

IPO Details

Opening Date	Sep 27, 2022
Closing Date	Sep 29, 2022
Stock Exchange	BSE SME
Lot Size	2000 Shares
Issue Price	₹ 53 to 55 per share
Issue Size	15,12,000 Equity Shares
Application Amount	₹ 1,10,000

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	42,00,000	100.00%
Public	-	-

Promoter of the Company

- 1 Mr. Nitin Jain
- 2 Mr. Gaurav Lath

Competitive Strengths

- 1 Diversified range of products
- 2 Quality Assurance
- 3 Long Standing Relationship with customers
- 4 Experienced and Qualified Management and Employee base

Company Background

- Company was incorporated in Jan 2011 in Kanpur, Uttar Pradesh.
- Company is engaged in the business of manufacturing and supply of coach related and electrification products for Indian Railways and other Railway Contractors.
- They provide products like Emergency Lighting system, Inter- Vehicular Coupler, Brushless DC Carriage Fan, Battery Charger 200AH, etc.
- Company has 2 manufacturing units both in Kanpur Uttar Pradesh. The second unit has recently been started in 2022 for which the lease starts from July 1st 2022.
- Company has 73 employees as on July 31, 2022 including senior management.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	1467.22	1251.35	838.01
Net Assets	754.24	495.47	350.58
Total Borrowings	315.89	323.40	221.05
Total Revenue	3173.54	1760.91	1589.25
Profit After Tax	258.99	143.21	104.57

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Company Overview

Company was incorporated in the year 2011 in Kanpur and has been engaged in providing products and services related to coach productions and electrifications to the Indian Railways and other contractors. The company has 2 manufacturing units in Uttar Pradesh. The Unit 2 has recently started in 2022 for which the lease starts from July 1st 2022.

Analysis

Being incorporated in the year 2011, the company has a good track record of existence. The company is operating in an industry which has bright future prospects and is expected to perform well in the coming years.

The company has Indian Railways as its major clients. The company also provides its services to other reputed companies such as KEC International Limited, L&T, Tata etc. Being started in 2011, company started with manufacturing and supply of battery charger in traction system of Railway Infrastructure. Company further expanded its business in manufacturing products fitted in coaches of Indian Railways in the year 2013 and got approved for Emergency Light Unit which is one of the most critical items of rolling stock application in coaches of Indian Railways for passenger safety. Emergency Light Unit switches on automatically in case of power failure or in case of accidents. Thereafter in the year 2014 it successfully received RDSO approval for manufacturing and supply of Tensile Load Testing Machine for Porcelain & Composite Insulators before installation electrical lines. Eventually the company got approval to Supply Brushless Dc Carriage Fans to Indian railways when it changed its technology of fans from normal DC to Brushless DC.

The product segment of the company involves Inter-Vehicular Coupler, Battery Chargers for 110 V, 200 Ah Lead Acid Batteries, Battery Charger for 110V, 40 Ah Lead Acid Batteries, Tensile Load Testing Machine, Brushless DC Railway Carriage Fan, Emergency Light unit and Other Component and parts of railway coaches.

To produce these products, the company has two manufacturing units both in Uttar Pradesh admeasuring 1880 square meters. The second unit has only been set up

recently and has not contributed to the revenue generated by the company over the years.

Products	Total Capacity (P.A)	2019-20		2020-21		2021-22	
		Prod. Qty	%	Prod. Qty	%	Prod. Qty	%
Inter Vehicular Coupler	1680 Nos.	-	-	233	13.87%	949	56.49%
Battery Charger For 110v 200 AH	204 Nos.	182	89.22%	101	49.51%	158	77.45%
Battery Charger For 110v 40 AH	480 Nos.	475	98.96%	370	77.08%	355	73.96%
Brushless Dc Railway Carriage	12000 Nos.	11,307	94.23%	4,475	37.29%	3,558	29.65%
Tensile Load Testing Machine	120 Nos.	57	47.50%	45	37.50%	34	28.33%
Emergency Light	4800 Nos.	2,373	49.44%	1,025	21.35%	2,055	42.81%

From the table above, it can be cited that the company has started its manufacturing of Inter-Vehicular Coupler only from 2021 and in 2022, the company has generated more than 50% of the revenue from the sale of this product.

