

JUNE 9, 2021

IPO Note

## SHYAM METALICS AND ENERGY LTD

**NOT RATED**

*(Note: All the information in this note is taken from RHP)*

### Background

Shyam Metalics and Energy (SMEL) is a leading integrated metal producing company based in India (Source: CRISIL Report) with a focus on long steel products and ferro alloys. They are amongst the largest producers of ferro alloys in terms of installed capacity in India, as of February 2021 (Source: CRISIL Report). SMEL has the ability to sell intermediate and final products across the steel value chain. As of March 31, 2020, SMEL was one of the leading players in terms of pellet capacity and the fourth largest player in the sponge iron industry in terms of sponge iron capacity in India (Source: CRISIL Report). The company is also one of the leading integrated steel and ferro alloys producers in the eastern region of India in terms of long steel products, as of March 31, 2020 (Source: CRISIL Report). The company has a consistent track record of delivering operating profitability, and since the commencement of operations in Fiscal 2005, they have delivered a positive EBITDA in each of the Fiscals.

SMEL currently operates three manufacturing plants that are located at Sambalpur in Odisha, and Jamuria and Mangalpur in West Bengal. As of December 31, 2020, the aggregate installed metal capacity was 5.71 million tonne per annum ("MTPA") (comprising of intermediate and final products). Manufacturing plants also include captive power plants with an aggregate installed capacity of 227 MW, as of December 31, 2020. SMEL is also in the process of increasing the capacities of their existing manufacturing plants and captive power plants, which is expected to increase their aggregate installed metal capacity (comprising of intermediate and final products) from 5.71 MTPA, as of December 31, 2020, to 11.60 MTPA and captive power plants aggregate installed capacity from 227 MW, as of December 31, 2020, to 357 MW. These proposed expansions are expected to become operational between Fiscal 2022 and Fiscal 2025. In addition, the company is in the process of commissioning an aluminium foil rolling mill at Pakuria in West Bengal with a proposed installed capacity of 0.04 MTPA, which is expected to become operational in Fiscal 2022.

Sambalpur and Jamuria plants operate as 'ore to metal' integrated steel manufacturing plants and comprise captive railway sidings, captive power plants, iron pellet, sponge iron, billet, thermo mechanically treated ("TMT"), wire rod and structural mills, and ferro alloy plants. SMEL's integrated manufacturing plants are fungible by design, which provides the company with the ability to quickly adapt to continuously evolving market conditions, change their production and product offerings and optimise operating margins thereby insulating them from price volatility. Mangalpur plant comprises sponge iron and ferro alloy plants, and a captive power plant. The company has eight captive power plants that utilise non-fossil fuels, such as, waste, rejects, heat and gas, generated from their operations to produce electricity, and thereby enable them to operate at lower power costs. In Fiscals 2018, 2019 and 2020, and the nine months ended December 31, 2020, power units produced from their captive power plants accounted for 90.06%, 87.32%, 85.19% and 79.58%, respectively, of total power units consumed. SMEL believes that the proposed expansion plans of captive power plants will help them to meet their increased requirement of power and enable them to become more self-sufficient.

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SMEL's manufacturing plants are strategically located in close proximity to the mineral belt in eastern India, including, iron ore, iron ore fines, manganese ore, chrome ore and coal mines, primary raw material sources and ports, which they believe lowers their transportation costs and provides significant logistics management and cost benefits. SMEL's manufacturing plants are well connected by roads, railways and ports. Sambalpur and Jamuria manufacturing plants have captive railways sidings which enable them to transport the raw materials and products in a cost and time effective manner. SMEL is one of the few integrated metal producing companies in India with captive railway sidings, as of March 31, 2020 (Source: CRISIL Report).

