

### IPO Details

<b>Opening Date</b>	Nov 25, 2022
<b>Closing Date</b>	Nov 30, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	4000 Shares
<b>Issue Price</b>	Rs. 29 per share
<b>Issue Size</b>	32,48,000 Equity Shares
<b>Application Amount</b>	Rs. 1,16,000

### IPO Objective

Investment in relation to the new unit set up by the wholly owned subsidiary, Meeta Castings Limited (MCL)

General Corporate purposes

### Pre-Issue Shareholding

Category	No. of Shares	% Of Total Shares
Promoter & Promoter Group	76,34,511	99.99%
Public	4	0.0001%

### Promoter of the Company

- 1 Pritika Auto Industries Limited

### Competitive Strengths

- 1 Quality standards.
- 2 Experienced and professional management team.
- 3 Wide product range and product segments.
- 4 Legacy Business Process & Management.
- 5 Strong & experienced R&D team.

### Company Background

- Company was incorporated in February 2018 in the state of Punjab.
- Pritika Auto Industries Limited is the sole promoter of the company, which is also the holding company of this company, holding 100% shares in it.
- The company has a new fully owned subsidiary named Meeta Castings Ltd. which was established in March 2022.
- Company manufactures various Tractors & Automobile components like End Cover, Cover Sealed Brake, Differential Case, Cover Hydraulic Lift, Cover Transcase, Front Wheel hub, Fly Wheel Housing, Rear Axle Casings, Hydraulic Lift Covers, Brake Housing & Front Engine Supports etc.
- They have 1 manufacturing unit which is situated in Hoshiarpur, Punjab.
- Company had 388 employees as on 31<sup>st</sup> March, 2022

### Financial Summary

	(In Lacs)		
For the Period Ended	Sep-22	Mar-22	Mar-21
<b>Total Assets</b>	8,121.82	7,107.36	5,594.29
<b>Net Assets</b>	1,832.88	1,652.62	1,262.13
<b>Total Borrowings</b>	3,161.13	2,507.67	2,196.71
<b>Total Revenue</b>	4,340.24	5,739.58	3,244.36
<b>Profit After Tax</b>	185.53	546.17	38.18

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## Company Overview

Company was formed in February 2018 as a Private Limited Company and was later converted into a Public Limited Company in 2022 for the purpose of issuing shares to the public. It is a fully owned subsidiary of Pritika Auto Industries Limited which was founded in 1980. The holding company is in the same line of business. The Company recently established a fully owned subsidiary in March 2022 by the name Meeta Castings Limited. The company deals in various products for Tractors and trucks like End Cover, Cover Sealed Brake, Differential Case, Cover Hydraulic Lift, Cover Transcase, Front Wheel hub, Fly Wheel Housing, Rear Axle Casings, Hydraulic Lift Covers, Brake Housing & Front Engine Supports etc. They have one manufacturing unit which is situated in Hoshiarpur, Punjab. They have 388 employees of which 134 are permanent and 254 are temporary employees.

## Analysis

The company was formed recently in 2018 but its holding company is in this line of business since 1980s. This subsidiary was formed to cater to its holding company.

The Company's products are primarily targeted to all the top OEMs of the country who are in the business of manufacturing and/or assembly of automobile, especially tractors, trucks and other commercial vehicles. Their products are majorly sold to their group companies, who in turn, sell it to the end customer.

Some of the products of the company are as under:



