

IPO Details

Opening Date	Sep 20, 2022
Closing Date	Sep 22, 2022
Stock Exchange	BSE SME
Lot Size	8000 Shares
Issue Price	₹ 15 per share
Issue Size	17,44,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose
To Meet Issue Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	44,99,950	99.99%
Public	50	0.01%

Promoter of the Company

- Mr. Anand Kumar Seethla
- Mrs. Botcha Bhavani

Competitive Strengths

- Organisation stability, Rich management experience and skilled team
- Smooth flow of operations
- Well-defined organizational structure
- Existing Supplier Relationship
- Quality Policy
- Customer Centric Business Model
- ISO Certifications
- Comprehensive Solutions for logistics requirements

Company Background

- Company was established in the year 2008 in Hyderabad.
- Company is engaged in the business of Automobile Safety and GPS solutions in Automobile Sector.
- Company provides wide range of technology-intensive electronic and mechanical automotive products.
- Company is manufacturing electronic Speed Limiting Device (SLD), "MOTOREYE & LIMITS" Brand Electronic Fuel Regulator & Pedal Interface, suitable for the latest Vehicle of BS-IV Standards to the Oldest Vehicles.
- Company has one manufacturing unit at Marriguda, Secunderabad, Hyderabad.
- As on the date of filing of prospectus, the company had 18 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	800.40	720.73	625.5
Net Assets	473.87	112.04	111.38
Total Borrowings	238.93	549.76	446.12
Total Revenue	206.98	60.43	292.29
Profit After Tax	4.34	0.66	5.39



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Company Overview

Containe Technologies Limited was incorporated in the year 2008 in Hyderabad. Company is engaged in the business of Automobile Safety and GPS solutions in Automobile Sector. Company provides wide range of technology-intensive electronic and mechanical automotive products. Company is manufacturing electronic Speed Limiting Device (SLD), “MOTOREYE & LIMITS” Brand Electronic Fuel Regulator & Pedal Interface, suitable for the latest Vehicle of BS-IV Standards to the Oldest Vehicles

Analysis

Founded in the year 2008, company has a good track record of existence and is in the industry of Automobile Components. The company has one manufacturing unit in Hyderabad. Being indulged in the manufacturing of Speed Limiting Devices, Fuel Regulator and Pedal Interface and Location Tracking Devices, the company competes with many unorganised players in the industry.

Company has not been able to generate stable revenue in the recent years and has been depicting a standard deviation of around 96. This deviation from the mean depicts inconsistency in the revenue generated and therefore the Revenue of around Rs. 206 lacs in FY 22 is less likely to persist in the coming year.

The customer base of the company is mainly the distributors and dealers operating in the segment of automobile parts for two-wheelers, three-wheelers, four-wheeler passenger vehicles, light commercial vehicles, heavy commercial vehicles, and tractors. Company has also been supplying to the government-run buses in the state of Telangana. A summary of the revenue generated from its customer base is given in the table below –

(Amount in Lakh)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020
Government	34.50	-	-
Private	172.45	58.91	291.65
Total	206.95	58.91	291.65

The main revenue generating product of the company is Speed Limiting Device and how the company has performed in its respective product segment is depicted in the table below –

Particulars	March 31, 2022 (Rs. in Lacs)	March 31, 2021 (Rs. in Lacs)	March 31, 2020 (Rs. in Lacs)
Revenue from Operations			
Speed Limiting Device (SLD)			
- Electronic Fuel Regulator (EFRT)	151.08	37.16	129.77
- Electronic Pedal Interface (EPI)	14.60	35.19	66.95
Vehicle Location Tracking Devices (VLTD)	37.62	-14.30*	94.37
Others	3.65	0.86	0.56
Total	206.95	58.91	291.65

* Sales Return for products sold during the financial year 2019-20

The main market of the company in the FY 22 has been Chhattisgarh. The company in the past 3 years supplied in the mentioned state only in the FY 22. Apart from Chhattisgarh, Assam and Delhi are the major targeted regions for the company.

