

### IPO Details

|                           |                         |
|---------------------------|-------------------------|
| <b>Opening Date</b>       | Nov 28, 2022            |
| <b>Closing Date</b>       | Nov 30, 2022            |
| <b>Stock Exchange</b>     | NSE SME                 |
| <b>Lot Size</b>           | 3000 Shares             |
| <b>Issue Price</b>        | ₹ 45 per share          |
| <b>Issue Size</b>         | 27,60,000 Equity Shares |
| <b>Application Amount</b> | ₹ 1,35,000              |

### IPO Objective

Modernization and expansion of existing manufacturing unit.  
 Funding Working Capital Requirement.  
 General Corporate Purpose.  
 To meet issue expenses.

### Pre-Issue Shareholding

| Category                  | No. of Shares | % of Total Shares |
|---------------------------|---------------|-------------------|
| Promoter & Promoter Group | 76,07,190     | 99.98%            |
| Public                    | 1,340         | 0.02%             |

### Promoter of the Company

- 1 Mr. Shankerlal Bansilal Shah
- 2 Mr. Balkishan Shankerlal Shah
- 3 Mr. Yash Shankerbhai Shah

### Competitive Strengths

- 1 In-house manufacturing facility supported by technology-driven process.
- 2 Stringent quality control mechanism ensuring standardized product quality.
- 3 Diversified Client Base and long-standing relationship with our customers.
- 4 Strong and diversified supplier base for sourcing raw materials.
- 5 Experienced Promoters supported by dedicated Management team.

### Company Background

- Company was incorporated in the year 1994 in Ahmedabad, Gujarat.
- Company is engaged in the business of aluminium recycling
- Company, primarily engaged in processing of aluminium based metal scrap to manufacture (i) aluminium alloys in the form of ingots and (ii) aluminium de-ox alloys in the form of cubes, ingots, shots and notch bar.
- The company's manufacturing unit is situated at Dehgam (Gandhinagar, Gujarat).
- Company's esteemed customers includes ArcelorMittal Nippon Steel India, Tata Steel, Minda Corporation, Sigma Electric, Sunflag Iron & Steel Co. Ltd. etc.
- Company markets their products to around 12 states & Union Territories in India and around 9 Countries.
- Company is also engaged in trading of scrap materials such as aluminium scrap, brass scrap, copper scrap, zinc scrap etc.
- Company had 275 employees as on 31/10/2022.

### Financial Summary

| For the Period Ended    | (In Lacs) |           |           |
|-------------------------|-----------|-----------|-----------|
|                         | May-22    | Mar-22    | Mar-21    |
| <b>Total Assets</b>     | 7,939.48  | 8,190.39  | 6,301.00  |
| <b>Net Assets</b>       | 1,726.87  | 1,669.51  | 1,081.02  |
| <b>Total Borrowings</b> | 4,508.55  | 5,042.08  | 3,758.76  |
| <b>Total Revenue</b>    | 5,757.01  | 24,926.06 | 12,780.02 |
| <b>Profit After Tax</b> | 57.36     | 291.98    | 47.78     |

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## Company Overview

Company was incorporated in the year 1994 in Ahmedabad, Gujarat. Company is into aluminium recycling, primarily engaged in processing aluminium based metal scrap to manufacture (i) aluminium alloys in the form of ingots and (ii) aluminium de-ox alloys in the form of cubes, ingots, shots and notch bar. Company's manufacturing unit is situated at Dehgam (Gandhinagar, Gujarat) has 12,000 MT installed capacity for processing aluminium scrap. Company primarily caters to the automotive parts and steel sector in India. Company is also engaged in trading of scrap materials such as aluminium scrap, brass scrap, copper scrap, zinc scrap etc.

## Analysis

Company was incorporated in the year 1994, thus company has a good track record of existence and is in the industry of Aluminium recycling. The versatile properties of aluminium and its alloys, results in it being used in various industries, which include automobiles, construction, electrical transmission application, food packaging etc.

Aluminium alloys are used in automobiles components due to its stiffness, corrosion resistance and excellent strength to weight ratio. The Aluminium de-ox alloys are used as deoxidizer in steel manufacturing units.