Axle housings-tractors



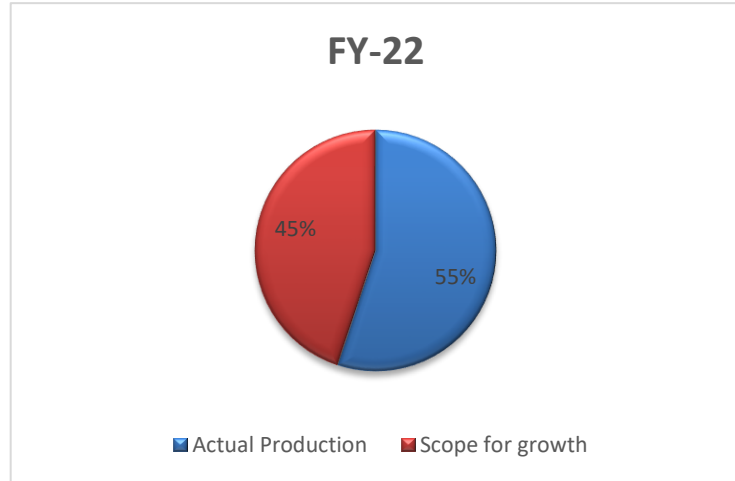
Lift Housings- Tractors



Differential Case- Tractors

The installed capacity and utilised capacity of the company is shown below: -

FY 20	Actual Production (MT)	3965
	Installed Capacity (MT)	9600
	<b>Capacity Utilization</b>	<b>41%</b>
FY 21	Actual Production (MT)	5252
	Installed Capacity (MT)	12000
	<b>Capacity Utilization</b>	<b>44%</b>
FY 22	Actual Production (MT)	6619
	Installed Capacity (MT)	12000
	<b>Capacity Utilization</b>	<b>55%</b>



As we can see, the company is using only 55% of its installed capacity leaving a lot of room for increasing production in the coming years.

The revenue of the company has increased from approximately 32 crores to 53 crores in the last one year from FY 20-21 to FY 21-22. This is in line with the increase in production from 44% to 55%. The company is growing at a steady pace and looks good in the long run. But since their main customer is its holding company, the success in the long run depends on the well-being of its parent company.

To conclude, the company has been into a growing segment, and after the pandemic, has shown good strength in the financial numbers. However, the industry is very competitive and is subject to regular innovations.

