

### IPO Details

<b>Opening Date</b>	Sep 29, 2022
<b>Closing Date</b>	Oct 03, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1600 Shares
<b>Issue Price</b>	Rs. 78 per share
<b>Issue Size</b>	27,12,000 Equity Shares
<b>Application Amount</b>	Rs. 1,24,800

### IPO Objective

To meet working capital requirements  
General Corporate Purpose  
To meet issue expenses

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,49,87,280	88.27%%
Public	19,92,180	11.73%

### Promoter of the Company

- Mr. Sandeep Bansal
- Ms. Geeta Devi Aggarwal
- Mrs. Anupama Bansal
- Mr. Shashwat Bansal

### Business Strategy

- Enhance customer base by entering new geographies
- Leveraging the Market skills and Relationships
- Focus on quality

### Company Background

- Company was incorporated in 1973 in Delhi.
- Company is engaged in the business of manufacturing and exporting Mild Steel/Carbon Steel ERW Black and Galvanized Pipes, Hollow Steel Pipe, Cold rolled Steel (CR) Strips/ Coils, Swaged Tubular Poles, Solar Structure and Steel Structures.
- Company has 2 manufacturing units, one in Haryana and one in Uttar Pradesh.
- Company has an installed capacity of 2,44,001 MT.
- The highest grossing product for the company has been CR Coil/Strips followed by GI Pipes
- Company has 376 employees on its payroll as on 16<sup>th</sup> September 2022.

### Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
<b>Total Assets</b>	34,127.21	33,625.88	3,3650.76
<b>Net Assets</b>	14,169.42	8,129.55	7,980.91
<b>Total Borrowings</b>	11,369.12	19,607.87	19,690.62
<b>Total Revenue</b>	61,219.77	52,383.88	65,807.21
<b>Profit After Tax</b>	2,041.11	148.64	-1,389.25

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## Company Overview

Swastik Pipe Limited was incorporated in the year 1973 in Delhi. Company is engaged in the business of manufacturing and exporting Mild Steel/Carbon Steel ERW Black and Galvanized Pipes, Hallow Steel Pipe, Cold rolled Steel (CR) Strips/ Coils, Swaged Tubular Poles, Solar Structure and Steel Structures. Company has 2 manufacturing units, one in Haryana and one in Uttar Pradesh.

## Analysis

Company was formed in 1973 and has a very good track record of existence. Company has been into the steel industry which has shown some good growth in recent times and the applicability of the industry's product segment is widely applicable to almost all the industries.

Company has been manufacturing and exporting Mild Steel/Carbon Steel ERW Black and Galvanized Pipes, Hallow Steel Pipe, Cold rolled Steel (CR) Strips/ Coils, Swaged Tubular Poles, Solar Structure and Steel Structures through its 2 manufacturing unit located in Haryana and Uttar Pradesh with a total capacity of 2,44,001 MT.

The capacity installed and utilised by the company over the years has been given in the table below –

(In MT)

Products	Particulars	For the period ended 31 <sup>st</sup> March, 2022	For the period ended 31 <sup>st</sup> March, 2021	For the period ended 31 <sup>st</sup> March, 2020
Steel Pipes	Installed Capacity	166,491.00	166,491.00	157,229.00
	Actual Production	36,274.00	48,959.00	67,183.00
	%	<b>21.79</b>	<b>29.41</b>	<b>42.73</b>
Cold Rolled	Installed Capacity	27,698.00	27,698.00	36,456.00
	Actual Production	23710.00	16,683.00	29,810.00
	%	<b>85.60</b>	<b>60.23</b>	<b>81.77</b>
HRPO	Installed Capacity	32,302.00	32,302.00	23,544.00
	Actual Production	7973.00	19456	19,251.00
	%	<b>24.68</b>	<b>60.23</b>	<b>81.77</b>
Steel Structured	Installed Capacity	8,372.00	8,372.00	11,678.00
	Actual Production	2,524.00	2,515.00	5,461.00
	%	<b>30.11</b>	<b>30.04</b>	<b>46.76</b>

Products	Particulars	For the period ended 31 <sup>st</sup> March, 2022	For the period ended 31 <sup>st</sup> March, 2021	For the period ended 31 <sup>st</sup> March, 2020
MS Wire	Installed Capacity	6,000.00	6,000.00	6,000.00
	Actual Production	0.00	0.00	76.00
	%	<b>0.00</b>	<b>0.00</b>	<b>1.27</b>
Precision Pipe	Installed Capacity	3,138.00	3,138.00	9,093.00
	Actual Production	313.00	402.00	2417.00
	%	<b>12.18</b>	<b>12.81</b>	<b>26.58</b>
SS Pipe	Installed Capacity	0.00	0.00	3,000.00
	Actual Production	0.00	0.00	0.00
	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

From the above table it is evident that company mainly produces Cold Rolled Products with an actual production of 23,710 MT in FY 22.