Company's Product Portfolio:

**Ingots**



**Notch Bar**

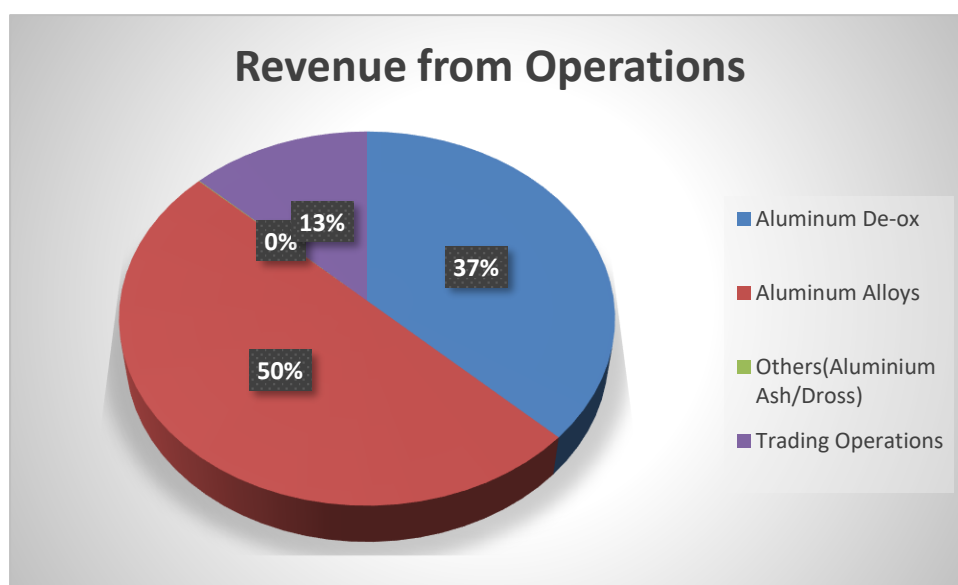


**Shots**



(Amount in lacs)

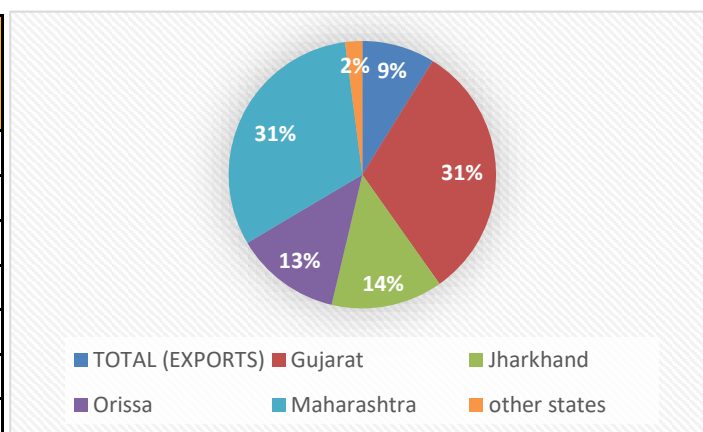
| Revenue From Operations     | As at 30/05/2022 | % of Revenue |
|-----------------------------|------------------|--------------|
| Aluminum De-ox              | 2,129.46         | 37.10%       |
| Aluminum Alloys             | 2,868.19         | 49.96%       |
| Others (Aluminum Ash/Dross) | 3.03             | 0.05%        |
| Trading Operations          | 740.16           | 12.89%       |



Company market their products to around 12 states & Union Territories in India of which majority portion of the revenue comes from the state of Gujarat, Maharashtra, Orissa and Jharkhand. Company also sell their products to the foreign buyers located in Japan, Canada, USA, China, Hong Kong, UAE, Taiwan etc.