**Industry Charts**

Exhibit 1: Market Size of Auto Components Industry

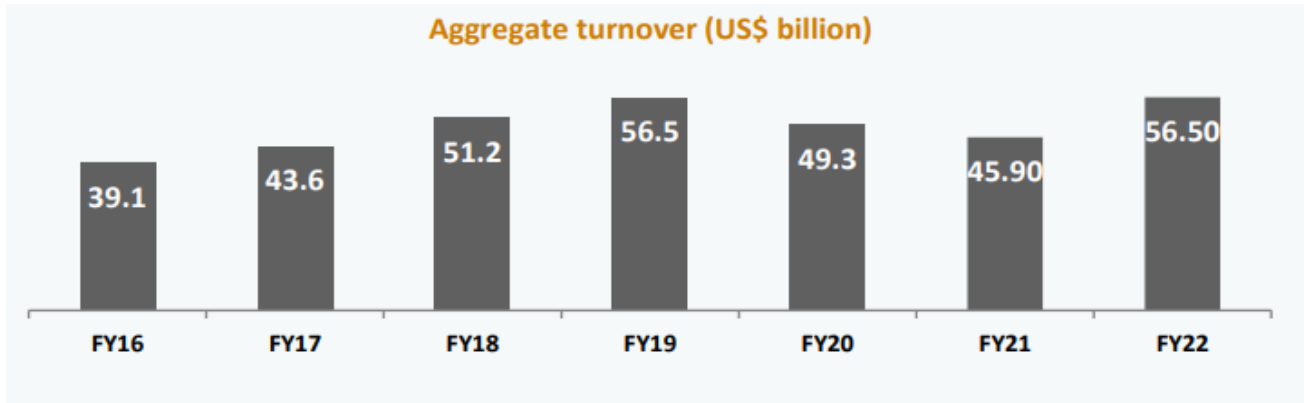


Exhibit 2: Sector Composition of Auto Components Industry

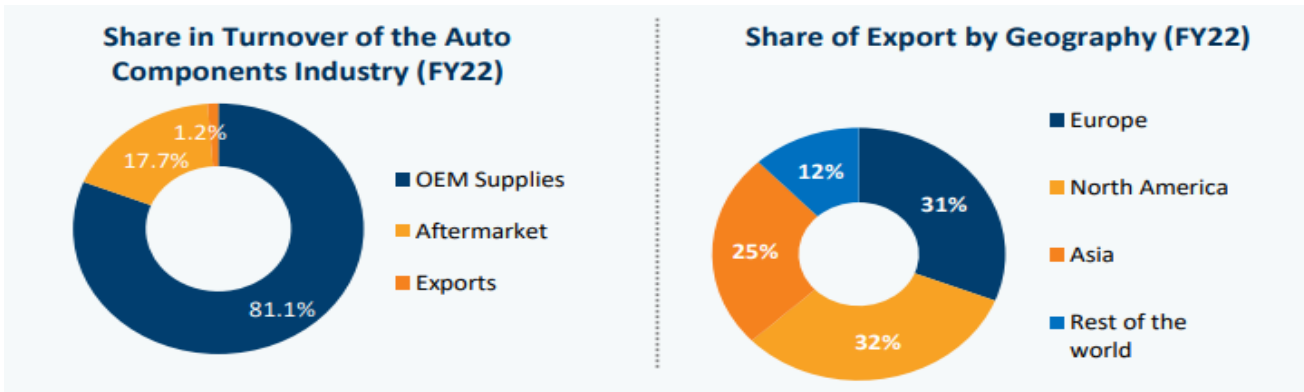
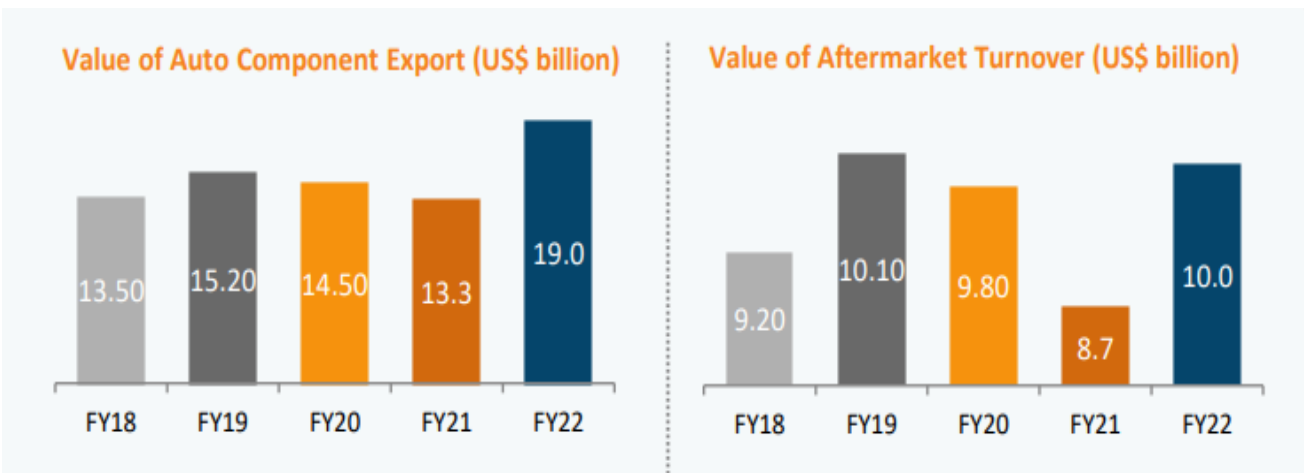


Exhibit 3: Key Trends in Auto Components Industry



(Source: ibef.org)

## Investment Overview

### Indian auto-components industry

India has become the fastest-growing economy in the world in recent years. This fast growth, coupled with rising incomes, boost in infrastructure spending and increased manufacturing incentives, has accelerated the automobile industry. The two-wheeler segment dominated the automobile industry because of the Indian middle class, with automobile sales standing at 17.51 million units in FY22.

Significant demand for automobiles also led to the emergence of more original equipment and auto components manufacturers. As a result, India developed expertise in automobiles and auto components, which helped boost international demand for Indian automobiles and auto components. Hence, the Indian automobile industry has a considerable impact on the auto component industry.

India's auto component industry is an important sector driving macroeconomic growth and employment. The industry comprises players of all sizes, from large corporations to micro entities, spread across clusters throughout the country. The industry contributes 2.3% to GDP and employs about 3 million people directly and indirectly.

The industry is a leader in exports and provides jobs to over 3.7 crore people. From FY16-FY22, the industry registered a CAGR of 6.35% and was valued at US\$ 56.50 billion in FY22. Due to the high development prospects in all vehicle industry segments, the auto component sector is expected to see double-digit growth in FY22. The industry is expected to stand at US\$ 200 billion by FY26.

India's auto components industry's market share has significantly expanded, led by increasing demand for automobiles by the growing middle class and exports globally. Due to the remarkable growth in demand for Indian auto components, several Indian and international players have entered the industry. India's auto component industry is broadly classified into organised and unorganised sectors. While the unorganised sector consists of low-valued items and mostly serves the aftermarket category, the organised sector serves OEMs and includes high-value precision instruments.

