

Ameya Precision Engineers Limited

A REVIEW REPORT ON AMEYA PRECISION ENGINEERS LIMITED IPO

IPO Details

Opening Date	Aug 25, 2022
Closing Date	Aug 30, 2022
Stock Exchange	NSE SME
Lot Size	4000 Shares
Issue Price	₹ 34 per share
Issue Size	21,00,000 Equity Shares
Application Amount	₹ 1,36,000

IPO Objective

- To meet Capital Expenditure Requirements
- To meet the Working Capital Requirements
- General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	59,99,700	99.9950%
Public	300	0.0050%

Company Background

- Company was incorporated in the year 2012 in Pune.
- Company is into the business of manufacturing shafts and trim components mostly for pump and valve manufacturers.
- It also offers specialised processes like hard-facing and overlay of wear and corrosion-resistant alloys in line with ASME procedures
- Company has its manufacturing unit in Pune.
- As on 31st March 2022, the company had 118 employees in its payroll.

Promoter of the Company

1. Mr. Bipin Shirish Pande
2. Mr. Nikhil Shirish Pande

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Company Overview

Ameya Precision Engineers Limited was incorporated in the 2012 in Pune. Company is engaged in manufacturing of Shafts and Trim Components for Valves and Pump industry and also offers specialised processes like hard-facing and overlay of wear and corrosion-resistant alloys in line with ASME procedures. Company has its manufacturing unit in Pune and mainly caters to export market.

Analysis

Established in the year 2012, the company has a good track record of existence. Company is in an industry which has not much but decent growth and the alternate product for the same does not seem to come in near future.

Company exports almost 95% of its total revenue with major exports being to the United States of America, United Kingdom, Germany, Singapore, Slovenija, Austria, and Brazil. The revenue of the company has fallen slightly from the previous year because of increase in Raw Material price which increased the selling price of company's products and the customers were reluctant to buy at such high rates. The raw materials of the company include aluminium, nickel and other steel products. In recent times, the price of these products have gone up hurting the profit margins of the company. We can expect margins to improve this year as the prices of its raw material has come down to some extent.

Having its manufacturing unit in Pune, the company has the capacity installed by the company in recent years has been given in the table below –

Financial Year	Installed Capacity (in hours)	Used Capacity (in hours)	Utilization
2019-20	80028	62606	78.23%
2020-21	84474	59968	70.99%
2021-22	84994	61119	71.19%

The company has been operating at 72% of its capacity. The capacity utilisation has been decreased in FY 21 and FY 22 because of the outbreak of COVID-19. With the operations now fully at pre-covid levels, the revenue is expected to increase with production and customers willing to buy at lowered prices as the price of raw materials seems to decrease now.

Industry Charts

Exhibit 1: Global Valves Market Expected to grow at a CAGR of 4.4% from FY 21 to FY 26