To conclude, the company seems to be in a good product segment and has a good experience in this industry, but the competition is high and the company has not been able to maintain its revenue and profit margins over the years. Also, the target market of the company has been varying.

Industry Charts

Exhibit 1: Market Size of Auto Component Sector in India

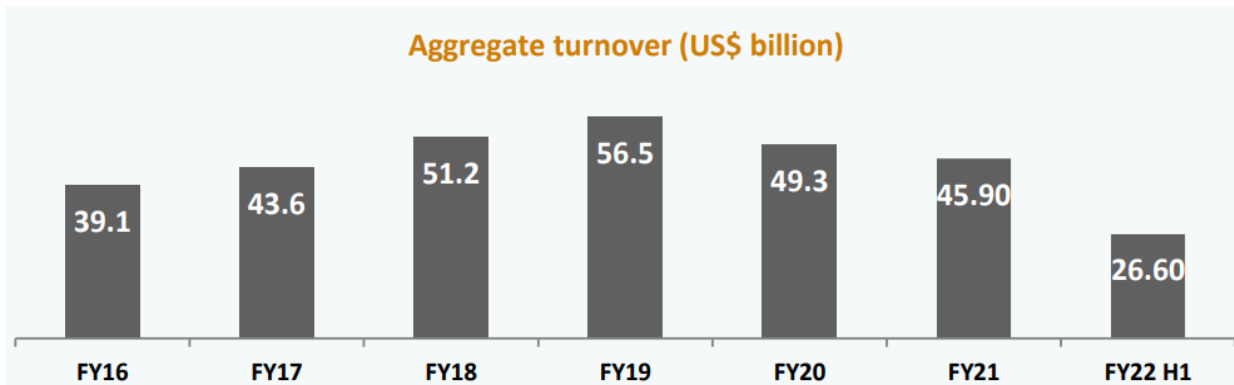


Exhibit 2: Sector Composition of Indian Auto Component Industry

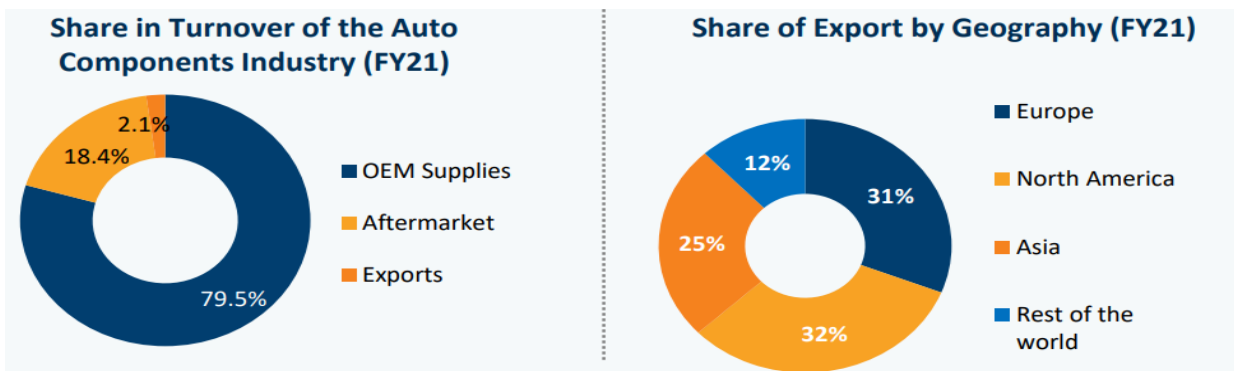
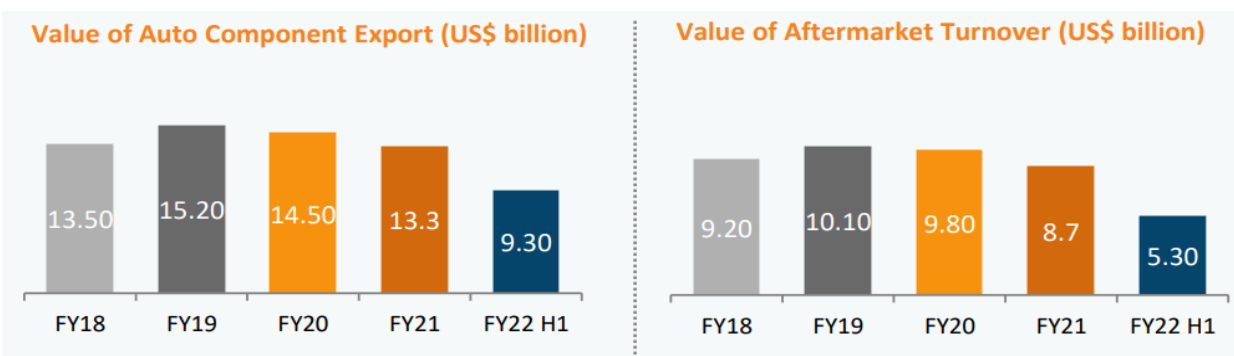