(Amount in lacs)

| Particulars        | Fiscal year ended March 31, 2022 | % of Revenue   |
|--------------------|----------------------------------|----------------|
| TOTAL (EXPORTS)    | 2,192.32                         | 8.83%          |
| Gujarat            | 7,794.58                         | 31.38%         |
| Jharkhand          | 3,351.23                         | 13.49%         |
| Orissa             | 3,176.26                         | 12.79%         |
| Maharashtra        | 7,810.61                         | 31.45%         |
| Other states       | 514.75                           | 2.06%          |
| <b>GRAND TOTAL</b> | <b>24,839.76</b>                 | <b>100.00%</b> |



**Company's Installed Capacity & Capacity Utilisation: -**

| Particulars                 | 2019-2020 | 2020-2021 | 2021-2022 | Existing Installed Capacity (p.a.) |
|-----------------------------|-----------|-----------|-----------|------------------------------------|
| Installed Capacity (in Mt)  | 12,000    | 12,000    | 12,000    | 12,000                             |
| Actual Production (in Mt)   | 8287.6    | 8124.9    | 11,053.23 |                                    |
| Capacity Utilization (in %) | 69.0%     | 67.7%     | 92.1%     |                                    |

Company is installing a skelner furnance with capacity of 15 tons/batch along with ingot casting conveyor and scrap charging feeder. With installation of furnaces, Company's production capacity will increase from the existing capacity of 12,000 MTPA to the extent of 20,000 MTPA.

To conclude, the company seems to be in a good product segment and has a good experience in this industry. Company's top line and bottom line can be seen growing giving a positive outlook on the company and Company's production capacity will also increase to 20,000 MTPA. If the company is able to take advantage of this growing industry, then the company has huge potential in coming years as this sector is promising and has immense potential.