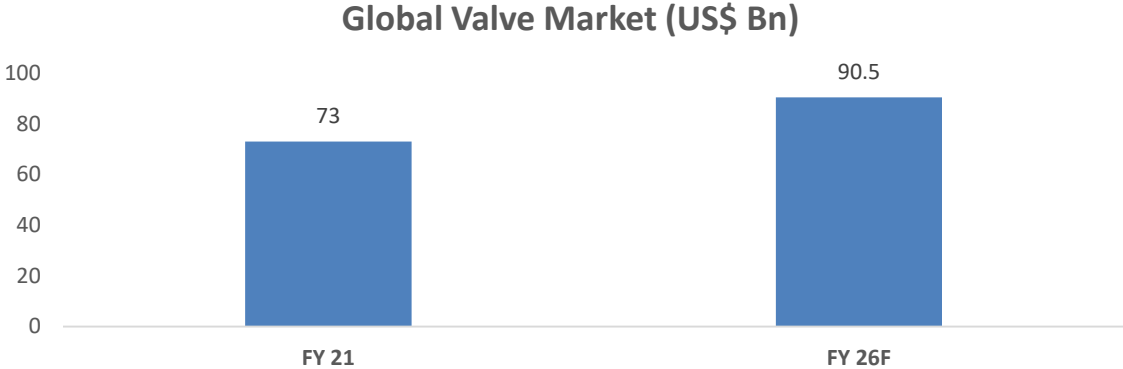


Exhibit 2: Indian water pump market to grow at a CAGR of 5.57% during 2022-27

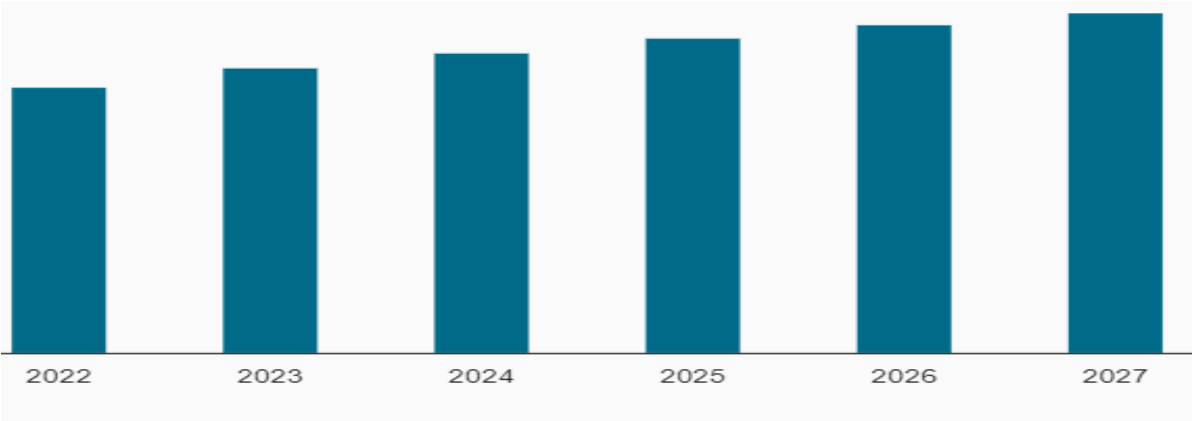
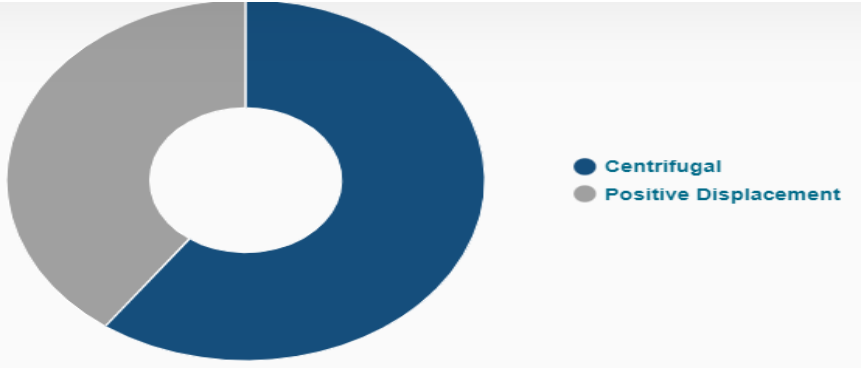


Exhibit 3: Indian Water Pump Market Share



(Source: marketsandmarkets.com; imarcgroup.com)

Investment Overview

Pump and Valve Industry

The global industrial valves market size was valued at USD 73.0 billion in 2021 and is projected to reach USD 90.5 billion by 2026. It is expected to grow at a CAGR of 4.4% during the forecast period.

Increasing demand for valves from healthcare and pharmaceuticals industries due to COVID-19 pandemic, surging requirement of establishing new nuclear power plants and revamping existing ones, rising need for connected networks to maintain and monitor industrial equipment, rising adoption of automation technologies in process industries, and growing focus on development of smart cities globally are the key driving factors for the industrial valves market.

The India water pumps market is expected to exhibit a CAGR of 5.55% during 2022-2027. Keeping in mind the uncertainties of COVID-19, we are continuously tracking and evaluating the direct as well as the indirect influence of the pandemic. These insights are included in the report as a major market contributor.

(Source: marketsandmarkets.com; imarcgroup.com)

Addressable Market for Ameya Precision Engineers Limited

The company is mostly exporting its products to the United States of America, United Kingdom, Germany, Singapore, Slovenija, Austria, and Brazil. Exports contributes almost 95% of total revenue of the company. The company aims to target the domestic market as well in coming times as it has been untapped by it so far.