The automobile component industry turnover stood at Rs. 4.20 lakh crore (US\$ 56.5 billion) between April 2021-March 2022 the industry had revenue growth of 23% as compared to FY18-19. In FY22, exports of auto components went up 43% to Rs. 1.41 lakh crore (US\$ 19 billion).

As per the Automobile Component Manufacturers Association (ACMA) forecast, auto component exports from India is expected to reach US\$ 30 billion by 2026. The auto component industry is projected to record 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 auto component industry grow 20-23% in FY22.

(Source: ibef.org)

## **Addressable Market for Pritika Engineering Components Limited**

The company was made to cater to the needs of its parent company and therefore its major customer is its parent company. We can say that the addressable market for this company is same as its parent company.

## **Competition**

Company operates in a highly competitive environment. Auto Components Industry is fragmented consisting of large established players and small niche players. Further, there are no entry barriers in this industry and any expansion in capacity of existing manufacturers would further intensify competition.

## **Peer Analysis**

As Mentioned in the prospectus, the company has mentioned 2 listed peer companies viz. Nelcast Limited and Bhagwati Autocast Limited. A summary on the key financial parameters is given in the table below:

<b>Company</b>	<b>Pritika Engineering Components Limited</b>	<b>Nelcast Limited</b>	<b>Bhagwati Autocast Limited</b>
Net Profit (INR Cr)	3.90	14.22	-0.96
EBITDA (INR Cr)	6.34	67.49	1.63
Return on Capital Employed	8.38%	7.20%	-1.89%
Return on Equity	10.09%	3.22%	-3.54%
EPS (INR)#	4.48	1.64	-3.32
P/E* (Times)	6.47	51.83	-74.85

\* As on 22-11-22

# Post IPO Basis



## Promoters' Profile and Management Analysis

### Pritika Auto Industries Limited

- Pritika Auto Industries is the sole promoter of the Company.
- The company was incorporated on 11/04/1980
- The Company is engaged in manufacturing of Plastic Containers of various sizes for Paints, Lubricants, Greases etc.

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

Mr. Harpreet Singh Nibber aged 50 years, Managing Director, is a graduate in Mechanical Engineering having more than 26 years of experience in the industry. He has completed his B. Tech in 1994 and is associated with the parent company from 1996.

Mr. Raminder Singh Nibber, aged 81 years, Chairman and Non- Executive Director, is a Mechanical Engineer. He graduated from University of Roorke with a Gold Medal in Metallurgy. He has more than 54 years of rich experience in the industry. He is an active member of various Industrial & Trade Associations.

Mr. Ajay Kumar, aged about 48 years, Non-Executive Director possesses the degree of Mechanical Engineering and MBA in Finance. He is a graduate in Mechanical Engineering from Thapar Institute of Engineering & Technology, Patiala and completed his MBA from Punjab University, Chandigarh. He is an approved Internal Auditor for ISO. He is associated with the group for the last 20 years.

To conclude, the management of the company is highly experienced and are very well educated. Mr. Raminder Singh Nibber is around 81 years and so in long term and coming future his position might either be handled by Mr. Harpreet Singh Nibber. The Independent Directors of the company are also well experienced and educated and could provide the company with some good insights. **Overall, the management outlook is good.**

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
<b>Profit and Loss</b>			
Revenue from operations	3,207.16	5,360.75	4,331.35
Other income	37.20	378.83	8.89
Total Revenue	3,244.36	5,739.58	4,340.24
Expenses	2,891.48	4,726.72	3,772.76
Depreciation and Amortisation Cost	104.12	206.36	137.60
Finance Cost	190.53	219.34	181.08
Total Expenses	3,186.13	5,152.42	4,091.44
PBT	58.23	587.16	248.80
PBT Margin	1.82%	10.95%	5.74%
EBITDA	315.68	634.03	558.59
EBITDA Margin	9.84%	11.83%	12.90%
Net Profit	38.33	390.49	185.50
Net Profit Margin	1.20%	7.28%	4.28%
<b>Balance Sheet</b>			
Total Borrowings	2,196.71	2,507.67	3,161.13
Net Worth	1,262.13	1,652.62	1,838.12
Fixed Assets	3,292.90	4,099.73	4,172.31
Net Working Capital	386.2	838.29	1157.89
<b>Financial Measures</b>			<b>(Annualized)</b>
Inventory Turnover Ratio	3.32	5.25	5.11
Receivables Turnover Ratio	6.58	3.83	9.63
Payables Turnover Ratio	6.01	4.73	11.13
Fixed Assets Turnover Ratio	0.97	1.31	2.08
Return on Capital Employed	5.05%	8.38%	14.18%
Return on Equity	3.04%	23.63%	12.51%
Debt-Equity Ratio	1.74	1.52	1.00