Exhibit 1: India E-Scrap Recycling Market

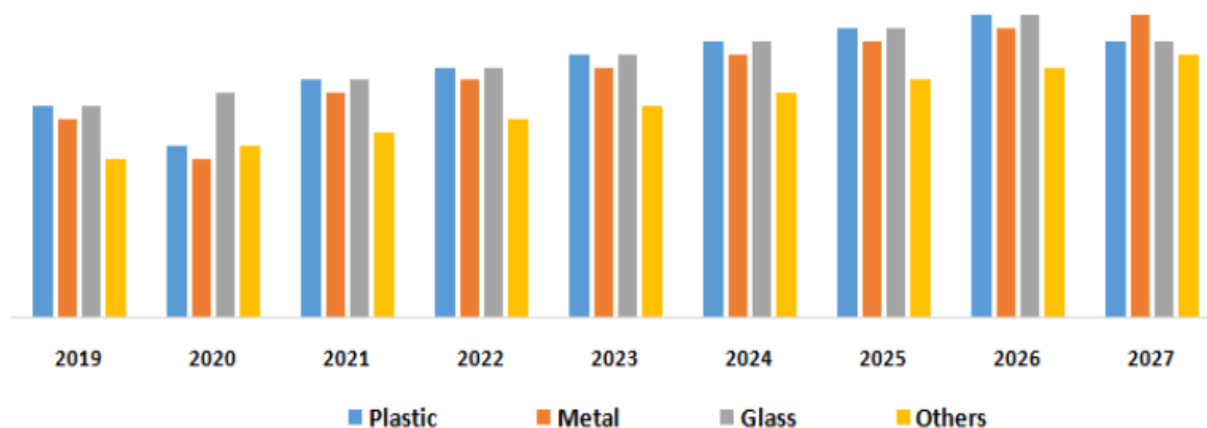


Exhibit 2: Sector Composition of Indian Mining and Metal Industry

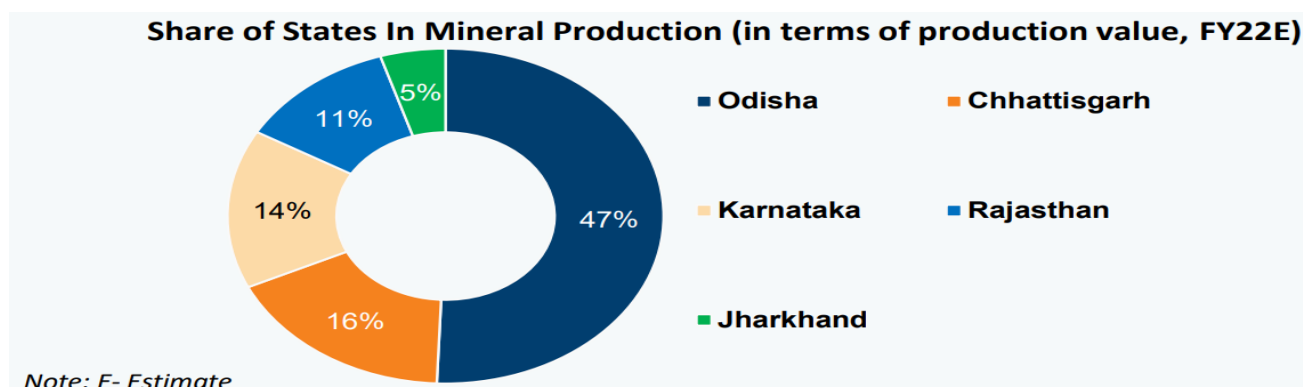
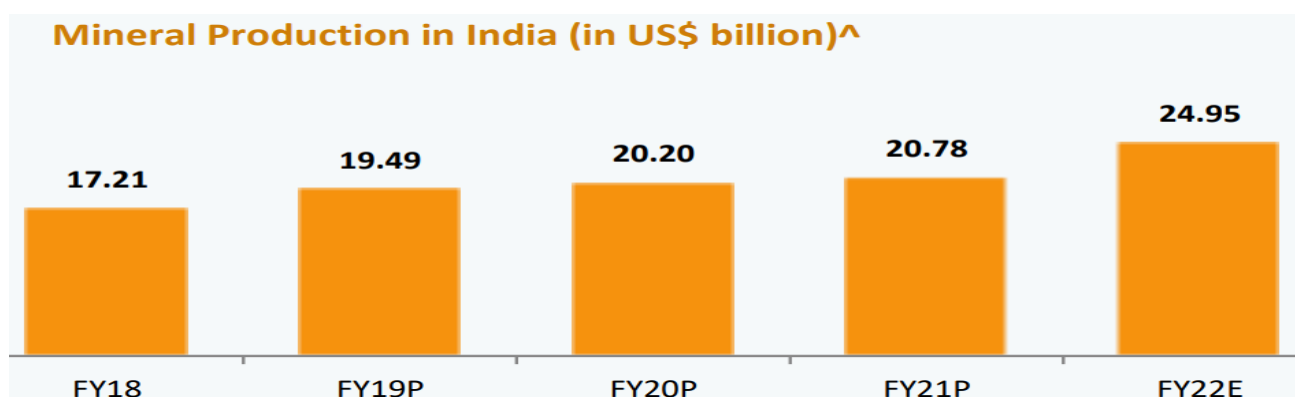


Exhibit 3: Key Trends in Indian Mining and Metal Industry



(Source: MMR, ibef.org)

## Investment Overview

### Indian Aluminium Industry

The Aluminium Industry in India is strategically well-placed and is one of the largest producers in the world with discernible growth plans and prospects for the future. India's rich bauxite mineral base renders a competitive edge to the industry as compared to its counterparts globally. Aluminium is more environment-friendly than steel, plastic and other materials. Aluminium has widespread uses throughout the economy and is equally important to both the industrial and consumer sectors. Aluminium is used in the Aerospace Industry as well as other industries requiring light metal. On the industrial side, aluminium is heavily used in electrical power transmission, machinery & equipment and construction. Aluminium usage in automobiles is rising and is expected to increase internationally. Over the past five years considerable progress has been made in aluminium - intensive vehicle production.

Housing, in particular, make heavy use of the lightweight material as a substitute for steel and wood in doors, windows and sidings. Aluminium is also used in a variety of retail products including cans, packaging, air conditioners, furniture and automobile. In addition, India has pioneered the replacement of copper by aluminium in power transmission & distribution which has enhanced the demand for aluminium. There are nearly 600 cable and conductor manufacturing units in the country, 103 having a total capacity of about 4,00,000 TPY. The major end-use of aluminium is as rolled sheets, extrusions and foils. India Foils, Pennar Aluminium and Century Extrusions are the major players in the extrusion & foil market.

Key sectors to drive aluminium consumption in India are Auto, Power, Electronics, Railways, Aerospace & Defence Construction, Solar Energy and Aluminium packaging. As per Technology Vision Document 2035, the per capita consumption of aluminium in India is among the lowest in the world with only 2.2 kg as compared to world average roughly of 8 kg with 22-25 kg in developed nations.