Exhibit 3: Key Trends in Indian Auto Components Industry



(Source: ibef.org)

Investment Overview

Auto Component Industry

The Indian auto-components industry has experienced healthy growth over the last few years. The auto-components industry expanded by a CAGR of 3.28% from FY16 to FY20 to reach US\$ 45.90 billion in FY21. The industry is expected to reach US\$ 200 billion by FY26.

Due to high development prospects in all segments of the vehicle industry, the auto component sector is expected to rise by double digits in FY22.

The auto-components industry accounts for 7.1% of India's Gross Domestic Product (GDP) and employs as many as 5 million people directly and indirectly. A stable government framework, increased purchasing power, large domestic market, and an ever-increasing development in infrastructure have made India a favourable destination for investment.

The industry can be broadly classified into organised and unorganised sectors. The organised sector caters to original equipment manufacturers (OEMs) and consist of high-value precision instruments while the unorganised sector comprises low-valued products and caters mostly to the aftermarket category.

The automobile component industry turnover stood at Rs. 1.96 lakh crore (US\$ 26.6 billion) between April–September 2021 and is expected to witness revenue growth of 15-17% during the fiscal year. In first half of FY22, exports of auto components grew by 76% to Rs. 68,746 crores (US\$ 9.3 billion). As per the Automobile Component Manufacturers Association (ACMA) forecast, automobile component exports from India is expected to reach US\$ 80 billion by 2026. The Indian auto components industry is expected to reach US\$ 200 billion in revenue by 2026.

Strong international demand and resurgence in the local original equipment and aftermarket segments are predicted to help the Indian auto component industry grow by 20-23% in FY22.

(Source: ibef.org)

Addressable Market for Containe Technologies Limited

The company majorly caters to the areas of domestic market mainly in the states of Chhattisgarh, Assam and Telangana. The company in coming times aim to increase its presence with increased sales in other states of India as well as the export market.

Competition

Company operates in a highly competitive environment. The industry is filled with various organized and unorganized players in the industry. The entry to barriers in this industry is quite low and therefore the threat of new entrant is quite high. Due to enough suppliers available in the market, the bargaining power of the company is low.

Peer Analysis

As Mentioned in the prospectus, the company has no listed company as its peer.

Promoters' Profile and Management Analysis

Mr. Anand Kumar Seethala



- **Mr. Anand Kumar Seethala** is the Promoter, and Managing Director of the Company.
- He is in the line of business for more than 28 years.
- He holds a Bachelors degree of Arts in Sociology from Dr. BR Ambedkar University.
- He has been with the company since its inception.