Competition

The company faces healthy competition in this industry. The entry to barrier is not that high and also the industry is fragmented. There are many organised and unorganised players in the market making the bargaining power of the customers high. Also since the company has mainly been exporting it faces some extra competition with competitors world-wide.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 3 peers viz. Remsons Industries Limited, Kranti Industries Limited and Atam Valves Limited. A brief analysis on the same is given in the table below –

Company	Ameya Precision Engineers Limited	Remsons Industries Limited	Kranti Industries Limited	Atam Valves Limited
Net Profit (INR Cr)	1.52	5.36	2.85	1.45
EBITDA (INR Cr)	3.16	20.96	9.28	3.23
Return on Capital Employed	17.87%	17.37%	14.01%	18.04%
Return on Equity	11.25%	15.52%	12.85%	13.17%
EPS (INR)	2.31	10.58	2.62	4.77
P/E* (Times)	14.70	24.17	29.20	63.31

***PE has been taken as on 23/08/2022**

#EPS has been calculated on post IPO basis.

Promoters' Profile

Mr. Bipin Shirish Pande



- **Mr. Bipin Shirish Pande** is the Promoter and Managing Director of the Company.
- He is having more than 10 years of experience in Shaft Industry.
- He holds degree in Bachelor of Engineering in Mechanical Branch from University of Poona and MS Program in Advanced Information Technology from International Institute of Information Technology, Pune, Maharashtra, India.
- He has been associated with the company since its inception.

Mr. Nikhil Shirish Pande



- **Mr. Nikhil Shirish Pande** is the Promoter and Executive Director of the Company.
- He has 10+ years of experience in the Shaft Industry
- He holds degree of Master in Science in College of Humanities and Social Science in International Business and Emerging Markets, University of Edinburgh.
- He has been associated with the company since its inception

Analysis on the Company's Promoter and Board of Directors

Mr. Bipin Shirish Pande, Promoter and Managing Director, of the company is the guiding force behind the business decisions of the company. He is having more than 10 years of experience in Shaft Industry. He has done his bachelor's in engineering and has also completed MS Program in Advanced IT from IIIT Pune. The promoter is well educated and also holds decent experience in the relevant industry

Mr. Nikhil Shirish Pande, is one of the promoters of the company and an Executive Director of the company. He holds degree of Master in Science in College of Humanities and Social Science in International Business and Emerging Markets, University of Edinburgh. Though his education background is not relevant to engineering products, his degree in International business seems to be relevant for his role as an executive director of the company and helping him taking important decisions in an export driven company.

Mr. Shirish Madhukar Pande is the CFO and an Executive Director of the company. He holds a degree in Bachelor of Commerce from University of Poona, Maharashtra, India and has completed Master in Commerce from University of Poona, Maharashtra, India. He has been associated with the Company since incorporation. He has an experience of more than 10 years in shaft industry. He looks after overall Financials, Administration and Human Resource department of the Company.

To conclude the company's management is experienced and educated. Mr. Bipin would be able to look at the engineering of product and take important decisions in the production department while the other promoter Mr. Nikhil would be able to efficiently utilise the business opportunities in both the domestic and export market.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	2,345.12	2,483.62	2,388.69
Other income	2.64	4.96	7.67
Total Revenue	2,347.76	2,488.58	2,396.36
Expenses	1,942.38	1,973.51	2,079.96
Depreciation and Amortisation Cost	105.17	98.92	80.58
Finance Cost	59.99	50.41	25.95
Total Expenses	2,107.54	2,122.84	2,186.49
PBT	240.22	365.74	209.87
PBT Margin	10.24%	14.73%	8.79%
EBITDA	405.38	515.07	316.40
EBITDA Margin	17.29%	20.74%	13.25%
Net Profit	180.04	272.64	151.97
Net Profit Margin	7.68%	10.98%	6.36%
Balance Sheet			
Total Borrowings	792.44	367.74	298.65
Net Worth	925.90	1,198.54	1,350.51
Fixed Assets	517.90	466.99	460.63
Net Working Capital	759.92	857.38	830.86
Financial Measures			
Inventory Turnover Ratio	2.14	1.90	1.97
Receivables Turnover Ratio	3.25	5.11	3.81
Payables Turnover Ratio	0.86	0.55	0.52
Fixed Assets Turnover Ratio	4.53	5.32	5.19
Return on Capital Employed	21.69%	28.68%	17.87%
Return on Equity	19.44%	22.75%	11.25%
Debt-Equity Ratio	0.86	0.31	0.22

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has fallen from Rs. 405.38 lacs in 2020 to 316.40 lacs in 2022 falling at a CAGR of 11.65%. The EBITDA margin in 2022 was 13.25% from 20.74% in 2021 and 17.29% in 2020. The reason for this fall can be attributed to the increased prices of the company's raw materials.