(Source: prospectus)

## **Addressable Market for Baheti Recycling Industries Limited**

Company currently markets their products to around 12 states & Union Territories in India of which majority portion of the revenue comes from the state of Gujarat, Maharashtra, Orissa and Jharkhand. The other states include Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Dadar Nagar Haveli & Daman Diu, West Bengal and Tamil Nadu. Company also sells their products to the foreign buyers located in Japan, Canada, USA, China, Hong Kong, UAE, Taiwan etc. Going forward, Company wants to continue to expand their international operations to enhance global presence.

## **Competition**

The aluminium recycling industry is extremely competitive. The company faces competition from a number of players in the market. Company's competitors have better penetration in some of the geographical locations that Company operates in. The Competition in the aluminium manufacturing industry is likely to further intensify in view of the continuing globalization and consolidation in the automotive industry.

## **Peer Analysis**

As Mentioned in the prospectus, the company has mentioned 2 listed peer companies viz. Arfin India Limited and Nupur Recyclers Limited. A summary on the key financial parameters is given in the table below –

| <b>Company</b>             | <b>Baheti Recycling industries limited</b> | <b>Arfin India Limited</b> | <b>Nupur Recyclers Limited</b> |
|----------------------------|--|----------------------------|--------------------------------|
| Net Profit (INR Cr)        | 2.92                                       | 9.18                       | 18.89                          |
| EBITDA (INR Cr)            | 7.43                                       | 25.48                      | 26.65                          |
| Return on Capital Employed | 28.99%                                     | 18.68%                     | 41.66%                         |
| Return on Equity           | 3.32%                                      | 11.83%                     | 29.89%                         |
| EPS (INR)#                 | 2.82                                       | 5.78                       | 16.50                          |
| P/E* (Times)               | 15.97                                      | 42.41                      | 38.26                          |

**\*As on 23/11/2022**

**#Post IPO Basis**



## Promoters' Profile and Management Analysis

### Mr. Shankerlal Bansilal Shah



- Mr. Shankerlal Bansilal Shah is the Chairman and Whole Time Director of the Company.
- He has been on the Board since incorporation.
- He has completed his higher secondary from S.B. Kapadia School, Ahmedabad.
- He has a work experience of more than 35 years in the metal industry.

### Mr. Balkishan Shankerlal Shah



- Mr. Balkishan Shankerlal Shah is the Managing Director of the Company.
- He Completed post Graduate Program in Management (Family Managed Business) from S.P. Jain Institute of Management and Research, Mumbai in 2010
- He has an experience of around 10 years in the metal industry.

### Mr. Yash Shankerbhai Shah



- Mr. Yash Shankerbhai Shah is the Joint Managing Director of the Company.
- He completed post Graduate Program in Global Family Managed Business from S.P. Jain School of Global Management in 2016.
- He has an experience of around 6 years in the metal industry.

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

**Mr. Shankerlal Bansilal Shah** is the Chairman and Whole Time Director of the Company. He has been on the Board since incorporation. He has a work experience of more than 35 years in the metal industry and has completed his higher secondary from S.B. Kapadia School, Ahmedabad. He currently looks after the overall management and administration of the Company.

**Mr. Balkishan Shankerlal Shah** is the Managing Director of the Company. He has completed his Bachelor of Commerce from Gujarat University in 2008 and post Graduate Program in Management (Family Managed Business) from S.P. Jain Institute of Management and Research, Mumbai in 2010. He has an experience of around 10 years in the metal industry. He currently oversees and controls the production and purchase operations of the Company.

**Mr. Yash Shankerbhai Shah** is the Joint Managing Director of the Company. He has completed his Bachelor of Commerce from Ahmedabad University in 2014 and Post Graduate Program in Global Family Managed Business from S.P. Jain School of Global Management in 2016. He has an experience of around 6 years in the metal industry. He currently oversees and controls the marketing and finance operations of the Company.

**Ms. Ayushi Yash Shah** is the Non-Executive Director of the Company. She has an experience of over 2 years in the field of finance. She has completed her master's in business administration (Finance) from Mohanlal Sukhadia University, Udaipur in 2017.