Mrs. Botcha Bhavani



- **Mrs. Botcha Bhavani** is the Promoter and Whole Time Director of the company.
- She is having more than 14 years of experience in the line of business.
- She holds a Master's degree in Arts in Telugu from Andhra University and Telugu Pandit from Institute of Advanced Study.
- She has been with the company since its inception

Analysis on the Company's Promoter and Board of Directors

Mr. Anand Kumar Seethala, aged 48 years, is the Managing Director of the Company. He has been on the Board of Directors of the Company since its inception. He holds a Bachelors degree of Arts in Sociology from Dr. BR Ambedkar University Distance Education Centre Railway Degree College, Hyderabad. He has more than 28 years of experience in the field of Software development.

Mrs. Botcha Bhavani, aged 48 years, is the Whole Time Director of the Company. She has been on the Board of Directors of the Company since its inception. She holds a Master's degree in Arts in Telugu from Andhra University and Telugu Pandit from Institute of Advanced Study. She has worked as a School Assistant for 5 years in Govt High School, Education Department of Government of Andhra Pradesh. Later she joined as Co-Founder of Containe Technologies Private Limited in 2008 and have 14 years of experience as the head of the marketing department of Containe Technologies Limited.

Mrs. Botcha Vijayakumari, aged 60 years, is the Non-Executive Director of the Company. She holds a Bachelor's Degree in Arts from Andhra University. She has an experience of 36 years working as a Junior Assistant in District Courts of Srikakulam in Andhra Pradesh and after her retirement from service, she joined Containe Technologies Limited as a Non- Executive Director to extend her resourceful skills to serve the Company.

To conclude, the promoter of the company has good amount of experience in the related product line of the business, but the education background does not suit the product segments. The non-executive director of the company has experience in completely non-related industry. The independent directors of the company are well experienced.

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	291.65	58.91	206.95
Other income	0.64	1.52	0.03
Total Revenue	292.29	60.43	206.98
Expenses	268.65	39.56	170.06
Depreciation and Amortisation Cost	7.12	8.58	9.03
Finance Cost	9.23	9.73	19.06
Total Expenses	285.00	57.87	198.15
PBT	7.29	2.56	8.83
PBT Margin	2.50%	4.35%	4.27%
EBITDA	23.64	20.87	36.92
EBITDA Margin	8.11%	35.43%	17.84%
Net Profit	5.39	0.66	4.34
Net Profit Margin	1.85%	1.12%	2.10%
Balance Sheet			
Total Borrowings	446.12	549.76	238.93
Net Worth	111.38	112.04	473.87
Fixed Assets	229.67	255.66	252.33
Net Working Capital	-121.14	-149.79	192.25
Financial Measures			
Inventory Turnover Ratio	0.84	0.08	0.31
Receivables Turnover Ratio	7.36	1.04	2.57
Payables Turnover Ratio	4.35	0.80	2.33
Fixed Assets Turnover Ratio	1.27	0.23	0.82
Return on Capital Employed	4.57%	1.99%	3.68%
Return on Equity	4.84%	0.59%	0.92%
Debt-Equity Ratio	4.01	4.91	0.50

(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 grown from Rs. 23.64 lacs in 2020 to Rs. 36.92 lacs in 2022 growing at a CAGR of 24.97%, the growth looks good but it is to be noted that the EBITDA has fallen to a level of Rs. 20.87 lacs in 2021, showing inconsistency. The EBITDA margin in 2022 was 17.84%, 35.43% in 2021 and 8.11% in 2020 showing inconsistency and high variance.

Net Profit

The net profit of the company has fallen from Rs. 5.39 lacs in 2020 to Rs. 4.34 lacs in 2022 at a CAGR of -10.27, due to increase in finance cost. The net profit margin of the company was 1.85% in 2020, 1.12% in 2021 and 2.10% in 2022 showing that inconsistency again.

Finance Cost.

The company has incurred finance cost mainly on the secured loans taken from bank and unsecured loans from related parties.