### Offer details

Particulars	Details
Price band (Rs/share)	Rs303-306
Opening date of the Issue	June 14th, 2021
Closing date of the issue	June 16th, 2021
No. of shares pre-issue (nos. cr)	23.36
No. of shares post-issue (nos. cr)*	25.51
Fresh Issue (nos. cr)*	2.15
Offer for sale (nos. mn)	0.82
Issue size (Rs cr)*	909
<b>Bid Lot</b>	<b>45 Shares and in multiple thereof</b>
Book Building QIBs	50%
Non-Institutional	15%
Retail	35%
Lead managers	ICICI Securities, AXIS Capital, IIFL Securities, JM Financial and SBI Capital Markets

Source: Company RHP, \* Based on upper price band

### Shareholding Pattern

	Pre Issue	Post Issue
Promoter holding (%)	100.0	88.35
Public shareholding (%)	0.0	11.65
Total (%)	100.0	100.0

Source: Company RHP

### Objects of the offer

Particulars	(Rs cr)
Repayment and/or pre-payment of debt of Company and SSPL, one of Subsidiaries	470
General Corporate Purposes	--

Source: Company RHP

## Management Background

Name	Designation	Background
Mr. Mahabir Prasad Agarwal	Non-Executive Chairman	He is Non-Executive Chairman of the company. He has been a Director of the company since April 6, 2018. He is the founder of, and has been a director of, Subsidiary, SSPL, since its inception and is one of the initial shareholders of the company. He has over three decades of experience in the steel and ferro alloys industry.
Mr. Brij Bhushan Agarwal	Vice Chairman and Managing Director	He holds a bachelor's degree in commerce from University of Calcutta. He is also the Vice Chairman and Managing Director of Subsidiary, SSPL, and has been a director of SSPL since its inception. He has over three decades of experience in the steel and ferro alloys industry. He is primarily responsible for strategic planning, future expansion, business development, marketing, human resources and corporate affairs of the Company.
Mr. Sanjay Kumar Agarwal	Joint Managing Director	He holds a bachelor's degree in commerce, with honours, from the University of Calcutta. He has over 17 years of experience in the steel and ferro alloys industry. He is primarily responsible for the operations of manufacturing plants at Sambalpur, Jamuria and Mangalpur, with focus on cost control, production efficiency and competitive procurement of raw material.
Shree Kumar Dujari	Chief Financial Officer	He has been associated with the Company since October 1, 2006. He holds a bachelor's degree in commerce from the University of Calcutta. He is also a member of the Institute of Chartered Accountants of India. He has over two decades of experience in accounts, finance and secretarial departments.
Mr. Birendra Kumar Jain	Company Secretary and Compliance Officer	He has been associated with the company since April 6, 2018. He holds a bachelor's degree in commerce from the University of Calcutta. He is also a member of the Institute of Company Secretaries of India. He has over a decade of experience as a company secretary.

Source: Company RHP

## Impact of COVID-19 on Business

On account of the COVID-19 pandemic, India had imposed a nationwide lockdown on March 24, 2020. However, since manufacturing of steel was determined to be an essential commodity, SMEL continued operations at their Sambalpur manufacturing plant, however, their Jamuria and Mangalpur manufacturing plants were operating with few operational production plants and limited workforce, and only after May 23, 2020, the Jamuria and Mangalpur manufacturing plants increased their operations and workforce in a phased manner in accordance with the specific. On account of the COVID-19 pandemic, India had imposed a nationwide lockdown on March 24, 2020. However, since manufacturing of steel was determined to be an essential commodity, SMEL continued operations at their Sambalpur manufacturing plant, however, their Jamuria and Mangalpur manufacturing plants were operating with few operational production plants and limited workforce, and only after May 23, 2020, the Jamuria and Mangalpur manufacturing plants increased their operations and workforce in a phased manner in accordance with the specific.