The revenue of the company has grown from Rs. 1,760.91 lacs in 2021 to Rs. 3,173.54 lacs in 2022 because of business expansion, opening up of railways in the later half of 2021 and expansionary budget attributed to the Indian Railways by the government.

A break up of the revenue of the company has been given in the table below –

Particular	Revenue from operations (in lakhs)		
	2022	2021	2020
Coach related products	2523.58	1169.86	672.49
Electrification products	606.49	551.50	875.45
Others	14.62	5.18	10.54
Total	3144.69	1726.54	1558.48

To conclude, the company is operating in a niche product segment and has shown good strength in numbers after being affected by the pandemic. The competition is not that high and is subject to threat of innovation and winning bids from the Indian Railways.

Exhibit 1: Market Size of Indian Railways

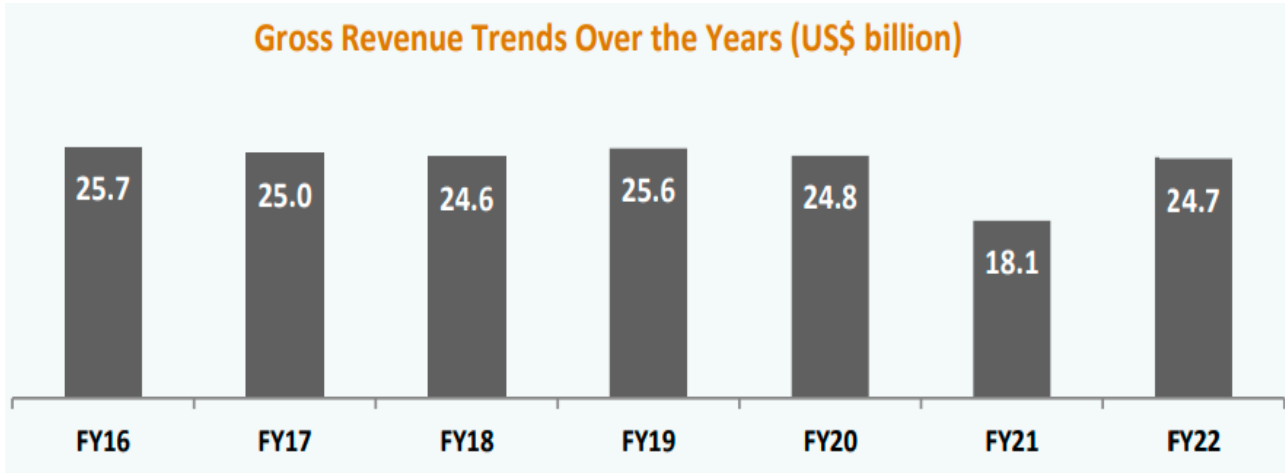


Exhibit 2: Sector Composition of Indian Railways

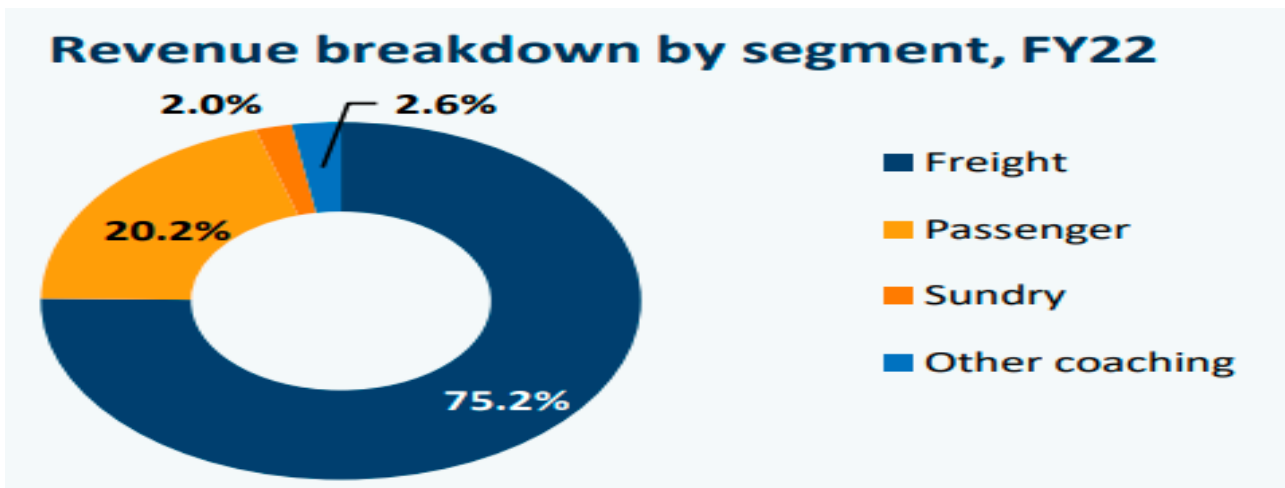
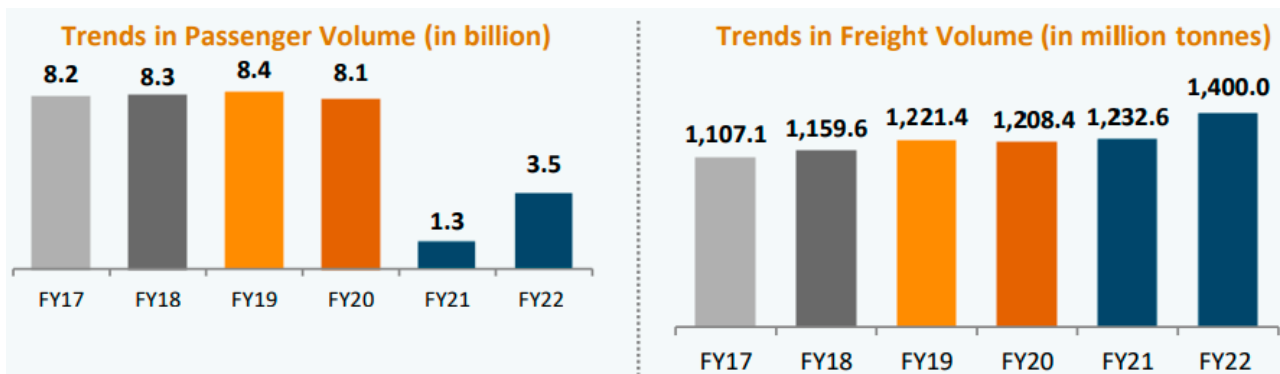


Exhibit 3: Key Trends in Indian Railways



(Source: ibef.org)