To conclude, the management of the company looks decent. The company's promoters are well experienced in the business line. The business seems to be primarily run by its promoters that is Mr. Shankerlal and his sons. Whole Time Director handling the Chairman position in the Board of Directors depict a negative outlook on the independence of the Board decisions. The independent directors are also well educated and experienced and could be a great driving force for the company.

## Financial Snapshot

(Amount in Lacs)

| Particulars                            | As at 31st March, 2021 | As at 31st March, 2022 | As at 30th May, 2022 |
|--|------------------------|------------------------|----------------------|
| <b>Profit and Loss</b>                 |                        |                        |                      |
| Revenue from operations                | 12,748.33              | 24,839.76              | 5,740.84             |
| Other income                           | 31.69                  | 86.30                  | 16.17                |
| Total Revenue                          | 12,780.02              | 24,926.06              | 5,757.01             |
| Expenses                               | 12,328.08              | 24,096.58              | 5,601.56             |
| Depreciation and Amortisation Cost     | 64.58                  | 74.88                  | 14.27                |
| Finance Cost                           | 312.02                 | 348.95                 | 61.51                |
| Total Expenses                         | 12,704.68              | 24,520.41              | 5,677.34             |
| PBT                                    | 75.34                  | 405.65                 | 79.67                |
| PBT Margin                             | 0.59%                  | 1.63%                  | 1.39%                |
| EBITDA                                 | 420.25                 | 743.18                 | 139.28               |
| EBITDA Margin                          | 3.30%                  | 2.99%                  | 2.43%                |
| Net Profit                             | 47.78                  | 291.98                 | 57.36                |
| Net Profit Margin                      | 0.37%                  | 1.18%                  | 1.00%                |
| <b>Balance Sheet</b>                   |                        |                        |                      |
| Total Borrowings                       | 3,758.76               | 5,042.08               | 4,508.55             |
| Net Worth                              | 1,081.02               | 1,669.51               | 1,726.87             |
| Fixed Assets                           | 721.18                 | 711.51                 | 699.47               |
| Net Working Capital                    | 1179.28                | 1593.62                | 1634.59              |
| <b>Financial Measures (Annualised)</b> |                        |                        |                      |
| Inventory Turnover Ratio               | 5.46                   | 8.05                   | 11.26                |
| Receivables Turnover Ratio             | 5.00                   | 6.51                   | 10.55                |
| Payables Turnover Ratio                | 12.16                  | 21.78                  | 33.52                |
| Fixed Assets Turnover Ratio            | 17.68                  | 34.91                  | 56.11                |
| Return on Capital Employed             | 18.72%                 | 28.99%                 | 19.88%               |
| Return on Equity                       | 4.42%                  | 17.49%                 | 10.57%               |
| Debt-Equity Ratio                      | 3.48                   | 3.02                   | 1.34                 |

(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. 420.25 lacs in 2021 to Rs. 743.18 lacs in 2022 and Rs. 139.28 lacs up to May 2022 and if we annualise the same it would be around Rs. 835.68 lacs growing at a CAGR of 41.02%. The EBITDA margin in 2021 was 3.30%, 2.99% in 2022 and 2.43% up to May 2022. The company has shown increasing purchases as compared to sales which has resulted in decrease of its EBITDA Margin.

### **Net Profit**

The net profit of the company has grown from Rs. 47.78 lacs in 2021 to Rs. 291.98 lacs in 2022 and Rs. 57.36 lacs up to May 2022 and if we annualise the same it would be around Rs. 344.16 lacs growing at a CAGR of 168.38%. The net profit margin in 2021 was 0.37%, 1.18% in 2022 and 1.00% up to May 2022. The growth of CAGR of 168.36% seems to be unsustainable in the coming future. However, talking about the net profit margin, it has shown good strength and is not extra-ordinary and the decrease in margin can be again attributed to increase in aluminium prices.

### **Finance Cost.**

The company has incurred Rs. 348.95 lacs in the financial year 2022 mainly due to the long term and short-term loan availed from bank.