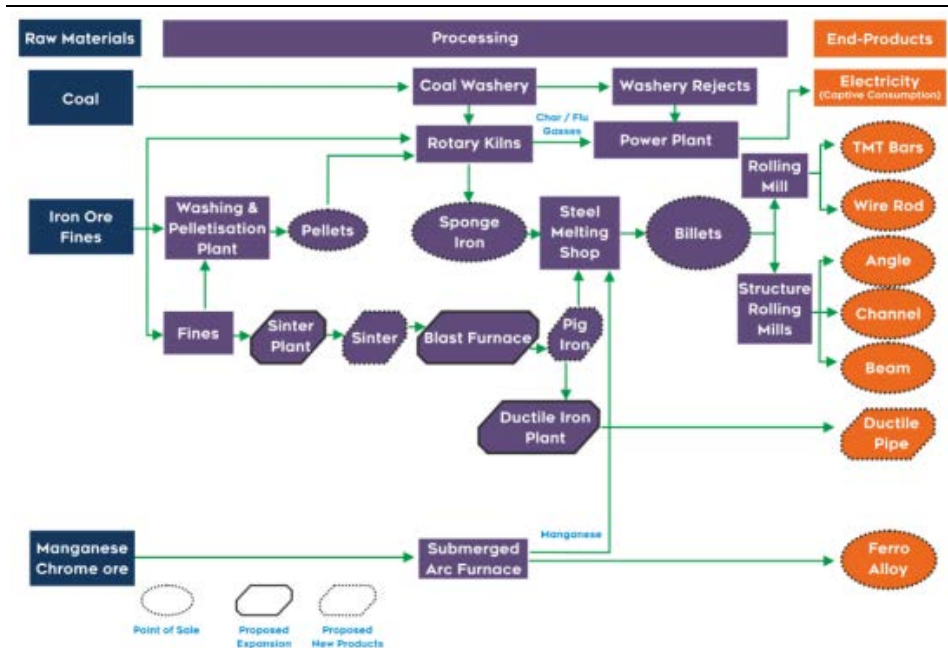
## Strengths

### Integrated operations across the steel value chain

SMEL is a leading integrated metal producing company based in India and one of the leading integrated steel and ferro alloys producers in the eastern region of India in terms of long steel products, as of March 31, 2020 (Source: CRISIL Report). The integrated nature (backward and forward integration) of manufacturing plants has resulted in the control over all aspects of their operations (with the exception of sourcing of primary raw materials) as well as operating margins, thereby enabling them to focus more on quality and create multiple points of sale across the steel value chain.

The backward integration activities, include, setting up of iron pellet plants and installation of rotary kilns to produce sponge iron. SMEL utilise the sponge iron produced to further manufacture billets, which are not required to be reheated and are directly utilised by their rolling mills to produce TMT bars and wire rods, thereby resulting in cost efficiencies. Whereas, the forward integration activities, include, diversification of their product mix by utilising the billets to produce value added products, such as, TMT bars, structural products and wire rods, which enable them to de-risk revenue streams and expand product offerings. Forward and backward integration activities are generally undertaken by SMEL’s in-house engineering team who conceptualise and execute such activities in a timely manner with the help of various construction equipment owned by them.

**Flowchart highlights integrated nature of SMEL’s operations**



Source: Company RHP

Integration of operations has provided SMEL with the flexibility to alter their product mix to cater to the continuously evolving market conditions, insulated them from price volatility and optimised operating margins. For instance, SMEL has the ability to convert the iron pellets into sponge iron or sell the iron pellets or sponge iron independently in the market. Sponge iron can either be used to manufacture billets, which can thereafter be processed to manufacture TMT bars, structural products and wire rod, or can be sold independently in the market.

**Strategically located manufacturing plants supported by robust infrastructure resulting in cost and time efficiencies**

SMEL’s manufacturing plants are strategically located in close proximity to raw material sources, which the company believes lowers their transportation costs and provides significant logistics management and cost benefits thereby improving operating margins. Their manufacturing plants are located within 250 kilometres of the mineral belt in eastern India, including, iron ore, iron ore fines, manganese ore, chrome ore and coal mines, primary raw materials. They believe the strategic location of manufacturing plants has helped them in creating synergies as well as achieving economies of scale and operational efficiencies. SMEL’s source primary raw materials in the following manner:

Raw Material	Source
Iron ore / Iron ore fines	Mine owners located in Odisha
Chrome ore	Long term linkages with Odisha Mining Corporation Limited, other mine owners and imports
Manganese ore	MOIL Limited, other mine owners and imports
Coal	Fuel supply agreements entered into with Mahanadi Coalfields Limited, Central Coalfields Limited and South Eastern Coalfields Limited, and imports

Source: Company RHP

SMEL is one of the few integrated metal producing companies in India with captive railway sidings, as of March 31, 2020 (Source: CRISIL Report). Transportation by rail has resulted in reduction of freight costs and turnaround time of transportation of raw materials to company’s manufacturing plants and products to their customers. The ports nearest to their Odisha manufacturing plant are Dhamra and Paradip, which are situated within a radius of 300 kilometres while Visakhapatnam port is situated within a radius of 600 kilometres from Odisha manufacturing plant. The ports nearest to West Bengal manufacturing plants are Kolkata and Haldia, which are situated within a radius of 300 kilometres. SMEL believes that the strategic location of manufacturing plants has enabled the company to export products to international customers in a cost efficient manner.