Being in the industry from such a long time, company has been able to generate healthy amount of revenue for itself. However, in the recent years, in spite of good demand for steel in the domestic market, the company shown a decrease in its revenue in 2021 and 2022 from the levels of 2021. The company has also incorporated loss in the FY 20. The revenue bifurcation of the company is given in the table below –

Particulars	2021-2022		2020-2021		2019-2020	
<b>(A) Manufactured goods</b>						
Product Name	Qty (MT)	Amount (in Lac)	Qty (MT)	Amount (in Lac)	Qty (MT)	Amount (in Lac)
<b>1. Pipes</b>						
ERW Pipes	11732.000	7005.79	20,988.810	10136.80	36,642.339	14297.52
ERW Pipes (Export)	-	0.00	289.410	138.95	1,133.380	507.74
GI Pipes	25,160.000	20858.23	29,249.190	16735.99	28,520.576	15066.87
GI Pipes (Export)	-	0.00	111.291	63.11	917.349	483.03
Precision Pipe	307.000	246.95	405.880	186.11	2,416.571	1062.89
S.T. Poles	2095.000	1718.30	1,982.116	1164.96	3,903.960	2226.16
<b>2. Structure</b>	588.000	448.68	461.330	387.82	1,588.043	1066.43
<b>3. CR Coil/Strips</b>	31720.000	22,193.63	36,213.574	18327.12	50,391.198	20965.75
<b>4. Others</b>	-	0.00	-	0.00	75.770	31.27
<b>Total (A)</b>	<b>71,606.000</b>	<b>52,471.58</b>	<b>89,701.601</b>	<b>47140.87</b>	<b>1,25,589.186</b>	<b>55707.66</b>
<b>(B) Traded goods</b>						
Product Name	Qty (MT)	Amount (in Lac)	Qty (MT)	Amount (in Lac)	Qty (MT)	Amount (in Lac)
1. HR COIL	6588.000	4076.84	6,922.203	3355.90	17,445.826	6894.14
2. OTHERS	1376.000	788.74	148.706	97.79		0.00
3. ZINC	362.000	884.52	25.090	56.20	547.168	1015.71
<b>Total (B)</b>	<b>8,326.000</b>	<b>5,747.07</b>	<b>7,095.999</b>	<b>3509.90</b>	<b>17,992.994</b>	<b>7909.84</b>

<b>(C) Others</b>						
<b>Product Name</b>	<b>Qty (MT)</b>	<b>Amount (in Lac)</b>	<b>Qty (MT)</b>	<b>Amount (in Lac)</b>	<b>Qty (MT)</b>	<b>Amount (in Lac)</b>
1, Scrap Sale		2,413.97		1498.75		1761.28
<b>Total (C)</b>	-	2,413.97	-	<b>1498.75</b>	-	<b>1761.28</b>
<b>Total (A+B+C)</b>	<b>79,931.000</b>	<b>60,632.62</b>	<b>96,797.600</b>	<b>52149.51</b>	<b>1,43,582.180</b>	<b>65378.78</b>

As the highest produced item, the highest grossing product for the company has been CR Coil/Strips followed by GI Pipes. Around 90.55% of its total revenue is from Manufactured Product and Around 9.45% is from traded goods.

To conclude, the company has an experience of around 49 years in the steel industry and has also been able to show good revenues, although decreasing from the levels of 2022. Despite of showing good revenue, the company has not been able to show good bottom line and also incurred loss in FY 20 while other companies in this segment had shown good growth.