Financial Measures/Ratios

RoCE of the company in 2022 was 3.68% vs 1.99% in 2021 and 4.57% in 2020. The dip in the RoCE in 2021 was due to dip in the EBIT in the same year. The inconsistency in its operating margins has led to inconsistency in the RoCE of the company. Due to lack of stability, the forecast is difficult to make, but due to increase in equity capital through IPO, it is expected to fall in near future.

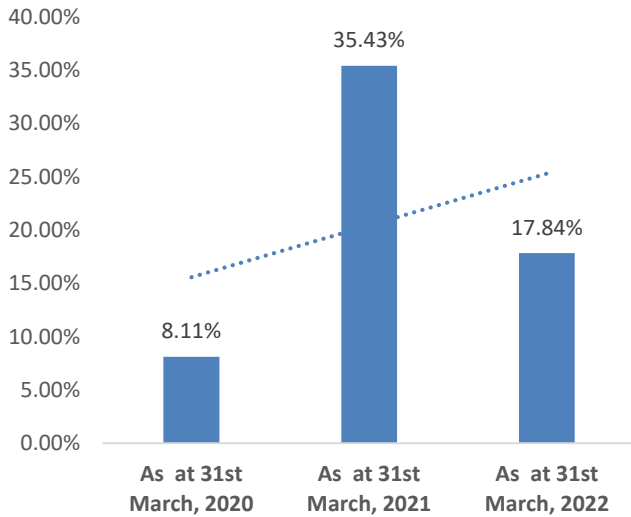
ROE of the company up in 2022 was 0.92%, 0.59% in 2021 and 4.84% in 2020. The ROE has been falling constantly and the expectations in coming years could be set forth as that of RoCE.

The company's turnover ratio also has not followed any trend and has been fluctuating over the recent years.

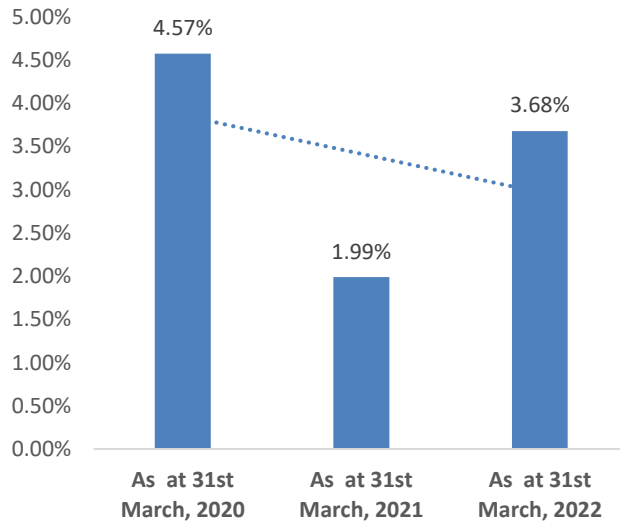
The company has a debt-equity ratio of 0.50 times which has come down from the levels of around 4 times in 2021 and 2022 as the company has reduced its short-term borrowings from bank.