The company have also achieved cost efficiencies by utilising waste materials or by-products as raw material inputs for other products and processes. For instance, waste from coal washery is utilised by integrated manufacturing plants to produce power. To control cost of power, the company utilises pollution dust, char/ flu gases, waste heat and solid wastes (dolochar) from their sponge iron plants and washery rejects as raw materials for their captive power plants. In Fiscals 2018, 2019 and 2020, and the nine months ended December 31, 2020, the Average cost of Power from Captive Power Plants was Rs2.24 per kwh, Rs2.16 per kwh, Rs2.09 per kwh and Rs2.49 per kwh, respectively, which they believe is relatively lesser than the power procured by them from external sources.

**Location of the manufacturing plants**



Source: Company RHP

**Diversified product mix with strong focus on value added products, such as, ferro alloys, association with reputed customers and robust distribution network**

SMEL products primarily comprise of (i) long steel products, which range from intermediate products, such as, iron pellets, sponge iron and billets and final products, such as, TMT, customised billets, structural products and wire rods; and (ii) ferro alloys with a specific focus on high margin products, such as, specialised ferro alloys for special steel applications. The company also undertake conversion of hot rolled coils to pipes, chrome ore to ferro chrome and manganese ore to silico manganese for an Indian steel conglomerate. The forward and backward integration of manufacturing plants has resulted in multiple points of sale across the steel value chain and provided the company with flexibility to sell intermediate products as well as use them for captive consumption, depending on the demand. This has resulted in a diversified product mix, which they believe has reduced dependency on a particular product and de-risked revenue streams.

**Product-wise revenue**

Product	FY18		FY19		FY20		9MFY20	
	Revenue (Rs Cr)	% of total revenue from sale of Manufac tured products	Revenue (Rs Cr)	% of total revenue from sale of Manufac tured products	Revenue (Rs Cr)	% of total revenue from sale of Manufac tured products	Revenue (Rs Cr)	% of total revenue from sale of Manufac tured products
Ferro Alloys	1,113.63	30.98%	851.71	19.22%	752.57	17.99%	599.58	15.47%
TMT, Structural Products, Wire ropes and pipes	552.07	15.36%	754.59	17.03%	959.45	22.93%	1,449.56	37.39%
Steel billets	687.45	19.12%	1,118.71	25.24%	1,022.17	24.43%	541.78	13.97%
Sponge iron	911.39	25.35%	1,213.26	27.37%	852.39	20.37%	440.21	11.35%
Iron pellets	330.57	9.20%	493.77	11.14%	597.31	14.28%	845.68	21.81%
Total	3,595.11	100.00%	4,432.02	100.00%	4,183.88	100.00%	3,876.80	100.00%

Source: Company RHP

**Strong financial performance and credit ratings**

SMEL believes that their focus on continuous efficiency improvements, improved productivity and cost rationalization has enabled them to deliver consistent and strong financial and operational performance. They have a relatively better financial strength as compared to other companies operating in the long and intermediary steel sector (Source: CRISIL Report). Revenue from operations increased at a CAGR of 6.56% from Rs 3842.57 cr in Fiscal 2018 to Rs4362.89 cr in Fiscal 2020 and was Rs3933.08 cr in the nine months ended December 31, 2020. SMEL's EBITDA amounted to Rs634.05 cr and Rs717.32 cr in Fiscal 2020 and the nine months ended December 31, 2020, respectively. Further, since the commencement of operations in Fiscal 2005, the company has delivered a positive EBITDA in each of the Fiscals. As of March 31, 2020, gearing ratio was one of the lowest amongst competitors (Source: CRISIL Report). In Fiscal 2020, interest coverage ratio was one of the highest amongst competitors (Source: CRISIL Report). As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, SMEL's gross debt to Equity ratio was 0.30, 0.29, 0.47 and 0.27, respectively. SMEL RoCE for Fiscals 2018, 2019 and 2020 and for the nine months ended December 31, 2020 was 19.58%, 24.69%, 9.49% and 13.30%, respectively.