## Industry Charts

Exhibit 1: Infographics on total crude steel production from FY 18 to FY 22 (till Jan)

### Total Crude Steel Production (Mn Tonnes)

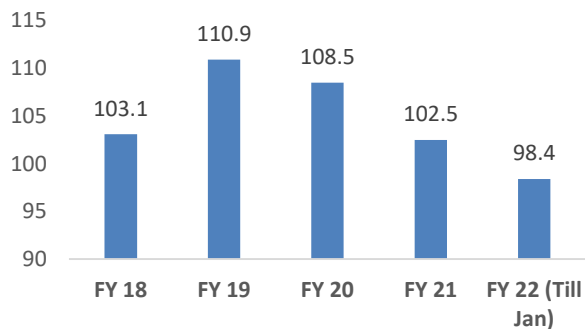


Exhibit 2: Per capita consumption of Steel grew at a CAGR of 3.94% from FY 16 to FY 20

### Per capita consumption of Finished Steel (In kgs)

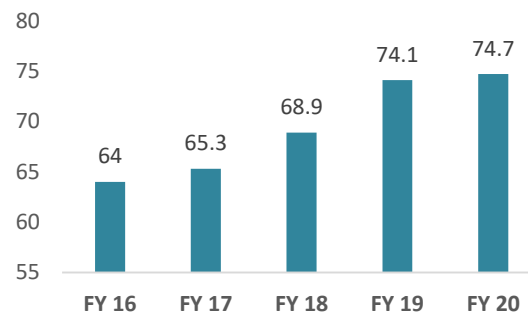


Exhibit 3: Infographics on Consumption of Finished Steel from FY 18 to FY 22 (till Jan)

### Consumption of Finished Steel (Mn tonnes)

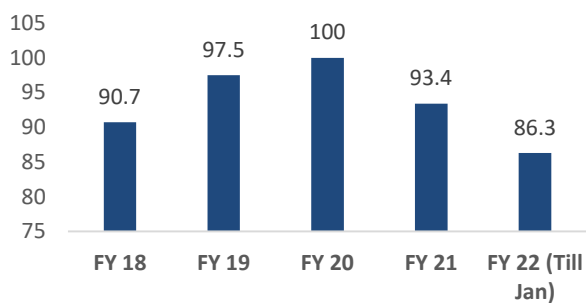
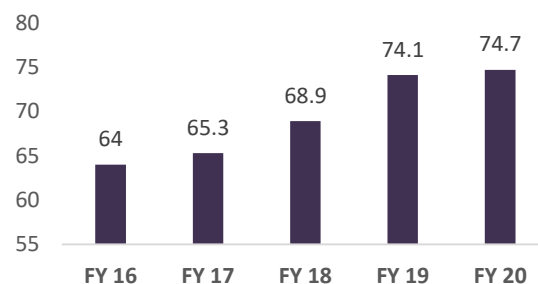


Exhibit 4: Finished Steel Exports grew at a CAGR of 3.94% from FY 18 to FY 22 (till Jan)

### Finished Steel Exports (Mn Tonnes)



(Source: ibef.org)

## Investment Overview

### Indian Steel Industry

As of October 2021, India was the world's second-largest producer of crude steel, with an output of 9.8 MT. In FY22 (till January), the production of crude steel and finished steel stood at 98.39 MT and 92.82 MT, respectively. In FY22, crude steel production in India is estimated to increase by 18%, to reach 120 million tonnes, driven by rising demand from customers. The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers.

India's finished steel consumption is anticipated to increase to 230 MT by 2030-31 from 86.3 MT in FY22 (till January). The industry is witnessing consolidation of players, which has led to investment by entities from other sectors. The ongoing consolidation also presents an opportunity to global players to enter the Indian market.

In October 2021, the government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme. Under the Union Budget 2022-23, the government allocated Rs. 47 crores (US\$ 6.2 million) to the Ministry of Steel.

(Source: ibef.org)

## Addressable Market for Swastik Pipe Limited

The main market of the company has been Haryana followed by Uttar Pradesh and Himachal Pradesh. Although the company supplies to various parts of India, the main region seems to be the Northern and Western India. So in coming times the company could try to increase its supply in the other regions of India as well and also look to target the export market more widely.

## Competition

The steel industry in India is highly competitive with many small and large players in the market. The company is operating in an environment where the customers have higher bargaining power and price becomes the main factor along with the quality. The company faces competition from its peers which may have one or more division of its business. Also the company has to deal with the brand and reputation which some large companies has already built for themselves.