Financial Charts

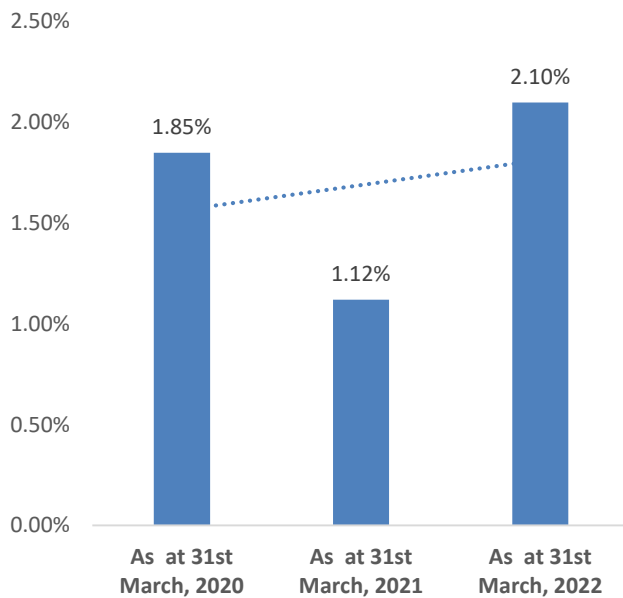
EBITDA Margin



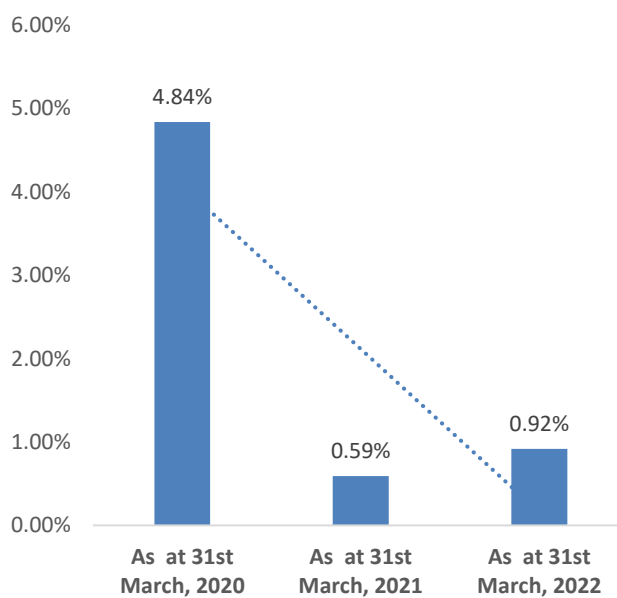
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 1.73 lacs, which if determined against them, can affect financial conditions of the company.
2. The company is dependent on third party manufacturers to deliver the products and any delay in the same could hurt the business reputation.
3. The company's top 5 customers contribute more than 90% of revenue showing higher dependency on them.
4. Mr. Anand Kumar Seethala was disqualified from directorship u/s 274 of the Companies Act, 2013 for a period of Five Years with effect from 01.11.2016 to 31.10.2021.

Track Record of Lead Manager

The lead manager to the issue is Finshore Management Services 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 (In INR)	Listing date	CMP#
1.	ICL Organic Dairy Products Ltd.	4.08	20/-	17/02/2020	33.55
2.	DJ Mediaprint & Logistics Ltd.	2.40	20/-	13/04/2020	152.60
3.	Promax Power Ltd.	1.60	10/-	12/10/2021	27.45
4.	Dynamic Services & Security Ltd.	24.13	51/-	13/10/2021	16.40
5.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	18.30
6.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	101.00
7.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	13.35
8.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	100.10
9.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	51.35
10.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	6.30
11.	Scarnose International Limited	6.60	55/-	27/06/2022	52.10
12.	Healthy Life Agritech Limited	10.00	10/-	26/07/2022	8.20
13.	Agni Green Power Limited	5.25	10/-	01/08/2022	31.25
14.	Upsurge Seeds of Agriculture Limited	22.81	120/-	11/08/2022	239.00
15.	Naturo Indiabull Limited	10.92	30/-	02/09/2022	21.10
16.	Mega Flex Plastics Limited	11.40	40/-	19/09/2022	59.50

#CMP is taken as on 20th September 2022

This is the 30th IPO of the Lead Manager, out of the last 10 listings, 2 opened at discount, 2 opened at par and rest at premium.

Recommendation

The company has been into business since 2008 and has good amount of experience in the industry in which it operates. Although being in the industry the company has not been able to generate enough revenue and profit margins for its shareholders.

The company although being listed at a low price, is getting listed at a Post-IPO PE of 107 times which makes it a highly priced issue looking at the size and performance of the company.

The management of the company is well experienced in the relevant field despite being not belonging to the relevant product line on educational background.

To conclude, there is a lot of variation in the company's financial performance and the product base of the company, although good, is not unique. So one should safeguard one's capital and **should avoid** applying 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.