### **Financial Measures/Ratios**

RoCE of the company in 2021 was 18.72% vs 28.99% in 2022 and 5.36% up to May 2022. The RoCE has increased due to substantial increase in absolute operating profit. Infusion of Equity Capital is likely to reduce the RoCE in coming times. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 19.88%

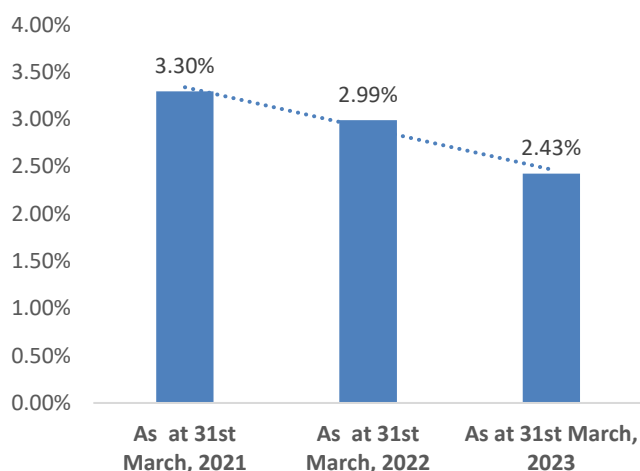
ROE of the company in 2021 was 4.42%, 17.49% in 2022 and 3.32% up to May 2022. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE to be around 10.57%.

The company has been able to effectively maintain its Receivables and Inventory, however it seems like the company has to pay its payables quite early and is not enjoying enough credit period.

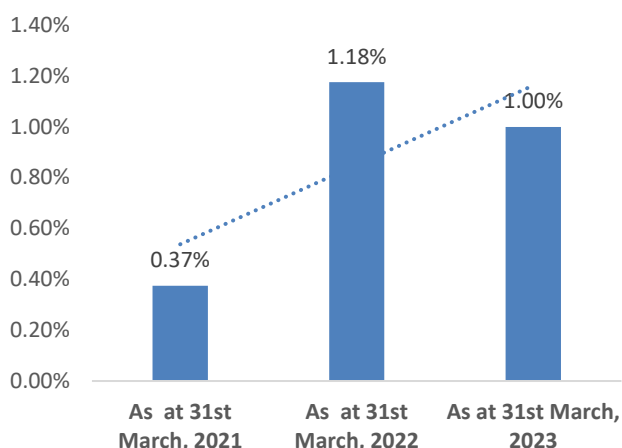
The company has a debt-equity ratio of 2.61 times up to May 2022. The debt-equity has come down from the levels of 2021 due to substantial increase in profits contributing to increase in the equity base of the company and is expected to fall more with the infusion of new capital and is estimated to be around 1.34 times.