## Peer Analysis

As Mentioned in the prospectus, the company has 5 peer companies viz. Rama Steel Tubes Limited, Hi-Tech Pipes Limited, Hariom Pipe Industries Limited, APL Apollo Tubes Limited and Venue Pipes and Tubes Limited. A comparison of the same has been depicted in the table below –

Company	Swastik Pipe Limited	Rama Steel Tubes Limited	Hi-tech Pipes Limited	Hariom Pipe Industries Limited	APL Apollo Tubes Limited	Venue Pipes and Tubes Limited
Net Profit (INR Cr)	20.41	27.32	40.33	31.96	557.29	31.67
EBITDA (INR Cr)	29.28	51.75	101.45	58.84	985.76	51.37
Return on Capital Employed	13.96%	29.68%	21.55%	36.49%	29.00%	34.66%
Return on Equity	14.41%	21.57%	15.59%	31.64%	24.62%	24.64%
EPS (INR)	12.00	2.67	29.27	14.06	20.66	16.74
P/E* (Times)	8.33	40.17	20.07	18.30	50.24	33.96

\*PE as on 30/09/2022

#Post IPO Basis



## Promoters' Profile and Management Analysis

### Mr. Sandeep Bansal



- **Mr. Sandeep Bansal** is the Promoter, Managing Director of the Company.
- He holds degree in Master of Business Administration (MBA) in Management from Fore School of Management University. He has done his graduation from Kirori Mal College, Delhi University.
- He has work experience of around 30 years in the Industry.

### Ms. Geeta Devi Aggarwal



- **Ms. Kanchan Sanjay Motiani** is the Promoter of the Company.
- She has no formal education.

### Mrs. Anupama Bansal



- **Mrs. Anupama Bansal** is the Promoter of the Company.
- She holds degree in MBA from International Management Institute.
- She has experience of 20 years in the industry and managed the entire administration/functioning of the Company.

### Mr. Shashwat Bansal



- **Mr. Shashwat Bansal** is the Promoter of the company.
- He is doing Bachelor's of Arts from University of California, Berkeley.

## **Analysis on the Company's Promoter and Board of Directors**

**Mr. Sandeep Bansal**, aged 51 years, is Promoter cum Managing Director of the Company. He holds degree in Master of Business Administration (MBA) in Management from Fore School of Management University. He has an experience of around 30 years in the Industry. He is responsible for the expansion and overall management of the business of the Company.

**Mr. Dinesh Kumar Dhanda**, aged 61years, is Whole Time Director of the Company. He holds degree of Bachelor's in commerce from Hemvati Nandan Bahuguna Garhwal University. He has an experience of more than 37 years working in different industries i.e. Mukerian Papers Limited (Oswal Group), Vallabh Steels Ltd, Chadha Papers Ltd, K.C. Group of Colleges, Ralson Castings Ltd etc. He manages the entire production of the Company.

**Mr. Surinder Singh**, aged 69 years, is Whole Time Director of the Company. He is Graduate by Qualification, he has over 4 decades of experience in industry. Since 1973-2011, he worked in Punjab Govt (Industry Dept.) till his retirement. From 2012, he worked with private sector industries.

To conclude, the company's management is well educated and very well experienced in their respective fields. The independent directors of the company are also well educated and experience and could be a great driving force for the company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>			
Revenue from operation	65,551.95	52,217.03	60,870.86
Other income	255.26	166.85	348.91
Total Revenue	65,807.21	52,383.88	61,219.77
Expenses	64,593.13	49,444.99	58,292.04
Depreciation and Amortisation Cost	414.41	425.75	422.44
Finance Cost	2,879.89	2,285.03	1,902.52
Total Expenses	67,887.43	52,155.77	60,617.00
PBT	-2,080.22	228.11	602.77
PBT Margin	-3.17%	0.44%	0.99%
EBITDA	1,214.08	2,938.89	2,927.73
EBITDA Margin	1.85%	5.63%	4.81%
Net Profit	-1,389.25	148.64	2,041.11
Net Profit Margin	-2.12%	0.28%	3.35%
<b>Balance Sheet</b>			
Total Borrowings	19,690.62	19,607.87	11,369.12
Net Worth	7,980.91	8,129.55	14,169.42
Fixed Assets	7,337.86	7,107.42	6,923.08
Net Working Capital	6,115.30	8,401.28	10,160.47
<b>Financial Measures</b>			
Inventory Turnover Ratio	6.36	6.26	7.78
Receivables Turnover Ratio	5.31	3.52	4.16
Payables Turnover Ratio	12.41	8.93	7.57
Fixed Assets Turnover Ratio	8.93	7.35	8.79
Return on Capital Employed	5.63%	15.42%	13.96%
Return on Equity	-17.41%	1.83%	14.41%
Debt-Equity Ratio	2.47	2.41	0.80