Investment Overview

Indian Railway Industry

The Indian Railways (IR) has set a target of 100 per cent electrification of its network by December 2023, said economic survey 2021-22. The Indian Railways (IR) has set a target of 100 per cent electrification of its network by December 2023, said economic survey 2021-22. To achieve this target with creation of other infrastructure in the sector, the government has increased the CAPEX (Capital expenditures) by five-fold in the last seven years. The survey claims that IR is targeting 100 per cent electrification of its network by December 2023, upgradation of Delhi-Mumbai and Delhi- Kolkata corridors to 160 kmph and also elimination of level crossings on the Golden Quadrilateral and Golden Diagonal routes. The CAPEX has been increased substantially for IR from an average annual of Rs 45,980 crore during 2009-14 to Rs 2,15,058 crore during 2021-22. "An average of 1,835 track km per year of new track length has been added through new-line and multi-tracking projects during 2014-2021 as compared to the average of 720 track km during 2009-14," survey said. It mentioned that safety of the passengers and safe upkeep of railways assets is the topmost priority of IR. "With a continuing focus on safety of passengers the number of consequential train accidents has come down from 59 in 2018-19 to 55 in 2019-20 (pre-Covid) and further to 22 in 2020-21," it said. In order to strengthen the agriculture sector, as on December 31, 2021, the railways have operated 1,841 Kisan Rail services, transporting approximately six lakh tonnes of perishables items including fruits and vegetables. During FY21, IR carried 1.23 billion tonnes of freight and 1.25 billion passengers. "Despite Covid-19 pandemic, revenue earning freight loading (excluding loading by Konkan Railway Corporation Ltd. (KRCL) was 1230.9 million tonnes in 2020-21 as compared to 1208.4 million tonnes during 2019-20. Passengers originating were 1,250 million in 2020-21 as compared to 8,086 million in 2019-20," it said. In order to provide better amenities, the IR has embarked on providing Wi-Fi internet services at all stations (excluding halt stations) and as on December 5, 2021, total 6,087 Railway Stations have been equipped with the facility. In addition, projects connecting difficult terrain such as Rishikesh- Karnaprayag line as also the rail network to connect all capitals of north east states are ongoing. Further, a number of infrastructure development initiatives are envisaged in the National Rail Plan (NRP) being prepared by the

Indian Railways. The plan envisages the creation of a future ready railway system that is able to not only meet the passenger demand but also increase the modal share of railways in freight to 40-45 per cent from the present level of 26-27 per cent. As per the National Rail Plan, the freight ecosystem is expected to grow from the present level of 4,700 MT to 8,200 by 2030. "At present the railway capacity is barely able to carry 1,220 MT which is around 26-27 per cent of the modal share. The Plan provides a pipeline of projects, which on completion will increase railway capacity to capture 45 per cent of freight traffic," the plan said. To prevent further bleeding away of modal share, railway capacity enhancing projects have been categorized as 'Super Critical' and 'Critical'. A total of 58 projects have been identified as 'Super Critical' and are targeted for completion by December 2022. About 68 projects have been identified as 'Critical' and have been targeted for completion by March 2024.

(Source: ibef.org)

Addressable Market for Concord Control Systems Limited

The company is primarily supplying to Indian Railways and also to some popular clients such as L&T, Tata, Kalapatri, etc. The company could target more of non-railway clients and also could try to sell its products in countries outside India.

Competition

Although the competitive scenario is not that high currently, but with continuous innovation and development in the railway sector, the company could witness more competition in the coming times. The threat of entry for the company is not that high as the entrants have to get themselves established to get bids from Indian Railways.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned no listed peer companies.

Promoters' Profile and Management Analysis

Mr. Nitin Jain



- **Mr. Nitin Jain** is the Promoter and Joint Managing Director of the Company.
- He has completed his Bachelor of Engineering (Mechanical Engineering) from Visveswaraiah Technological University, Karnataka in 2006.
- He has a work experience of over 17 years in the manufacturing of electrical and electronic equipment and related products.

Mr. Gaurav Lath



- **Mr. Gaurav Lath** is the Promoter and Joint Managing Director of the Company.
- He has completed his Post Graduate Diploma in Business Management (Family Business) from Narsee Monjee Institute of Management Studies, University of Bombay in 2008
- He has a work experience of around 15 years in the manufacturing of electrical and electronic equipments and related products.
- He primarily looks after the overall business operations of the Company including Supply Chain Management, Material & Store, Accounts & finance, and Administration & Human Resource.
- He has been appreciated by the Entrepreneurship Development Cell for his efforts and time in 2019.