(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. 315.68 lacs in 2021 to Rs. 634.03 lacs in 2022 and up to September'22 it was Rs. 558.59 lacs and if we annualise the same, it would be around Rs. 1,117.18 lacs. The EBITDA on an annualised basis has grown at a CAGR of 88.12%. The EBITDA margin in FY 21 was 9.84%, in FY 22 was 11.83% and in half year ending FY 23 was 12.90% showing consistent growth. Growth being consistent in nature reflects financial strength.

## **Net Profit**

The net profit of the company has grown from Rs. 38.33 lacs in 2021 to Rs. 390.49 lacs in 2022 and up to September'22 it is Rs. 185.50 lacs and if we annualise the same, it would be around Rs. 371.00 lacs. The net profit margin in 2021 was 1.20%, 7.28% in 2022 and 4.28% up to Sept'22. The net profit on an annualised basis has grown at a super-normal CAGR of 211.11%.

## **Finance Cost.**

The company has incurred finance cost mainly on the long term and short-term loans availed from bank.

## **Financial Measures/Ratios**

RoCE of the company up to September 2022 was 7.46% vs 8.38% in 2022 and 5.05% in 2021. The RoCE of the company increased in 2022 due to increase in the levels of Operating Profit from that of 2021. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 14.18%.

ROE of the company up to September 2022 was 10.09%, 23.63% in 2022 and 3.04% in 2021. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE of around 12.51%.

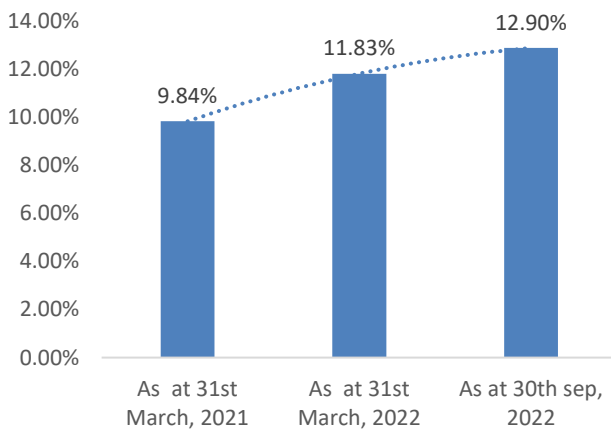
Company's Debt-Equity Ratio has been 1.72 in 2022. Post IPO Debt-Equity Ratio is estimated to be 1.00. The company is utilising 55% of its capacity and therefore will not need major loans for the same. Debt-Equity Ratio looks good for the company leaving scope for company to take debts and take advantage of the leverage in case

it requires funds for any sudden expansion plans or major expenditure requirements.