Net Profit

The net profit of the company has grown from Rs. 180.04 lacs in 2020 to Rs. 151.97 lacs in 2022 falling at a CAGR of 8.13%. The net profit margin has fallen from 7.68% in 2020 to 6.36% in 2022. The reason for the same is again the increase raw material prices.

Finance Cost.

The company has incurred finance cost mainly on secured borrowings availed from bank. The same has been decreasing over years due to repayment of loan.

Financial Measures/Ratios

The financial ratios of the company have decreased in FY 22 but was increasing before that.

RoCE of the company in FY22 was 17.81% vs 21.69% in FY 20. The same has decreased this year but it has been increasing in years before that. This year due unplanned increase in Raw material prices the company was not able to cope-up with the margins. However, the company has been able to produce decent Return on Capital Employed at par with its peers

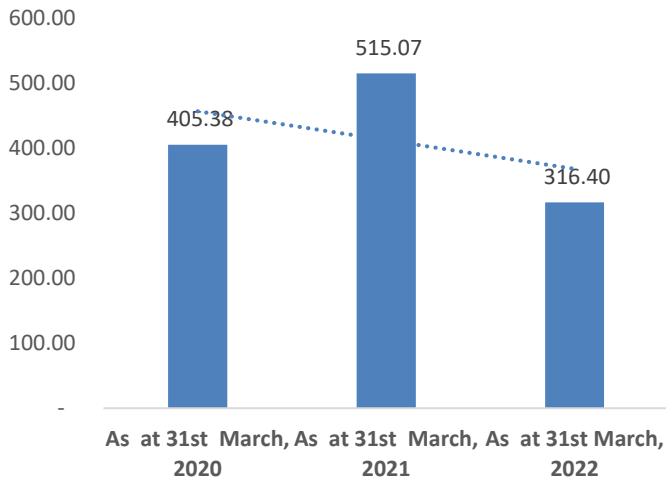
Return on Equity (ROE) of the company in FY 22 was 11.25% showing a fall from 19.44% in FY 20. The same can be set forward with similar assumptions as that of ROCE.

The company has been able to maintain its turnover ratio over the years showing good management of its receivables, inventory as well as payables.

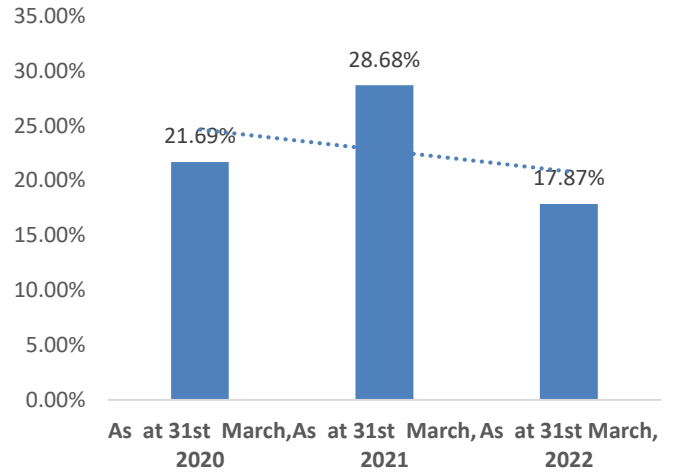
The company has debt-equity ratio of around 0.22. The same has been reducing over the years because of repayment of loans. But since the company is expected to operate at a capacity of around 80% this year, the company might need to increase its capacity more and thus might be in need of taking more bank loan increasing the debt-equity ratio.

Financial Graph

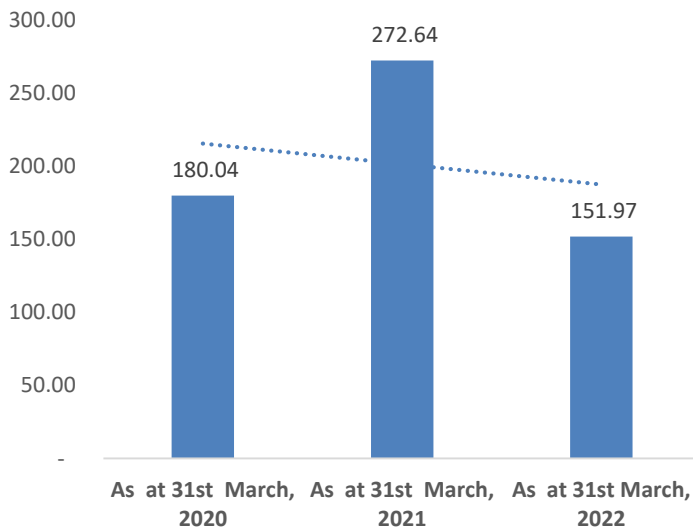
EBITDA (In Lacs)