Analysis on the Company's Promoter and Board of Directors

Mr. Govind Parsad Lath, aged 79, is the Chairman and Non-Executive Director of the Company. He has completed his Bachelor of Commerce from Xavier's College Kolkata in 1961 and has an overall experience of around 54 years.

Mr. Nitin Jain, aged 39, is the founder Promoter and Joint Managing Director of the Company. He has completed his Bachelor of Engineering (Mechanical Engineering) from Visveswaraiah Technological University, Karnataka in 2006. He has a work experience of over 17 years in the manufacturing of electrical and electronic equipments and related products. He looks after the marketing, research & development, quality control, production of the Company.

Mr. Gaurav Lath is, aged 36, is the founder Promoter and Joint Managing Director of the Company. He has completed his Post Graduate Diploma in Business Management (Family Business) from Narsee Monjee Institute of Management Studies, University of Bombay in 2008. He has a work experience of around 15 years in the manufacturing of electrical and electronic equipments and related products. He primarily looks after the overall business operations of the Company including Supply Chain Management, Material & Store, Accounts & finance, and Administration & Human Resource. He has been appreciated by the Entrepreneurship Development Cell for his efforts and time in 2019.

Mrs. Mahima Jain, aged 34, is the Non-Executive Director of the Company. She has an experience of around 9 years in the said industry and has completed her Master of Business Administration from the Institute of Chartered Financial Analysts of India University, Tripura in 2013.

To conclude, the company's promoters are quite experienced in the business line. The Non-Executive Directors and Independent Directors are also experienced and might help the company grow with their valuable inputs, though not taking part in day-to-day operations directly.

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	1,587.64	1,753.29	3,169.55
Other income	1.61	7.62	3.99
Total Revenue	1,589.25	1,760.91	3,173.54
Expenses	1,420.56	1,533.88	2,777.31
Depreciation and Amortisation Cost	13.34	21.71	37.08
Finance Cost	9.11	18.08	10.71
Total Expenses	1,443.01	1,573.67	2,825.10
PBT	146.24	187.24	348.44
PBT Margin	9.21%	10.68%	10.99%
EBITDA	168.69	227.03	396.23
EBITDA Margin	10.63%	12.95%	12.50%
Net Profit	104.58	143.21	258.97
Net Profit Margin	6.59%	8.17%	8.17%
Balance Sheet			
Total Borrowings	221.05	323.40	315.89
Net Worth	350.58	495.47	754.24
Fixed Assets	124.77	140.74	207.54
Net Working Capital	221.15	370.92	447.78
Financial Measures			
Inventory Turnover Ratio	5.50	5.26	4.45
Receivables Turnover Ratio	4.09	2.33	10.69
Payables Turnover Ratio	5.03	3.48	9.12
Fixed Assets Turnover Ratio	12.72	12.46	15.27
Return on Capital Employed	39.73%	36.94%	43.26%
Return on Equity	29.83%	28.90%	34.34%
Debt-Equity Ratio	0.63	0.65	0.42

(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. 168.69 lacs in 2020 to Rs. 396.23 lacs in 2022 growing at a CAGR of 53.26%. The EBITDA margin in 2020 was 10.63%, 12.95% in 2021 and 12.50% in 2022. The EBITDA has grown due to expansion in business operations with additional sales of new products introduced in 2021, opening up of railway business after the pandemic and also the expansionary budget contributed towards Railways.

Net Profit

The net profit of the company has grown from Rs. 104.58 lacs in 2020 to Rs. 258.97 lacs in 2022 at a CAGR of 57.36%. The net profit margin in 2020 was 10.63%, 12.95% in 2021 and 12.50% in 2022. The growth in net profit can again attributed to business expansion, opening up of economy and budget allocation towards railways.

Finance Cost.