They have also obtained strong credit ratings. In particular, the company and its Subsidiary, Shyam SEL and Power Limited, has received CRISIL A1+, CRISIL AA-/ Stable, and CRISIL A1+ rating from CRISIL for their short-term (bank facilities) rating, long-term (bank facilities) rating and commercial paper, respectively. In addition, the Company and its Subsidiary, Shyam SEL and Power Limited, has received CARE A1+, CARE AA-/ Stable, and CARE A1+ rating from CARE for their short-term (bank facilities) rating, long-term (bank facilities) rating and commercial paper, respectively.

### **Experienced Promoters, Board and senior management team**

SMEL is led by individual Promoters, Mahabir Prasad Agarwal, Brij Bhushan Agarwal and Sanjay Kumar Agarwal, who have several decades, respectively, of experience in the steel and ferro alloys industry, and have been instrumental in the growth of the company. SMEL also have an experienced Board of Directors who have extensive knowledge and understanding of the metal industry and have the expertise and vision to scale up their business. Chairman, Mahabir Prasad Agarwal, is responsible for strategic planning and overall administration of the company. Vice Chairman and Managing Director, Brij Bhushan Agarwal, is responsible for implementing future growth strategies. Joint Managing Director, Sanjay Kumar Agarwal, is responsible for the entire production process at manufacturing plants. Whole-time Director Deepak Kumar Agarwal is responsible for the finance functions, while Dev Kumar Tiwari and Bhagwan Shaw are responsible for the Sambalpur manufacturing plant and B.C. Burman and Sumit Chakravorty are responsible for the Jamuria and Mangalpur manufacturing plants.

### **Strategies**

#### **Continue to increase manufacturing capacities**

SMEL intends to strengthen their leading market position in India and achieve better economies of scale by expanding its existing manufacturing capacities and setting up additional manufacturing plants. They have, over the years, consistently grown their manufacturing capabilities. The company has recently undertaken various expansions of their manufacturing plants. For instance, (i) at Sambalpur manufacturing plant, SMEL installed (a) two iron pellet plants of 300,000 TPA and 600,000 TPA, sponge iron plant of 165,000 TPA, TMT plant of 60,000 TPA, wire rod plant of 200,000 TPA and a captive power plant of 33 MW in Fiscal 2020; and (b) a billet plant of 63,360 TPA in Fiscal 2019; and (ii) at Jamuria manufacturing plant, SMEL installed (a) a 115,500 TPA sponge iron plant and 95,040 TPA billet in the nine months ended December 31, 2020; (b) an iron pellet plant of 600,000 TPA, a sponge iron plant of 99,000 TPA, a billet plant of 168,960 TPA, a TMT plant of 106,992 TPA, a wire rod plant of 200,000 TPA and a captive power plant of 30 MW in Fiscal 2020; and (c) a ferro alloy plant of 14,000 TPA in Fiscal 2019.