(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. 1,214.08 lacs in 2020 to Rs. 2,927.73 lacs in 2022 growing at a CAGR of 55.29 %. The EBITDA margin in 2020 was 1.85%, 5.63% in 2021 and 4.81% in 2022. The EBITDA has shown good growth in its EBITDA but the EBITDA margin has been fluctuating.

### **Net Profit**

The net profit of the company has grown from Rs. -1,389.25 lacs in 2020 to Rs. 2,041.11 lacs in 2022. The net profit margin in 2020 was -2.12%, 0.28% in 2021 and 3.35% in 2022.

**It is to note that the company has shown profit from exceptional items of Rs. 1,564.14 lacs in 2022. If we remove that, the net profit would be just 476.97 lacs and net profit margin would be 0.78%.**

### **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 15.30% vs 15.42% in 2021 and 5.63% in 2020. The RoCE has increased from levels of 2020 mainly because of decrease in Long Term Borrowings. The RoCE has been calculated excluding the profit from exceptional items. With the infusion of equity capital and repayment of long term loans, the same is expected to come down as equity infusion is way more than repayment.

ROE of the company in 2022 was 3.37%, 1.83% in 2021 and -17.41% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

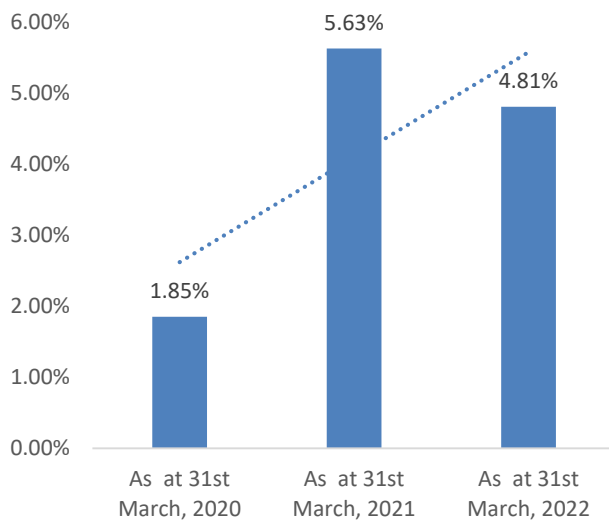
The company has been able to maintain its Receivables, Payables and Inventory effectively over the years as evident from the turnover ratios.

The company has a debt-equity ratio of 0.80 times in FY 22. The debt-equity has come down due to issuance of new shares by the company in FY 22 .