The company has incurred finance cost mainly on the secured short term borrowings and long term loans availed from the banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 43.26% vs 36.94% in 2021 and 39.73% in 2020. The RoCE dipped in 2021 due to increase in long term borrowings and operating profits increasing not to much extent. In FY 22, the RoCE has increased to 43.26% despite of increase in long term borrowings because of substantial increase in operating profits due to various factors mentioned above. With infusion of equity capital and long term loans not being that high (leading to low repayment of loan), the RoCE is expected to fall a bit in the coming year.

ROE of the company in 2022 was 34.34%, 28.90% in 2021 and 29.83% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

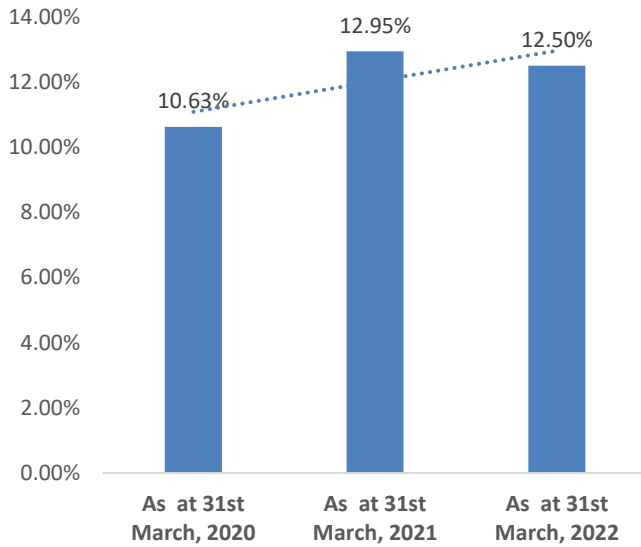
The company has not able to effectively maintain its Inventory and Payables ratio for the year 2022 when compared with previous years. The Receivables Turnover ratio has improved but has been fluctuating.



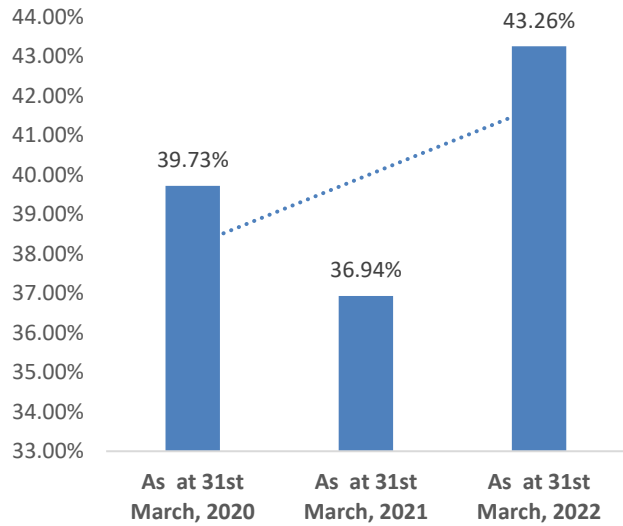
The company has a debt-equity ratio of 0.42 times in FY 22. The debt-equity has come down from the levels of 2021 and 2020 and is expected to fall more with the infusion of new capital.