**Financial Charts**

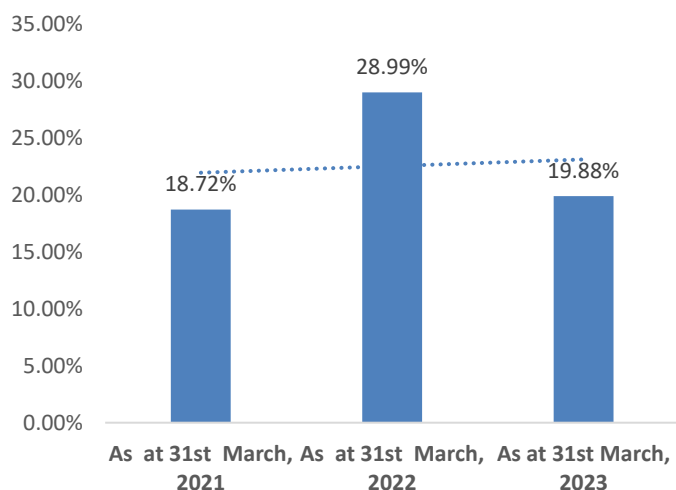
**EBITDA Margin**



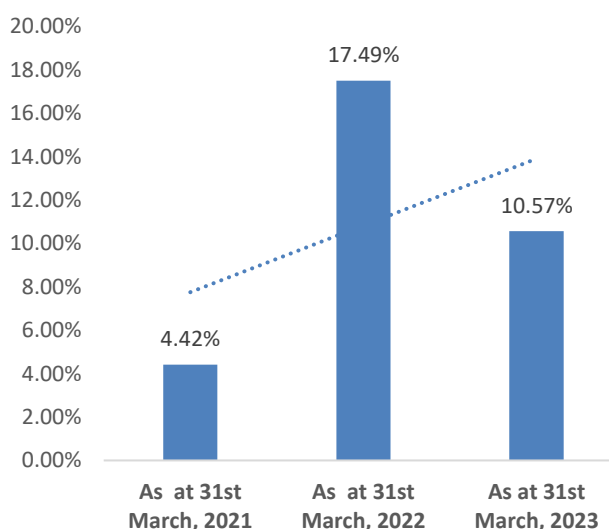
**Net Profit Margin**



**Return on Capital Employed**



**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 more than Rs. 35 Lakhs, which if determined against them, can affect financial conditions of the company.
2. Company's top five customers for the F.Y. ended March 31, 2022, and March 31, 2021, accounted for 60.94% and 51.76% of revenue from operations for the respective year.
3. Business is significantly dependent upon the steel and automotive-parts industry.
4. Company has availed unsecured loans which may be recalled by its lenders at any time. As on May 31, 2022, such loans amounted to Rs. 544.87 lacs.
5. As on 31st May 2022, Company had Contingent Liability of Rs. 11.77 lakhs against disputed labour case.

## Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 18th 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.      | Prevest Denpro Limited                        | 26.61             | 84/-                       | 27-09-2021   | 400.00 |
| 2.      | Jainam Ferro Alloys (I) Limited               | 19.61             | 70/-                       | 08-10-2021   | 181.30 |
| 3.      | Shri Venkatesh Refineries Ltd.                | 11.71             | 40/-                       | 11-10-2021   | 168.00 |
| 4.      | KN Agri Resources Limited                     | 49.38             | 75/-                       | 28-03-2022   | 171.00 |
| 5.      | Krishna Defence and Allied Industries Limited | 11.89             | 39/-                       | 06-04-2022   | 86.45  |
| 6.      | Eighty Jewellers Limited                      | 11.07             | 41/-                       | 13-04-2022   | 72.05  |
| 7.      | Kesar India Limited                           | 15.82             | 170/-                      | 12-07-2022   | 245.00 |
| 8.      | Concord Control Systems Limited               | 8.32              | 55/-                       | 10-10-2022   | 259.35 |
| 9.      | Lloyds Luxuries Limited                       | 24.00             | 40/-                       | 11-10-2022   | 46.45  |
| 10.     | Silicon Rental Solutions Limited              | 21.15             | 78/-                       | 10-10-2022   | 146.20 |
| 11.     | Cargosol Logistics Limited                    | 7.56              | 28/-                       | 10-10-2022   | 66.50  |
| 12.     | Vedant Asset Limited                          | 3.00              | 40/                        | 12-10-2022   | 59.55  |
| 13.     | Cargotrans Maritime Limited                   | 4.86              | 45/-                       | 10-10-2022   | 114.80 |

### #CMP is taken as on 23<sup>rd</sup> November 2022

Out of the last 10 listings, all opened with premiums ranging from 1.47% to 104.87% on the day of listing.



## Recommendation

The company was established in the year 1994 and therefore has good experience in Aluminium Recycling Industry and has also marked its geographical presence as serving in 12 states and union territories and 9 countries gives the company enough exposure to expand.

The Revenue of the company has shown some good strength in recent years and has been growing at a CAGR of around 64% and with the increment in the production capacity the Revenue of the company is estimated to increase more. The company has however, shown some lack of profitability margins due to increase in the purchase cost of its raw materials. With the expectation of raw material cost coming down, the profitability margins are expected to improve.

The management outlook of the company is also good and the promoters have good amount of experience in the field of business operations.

The company is getting listed at a PE of around 15.97 times on Post IPO basis and the industry PE is around 11.97 PE making it a highly priced IPO.

To conclude, the company's product segment has good prospect in the coming times and has also shown some good capability to generate sales operating in numerous states and countries. The profitability margin has been a matter of concern and the listing price of Rs. 45 per share seems to be aggressively priced. The company has good prospect but the price and profitability factor gives a mixture of reviews and so **risk averse investors should wait and risk seekers may apply.**

## 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.**