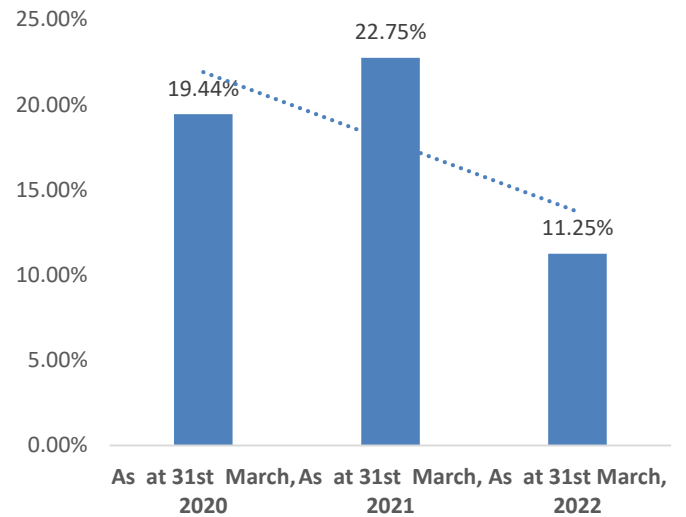
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. The Company, Promoter and Promoter Group of the company has been involved in certain outstanding litigation amounting to Rs. 6,08,869.67.
2. The prices of its raw materials are highly fluctuating and any sudden or unplanned change might adversely affect the financial operations of the business.
3. The company is exposed to foreign exchange fluctuations and any wrong decision in hedging the same would adversely affect the company.
4. The company is heavily dependent on exports as it exports almost 95% of its total revenue.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Shreni Shares Private limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share	Listing date	CMP#
1.	Cospower Engineering Limited	2.04	51.00	March 30,2020	101.55
2.	KSolves India Limited	4.02	100.00	July 6, 2020	440.80
3.	Bodhi Tree Multimedia Limited	3.70	95.00	October 21, 2020	185.00
4.	Shine Fashions (India) Limited	1.60	40.00	November 2 2020	47.00
5.	Adjia Technologies Limited	2.00	74.00	March 15,2021	27.55
6.	Getalong Enterprise Limited	5.18	69.00	October 08, 2021	72.00
7.	DMR Hydroengineering & Infrastructures Limited	2.09	21.00	December 07, 2021	21.50
8.	Alkosign Limited	12.15	45.00	February 01, 2022	50.75
9.	Quality RO Industries Limited	2.70	51.00	February 09, 2022	53.00
10.	Ekennis Software Service Limited	2.88	72.00	March 07, 2022	135.00
11.	Fidel Softech Limited	13.50	37.00	June 10, 2022	54.20
12.	SKP Bearings Limited	30.80	70.00	July 13, 2022	82.85

#CMP is taken as on 23rd August 2022

This is the 13th IPO of the Lead Manager, out of the last 10 listings, 1 opened at par and rest at premium.

Recommendation

The company has been into the business since 2012 showing decent track record of existence. The company is in the Industry of Shaft and Trim products used in Valves and Pumps. The industry growth, although not great, is decent in coming times.

The Revenue and Profit Margin of the company has been hampered as the cost to produce its finished goods increased and the customers were reluctant to buy at higher prices due to which the company was not able to pass on the prices to its customers. However, the prices have come down to some extent and this year we might see improved margins.

The sector PE is at around 34.55 times and the company is getting listed at a PE of 14.70 times which makes it fairly price looking at the size of the business and growth opportunities.

The management outlook looks decent if the operations and business tactics are properly segregated between its two promoters as per their educational background and experience.

To conclude, the company looks to have good prospect but has been hampered by the increased prices in the previous year. However, the margins are not bad and in coming times it looks like the margins would come back to the levels before FY 22. Looking at all these factors, one **may apply** in the IPO

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.