Financial Charts

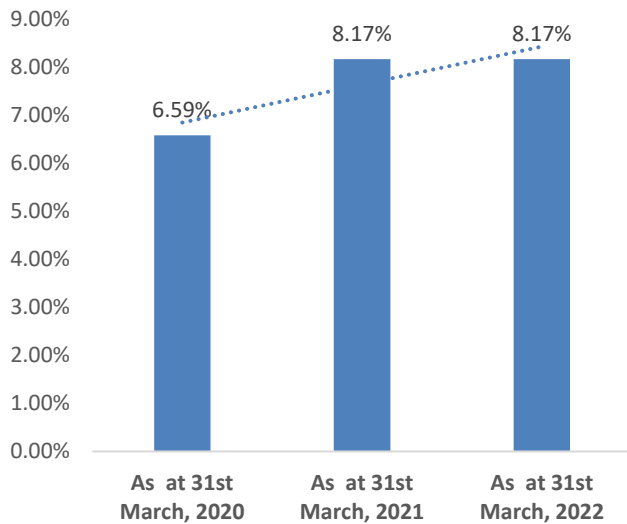
EBITDA Margin



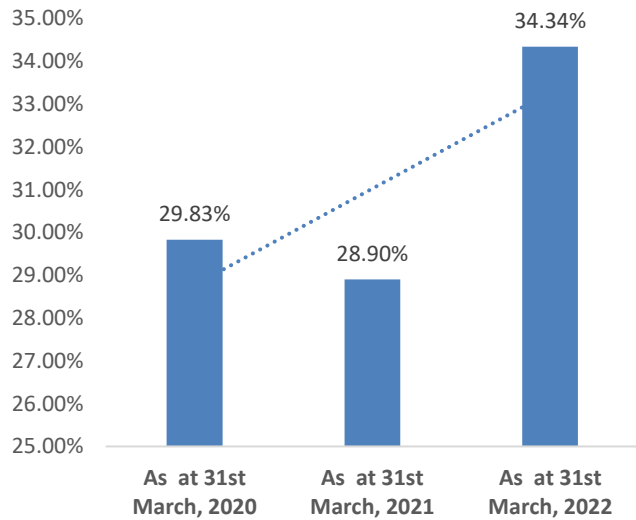
Return on Capital Employed



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. 5.10 lacs, which if determined against them, can affect financial conditions of the company.
2. The company has contingent liabilities of Rs. 35.42 lacs in 2022 which if determined against them, can affect financial conditions of the company.
3. The company mainly supplies to Indian Railways and any changes demanded from the railway pertaining to innovation which the company might not deliver would adversely affect the company's financials.
4. Inter-Vehicular Coupler accounted to more than 50% of company's revenue in FY 2022 and such demand for same is not guaranteed in coming times.
5. The company's fortune also depends on how the government allocates budget to the railways in coming years.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 13th mandate in the last three fiscals. 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.	Suratwwala Business Group Limited	6.90	15/-	13-08-2020	209.00
2.	Knowledge Marine & Engineering Works Limited	10.12	37/-	22-03-2021	569.50
3.	EKI Energy Services Limited	18.60	102/-	07-04-2021	1462.80
4.	DU Digital Technologies Limited	4.485	65/-	26-08-2021	209.40
5.	Prevest Denpro Limited	26.61	84/-	27-09-2021	400.00
6.	Jainam Ferro Alloys (I) Limited	19.61	70/-	08-10-2021	181.30
7.	Shri Venkatesh Refineries Ltd.	11.71	40/-	11-10-2021	168.00
8.	KN Agri Resources Limited	49.38	75/-	28-03-2022	171.00
9.	Krishna Defence and Allied Industries Limited	11.89	39/-	06-04-2022	86.45
10.	Eighty Jewellers Limited	11.07	41/-	13-04-2022	72.05

#CMP is taken as on 26th September 2022

Out of the last 10 listings, 1 opened at discount and the rest with premiums ranging from 1.47% to 104.87% on the day of listing.

Recommendation

The company was established in the year 2011 and since then has been primarily engaged in supplying coach related and electrification products to the Indian Railways.

The revenue of the company could grow in 2021 due to pandemic and closure of Indian Railways but has been able to bounce back in the post pandemic period.

The company has also set up a new manufacturing unit and would not have any production crunch due to increase in demand.

Government initiatives on **Innovation in Indian Railway** with a few innovative improvements which are the State of the Art SMART Coaches, on **Mission 100% Electrification** to fully electrify the Broad Gauge network of Indian Railways and '**Kavach**'- an indigenous Automatic Train Protection System to boost safety in trains operation have been among the reasons of increase in demand for the company's products.

The management outlook of the company is also good with directors being well educated and well experienced in their relative fields.

Looking at all these factors, the company seems to have a good prospect and one **should 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.