**SMEL existing capacity and proposed expansion**

Particulars	Unit of Measure	Sambalpur		Jamuria		Mangalpur		Total		Total
		Existing capacity (Dec'20)	Proposed Expansion	Existing capacity (Dec'20)	Proposed Expansion	Existing capacity (Dec'20)	Proposed Expansion	Existing capacity (Dec'20)	Proposed Expansion	
Captive Power Plant	MW	118	40	94	90	15	-	227	130	357
Iron Pellet Plant	TPA	12,00,000	6,00,000	12,00,000	6,00,000	-	-	24,00,000	12,00,000	36,00,000
Sponge Iron Plant	TPA	7,92,000	5,61,000	5,37,900	9,47,100	60,000	-	13,89,900	15,08,100	28,98,000
Billet Plant	TPA	4,01,280	4,61,200	4,91,040	6,53,440	-	-	8,92,320	11,14,640	20,06,960
TMT, Structural Products, Wire ropes and pipes	TPA	4,10,000	5,10,000	4,10,000	7,44,000	-	-	8,20,000	12,54,000	20,74,000
Ferro Alloy Plant	TPA	98,000	14,000	70,000	-	37,920	-	2,05,920	14,000	2,19,920
Blast Furnace	TPA	-	-	-	6,00,000	-	-	-	6,00,000	6,00,000
Ductile Pipe Plant	TPA	-	-	-	2,00,000	-	-	-	2,00,000	2,00,000
<b>Total</b>		<b>29,01,280</b>	<b>21,46,200</b>	<b>27,08,940</b>	<b>37,44,540</b>	<b>97,920</b>	<b>-</b>	<b>57,08,140</b>	<b>58,90,740</b>	<b>1,15,98,880</b>

Source: Company RHP

As a result of proposed capacity expansion plans, aggregate installed metal capacity (comprising of intermediate and final products) and captive power plants installed capacity are proposed to be increased from 5.71 MTPA, as of December 31, 2020, to 11.60 MTPA, and 227 MW, as of December 31, 2020, to 357 MW, respectively. These proposed expansions are expected to become operational between Fiscal 2022 and Fiscal 2025. These proposed expansion plans are expected to be undertaken on the existing land on which company's Sambalpur and Jamuria manufacturing plants are located and will help them in lowering the overall cost of their proposed expansions.

**Introduce new products by leveraging their forward integration capabilities**

The company believes that the forward and backward integration of their Sambalpur and Jamuria manufacturing plants has created cost synergies resulting in cost efficiencies and increase in profitability. They intend to further integrate their operations by using the existing waste and by-products from their operations to introduce new and high margin products. SMEL is currently in the process of further diversifying their product portfolio by entering into the segments, such as, pig iron, ductile iron pipes and aluminium foil. In particular, the company intend to use the pig iron from their operations to produce ductile iron pipes. In order to market their new products, they intend to leverage their existing distribution network. Introduction of new products will result in further diversification of products lines, augmentation of profits and further de-risking of their revenue streams.

The company is also in the process of (i) setting up a new 200,000 TPA ductile iron pipe plant at Jamuria manufacturing plant; and (ii) commissioning an aluminium foil rolling mill at Pakuria in West Bengal by installing two mills with an installed capacity of 20,000 TPA each. SMEL expects this aluminium foil rolling mill to become operational in Fiscal 2022.



### **Continue to maintain low leverage with healthy capitalisation metrics**

According to the CRISIL Report, SMEL is the least leveraged group among its peers. As of March 31, 2020, its gearing ratio was one of the lowest amongst competitors (Source: CRISIL Report). As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, its Gross Debt to Equity ratio was 0.30, 0.29, 0.47 and 0.27, respectively. SMEL's Gross Debt to EBITDA ratio for Fiscals 2018, 2019 and 2020, and for the nine months ended December 31, 2020, was 0.79, 0.75, 2.10 and 1.24, respectively. The company intend to use the Net Proceeds from the Offer to prepay their and its Subsidiary, Shyam SEL and Power Limited's debt. Prepayment of debt will result in savings on finance cost, freeing up of working capital, reduce debt to equity ratio for future leverage as well as increase the company's profits.

### **Continue to focus on cost efficiency and increase profitability and market share**

SMEL intends to focus on keeping its operating costs low, which they believe is critical for remaining profitable, by implementing measures to reduce their operating costs and improving operational efficiencies. The company intends to continuously invest in new infrastructure at manufacturing plants and are exploring opportunities to obtain synergies in their existing manufacturing plants. For instance, they intend to introduce a new 600,000 TPA blast furnace at Jamuria manufacturing plant which will enable them to forward integrate by manufacturing pig iron. The gas generated from the blast furnace will be utilised by captive power plant thereby resulting in lower cost of power. The proposed iron pellet plant at Jamuria manufacturing plant will enable SMEL to backward integrate their proposed ductile iron pipe plant.