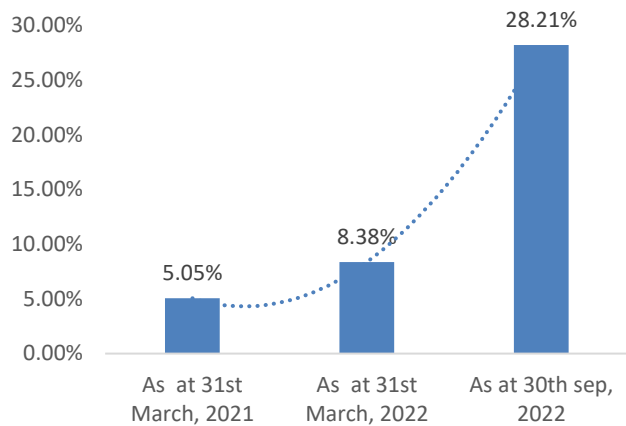
## Financial Charts

\*Charts are annualised

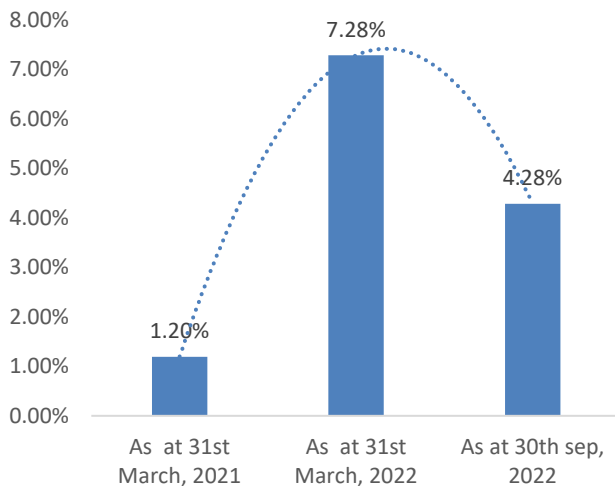
**EBITDA Margin**



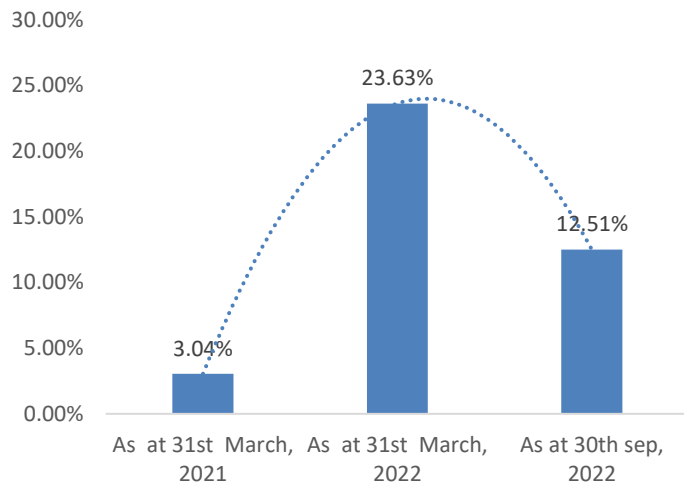
**Return on Capital Employed**



**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. 246.43 lacs, which if determined against them, can affect financial conditions of the company.
2. Company has around Rs. 90.50 lacs as contingent liability and if it goes against the company, it might affect the profitability of the company.
3. Company's Revenue from top 3 customers in FY22 and FY21 was 99.79% and 99.65% respectively, and for FY20, the percentage of Revenue from top 2 customers was 99.80%.
4. As on March 31, 2022, Company has total financial indebtedness of ₹ 2,507.67 lakhs.
5. Company has entered certain related party transactions amounting to Rs. 4,955 lacs of sales to its holding company and promoter group.

## Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors and the previous issue details have been taken from the Lead Manager's website and Chittorgarh.com. 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.	Naapbooks Limited	3.99	74/-	15/09/2021	54.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	21.70
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	21.50
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	71.90
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	33.50
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	15.00
7.	Mafia Trends Limited	1.28	28/-	06/10/2022	17.70

### #CMP is taken as on 22<sup>nd</sup> November 2022

This is the 8th IPO of the Lead Manager; all the last 7 listings have been in premium. The lead manager made its first IPO quite recently and had been handling IPOs of less than 5 crores.

## Recommendation

Company was incorporated recently in 2018 but its parent company is in the market since a long time since 1980 adding to its track record.

The revenue of the company has shown steady growth with consistent growth in profit margins. Also, since the company is operating in a competitive market, the margins are expected to be around the same levels. The company is operating at only 55% of its capacity, indicating no immediate need for capex.

The management outlook of the company is positive. The management is experienced and well educated.

The major threat to the company is the highly competitive market and threat of new entrants. Due to large number of players in the market, the scope for inefficiency and/or mistakes decreases drastically. In order to sustain and grow in the market, the company will need to maintain its quality standards.

To conclude, company has good experience in its product segment, the management outlook is positive, the margins have grown consistently, the market is highly competitive with big players etc. leads us to having an overall mixed review. P/E Ratio of the industry is around 51 times whereas the P/E Ratio for this company is around 12 times. **So risk averse should avoid and risk seekers 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.**