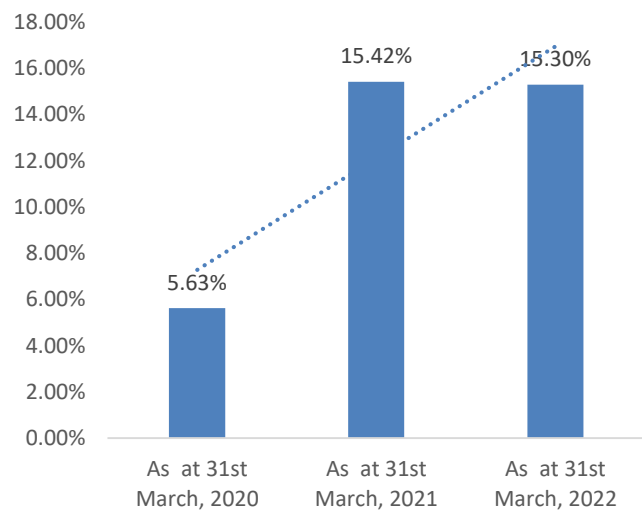
## Financial Charts

The charts have been prepared removing profit from exceptional items

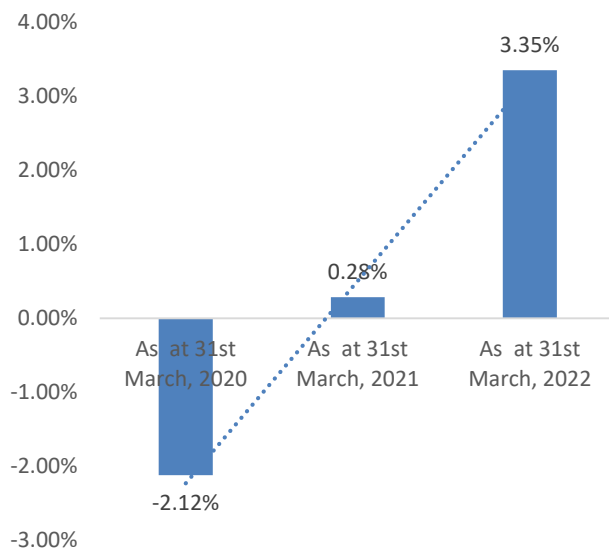
**EBITDA Margin**



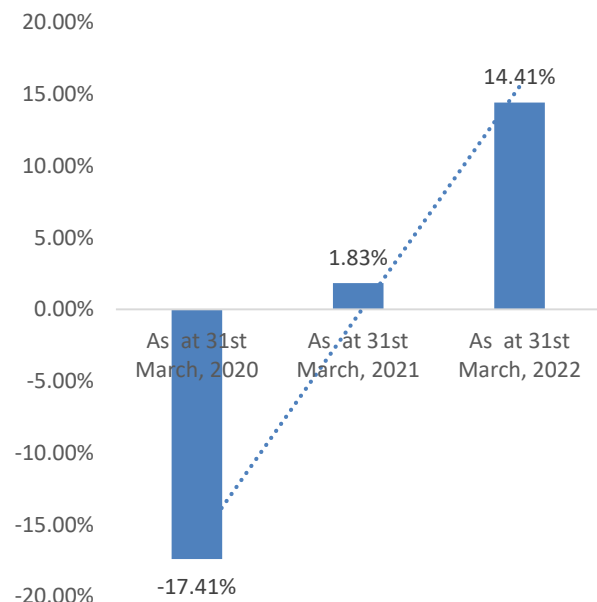
**Return on Capital Employed**



**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. 806.35 lacs, which if determined against them, can affect financial conditions of the company.
2. The equity shares of the promoters are pledged under consortium banking.
3. Company's revenue from 5 states is more than 70%.
4. The industry is highly cyclical and there are price fluctuations.
5. The company is operating in a very competitive environment.

## Track Record of Lead Manager

The lead manager to the issue is Corporate Capital Ventures and this is the tenth IPO in the last six 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 –

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
Shish Industries Ltd	4.06	Sep 05, 2017	30	172.00
Ratnabhumi Developers Limited	23.31	Dec 14, 2017	63	101.90
Touchwood Entertainment Limited	4.21	Dec 21, 2017	40	107.00
SMVD Ploy Pack Limited	9.02	Dec 26, 2017	55	28.80
Narmada Agrobases Limited	7.48	Apr 19, 2018	32	22.40
Rudrabhishek Enterprises Limited	18.73	Jul 13, 2018	41	161.85
Rajnandini Metal Limited	4.27	Oct 08, 2018	26	292.60
Nupur Recyclers Limited	34.20	Dec 23, 2021	60	271.60
Uma Exports Limited	60.00	Apr 07, 2022	68	47.60
Annapurna Swadisht Limited	30.25	Sep 27, 2022	70	115.65

#CMP as on 30/09/2022

Out of the last 10 listings, 2 opened at discount and the rest with premiums

## Recommendation

The company was established in the year 1973 highlighting a very good track record of existence and also the industry in which the company operates has a very good prospect.

The company has shown good but decreasing revenue over the years. The bottom line of the company is not up to the mark. The company has been operating with very low margins and also incurred loss in FY 20.

The management of the company is well experienced and has a good education background.

To conclude, the company has not been able to generate enough profits for its shareholders despite of good growth in the industry in these recent years and so one should wait and **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.**