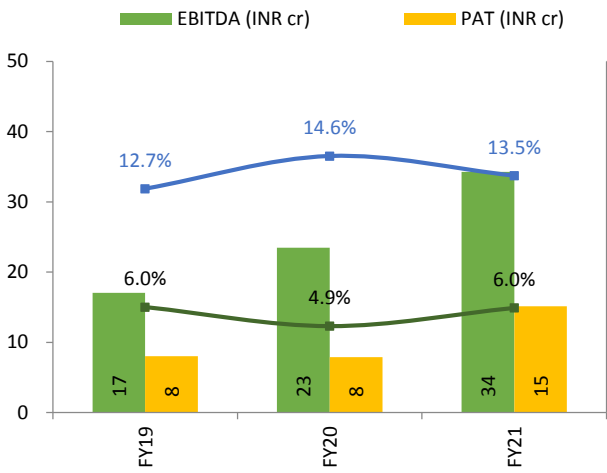
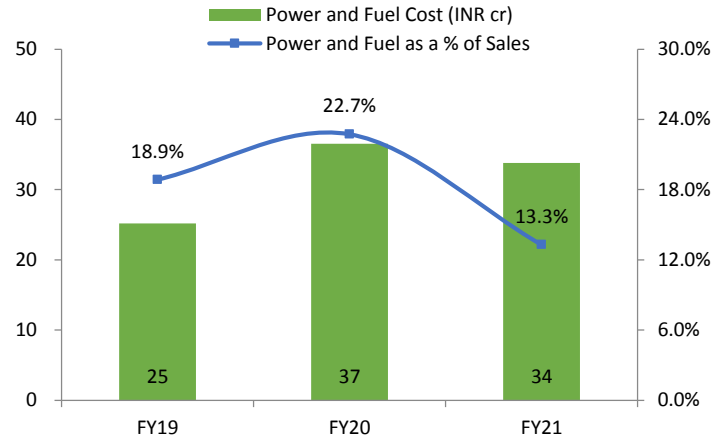
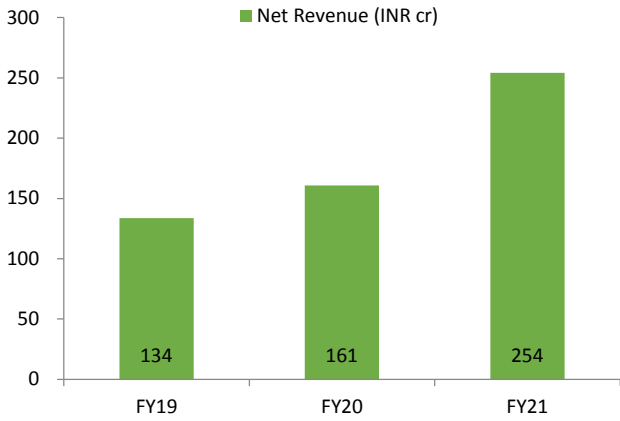
Ratio analysis

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	H2FY22
Profitability ratios (%)				
RoCE	11.2%	12.3%	14.6%	9.4%
RoNW	22.2%	18.7%	25.4%	16.7%
RoA	8.5%	6.5%	9.2%	7.1%
Per share ratios (INR)				
EPS	6.0	6.0	8.9	7.6
Cash EPS	7.7	9.9	12.6	9.9
Book value per share	27.3	36.5	41.7	49.3
Valuation ratios (x)				
P/E	25.3	25.4	17.1	20.2
P/CEPS	19.9	15.5	12.1	15.4
P/B	5.6	4.2	3.7	3.1
EV/EBITDA	15.0	11.6	10.2	13.8
Payout (%)				
Tax payout	31.1%	30.2%	28.6%	27.3%
Liquidity ratios				
Debtor days	29	38	30	38
Inventory days	169	198	147	247
Creditor days	24	30	16	15
WC Days	174	206	162	271

Source: Company Reports, Aриhant Capital Research

H2FY22 – as on 30th Sep, 2021

Story in Charts



Source: RHP, Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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