In order to increase their market share, the company also aim to selectively acquire established businesses whose operations, resources and capabilities are complementary and/or supplementary to theirs. In particular, with the introduction of the Insolvency and Bankruptcy Code, 2016, the company intend to explore the possibility of growing inorganically by acquiring stressed steel and ferro alloys plants in order to increase their revenues and profitability. SMEL proposed acquisitions will revolve around increasing market share, achieving operating leverage in key markets, increasing sales and distribution network and strengthen cost competitiveness in the market.

### **Focus on exports**

Exports typically result in higher margins and timely realisation of their revenue streams. The National Steel Policy ("NSP"), approved by the Government of India in 2017, serves as a long-term policy goal aimed at creating incremental demand and augmenting steel exports. Further, NSP aims to export approximately 24 MT of steel by 2030. In Fiscal 2019, a sharp increase in chrome alloy demand from South Korea, China and Japan supported an increase in exports from India. Exports of chrome alloy increased by 9% year-on-year in Fiscal 2019 due to improved demand from Indonesia, Japan and South Korea. Further, pellet production has increased at a robust rate led by strong domestic demand along with an exceptional increase in export volumes. Share of exports in overall pellet production has increased from 1.5 % in Fiscal 2016 to approximately 18% in Fiscal 2020. The domestic sales of pellets is estimated to have grown at a CAGR of 9% compared to a CAGR of 13% in exports during Fiscal 2017 and Fiscal 2020. In addition, India's exports in manganese alloy are expected to increase by 5% to 7% in Fiscal 2021 on account of weak

domestic demand and increase demand from Japan, Taiwan and South Korea as they start increasing their crude steel production. (Source: CRISIL Report).

SMEL revenue from exports amounted to ₹421.1cr and ₹440.29cr in Fiscal 2020 and the nine months ended December 31, 2020, respectively. They intend to capitalize on such industry opportunities and increase their exports by leveraging the close proximity of their manufacturing plants to various ports and export products, such as, ferro alloys and specialised billets to international markets. The company currently export their products to Nepal, China, Bangladesh, Bhutan, United Kingdom, South Korea, Thailand, Indonesia, Taiwan and Japan, and are currently exploring newer geographies in North America, South America, Europe and Africa in order to increase their exports.

## Financials

### Balance Sheet

Particulars (Y/E Mar, Rs Cr)	FY18	FY19	FY20	9MFY21
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	1,723	1,730	1,969	1,838
Right of use assets	23	43	43	42
Capital work-in-progress	91	358	235	351
Intangible assets	0	1	1	1
Intangible assets under development	1	0	0	0
Financial assets				
i. Investments	62	68	72	70
ii. Loans	0	0	0	0
iii. Other financial assets	4	7	41	45
Deferred tax assets (net)	-	-	29	68
Other non-current assets	71	58	229	378
<b>Total non-current assets</b>	<b>1,976</b>	<b>2,266</b>	<b>2,619</b>	<b>2,792</b>
<b>Current assets</b>				
Inventories	558	732	1,487	1,150
Financial assets				
i. Investments	133	205	72	98
ii. Trade receivables	369	213	259	244
iii. Cash and cash equivalents	8	10	30	15
iv. Other bank balances	45	88	92	163
v. Loans	6	47	4	16
vi. Other financial assets	81	69	66	74
Current Tax Assets (Net)	-	4	5	-
Other current assets	294	418	571	554
<b>Total current assets</b>	<b>1,495</b>	<b>1,787</b>	<b>2,585</b>	<b>2,313</b>
<b>Total Assets</b>	<b>3,471</b>	<b>4,052</b>	<b>5,204</b>	<b>5,105</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	47	234	234	234
Other equity	1,807	2,256	2,592	3,052
<b>Total Equity</b>	<b>1,854</b>	<b>2,490</b>	<b>2,826</b>	<b>3,285</b>
Non-controlling interests	210	4	4	4
<b>Liabilities</b>				
Non-current liabilities				
Financial liabilities				
i. Borrowings	202	213	351	183
ii. Other financial liabilities	9	42	20	20
iii. Provisions	6	6	27	10
Deferred tax liabilities (net)	110	73	-	-
Other non-current liabilities	75	186	263	210
Lease Liabilities	3	6	6	6
<b>Total non-current liabilities</b>	<b>405</b>	<b>527</b>	<b>667</b>	<b>428</b>
Current liabilities				
Financial liabilities				
i. Borrowings	279	443	921	682
ii. Lease Liabilities	0	0	0	0
iii. Trade payables				
total outstanding dues of micro enterprises and small enterprises	-	0	3	1
total outstanding dues of creditors other than micro enterprises and small enterprises	447	311	499	353
Other financial liabilities	108	101	155	77
Other current liabilities	135	176	128	222
Provisions	0	0	1	28
Current tax liabilities (net)	32	-	-	24
<b>Total current liabilities</b>	<b>1,002</b>	<b>1,032</b>	<b>1,707</b>	<b>1,388</b>
<b>Total equity and liabilities</b>	<b>3,471</b>	<b>4,052</b>	<b>5,204</b>	<b>5,105</b>

Source: Company RHP

**Profit & Loss**

Particulars (Y/E Mar, Rs Cr)	FY18	FY19	FY20	9MFY21
<b>INCOME</b>				
Revenue from operations	3,843	4,606	4,363	3,933
Other income	78	78	32	63
<b>Total revenue</b>	<b>3,920</b>	<b>4,685</b>	<b>4,395</b>	<b>3,996</b>
<b>Expenses</b>				
Cost of material consumed	2,297	2,783	2,718	2,437
Purchase of traded goods	128	29	63	5
Excise Duty	95	-	-	-
Changes in inventories of stock-in-Trade	-54	-25	-103	13
Employee benefits expense	106	145	168	125
Finance costs	49	64	86	56
Depreciation and amortization Expense	215	195	297	220
Other expenses	569	730	871	634
<b>Total expenses</b>	<b>3,405</b>	<b>3,921</b>	<b>4,100</b>	<b>3,490</b>
<b>Profit/(Loss) before share in profit/(Loss) of Associate and Joint Venture and tax</b>				
	<b>515</b>	<b>764</b>	<b>295</b>	<b>506</b>
Share in Profit/(Loss) of Associate and Joint Venture	2	0	0	0
Profit/(Loss) before tax	517	764	295	506
Tax expense:				
Current tax	140	166	57	92
Deferred tax	-150	-39	-102	-42
<b>Profit/(Loss) for the period</b>	<b>528</b>	<b>637</b>	<b>340</b>	<b>456</b>
Profit / Loss attributable to Non Controlling Interest	104	33	0	0
<b>Profit / Loss attributable to owners of the Parent</b>	<b>424</b>	<b>604</b>	<b>340</b>	<b>456</b>

Source: Company RHP

**Cashflow**

Particulars (Y/E Mar, Rs Cr)	FY18	FY19	FY20	9MFY21
Net cash generated from operating activities	247	457	85	657
Net cash generated from / (used in) investing activities	-142	-567	-277	-231
Net cash generated from/(used) in financing activities	-162	112	212	212
Effect of Foreign Exchange Fluctuation	24	-	-	16
Net increase / (decrease) in cash and cash equivalents	-33	2	20	-14
Cash and cash equivalents as at the beginning of the period	41	8	10	30
Closing balance of cash and cash equivalents	8	10	30	15

Source: Company RHP

## RATING SCALE (PRIVATE CLIENT GROUP)

### Definitions of ratings

<b>BUY</b>	–	We expect the stock to deliver more than 15% returns over the next 12 months
<b>ADD</b>	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
<b>REDUCE</b>	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
<b>SELL</b>	–	We expect the stock to deliver < -5% returns over the next 12 months
<b>NR</b>	–	<b>Not Rated.</b> Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
<b>SUBSCRIBE</b>	–	We advise investor to subscribe to the IPO.
<b>RS</b>	–	<b>Rating Suspended.</b> Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
<b>NA</b>	–	<b>Not Available or Not Applicable.</b> The information is not available for display or is not applicable
<b>NM</b>	–	<b>Not Meaningful.</b> The information is not meaningful and is therefore excluded.
<b>NOTE</b>	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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