

**IPO Details**

<b>Opening Date</b>	Dec 29, 2022
<b>Closing Date</b>	Jan 02, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1200 Shares
<b>Issue Price</b>	₹ 100 per share
<b>Issue Size</b>	15,00,000 Equity Shares
<b>Application Amount</b>	₹ 1,20,000

**IPO Objective**

Funding Working Capital Requirement of the company  
General Corporate Purpose

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	38,81,680	94.56%
Public	2,23,320	5.44%

**Promoter of the Company**

- Mr. Unnikrishnan Nair P M
- Mrs. Beena Unnikrishnan

**Competitive Strengths**

- Experienced management team and Strong technical team.
- Strengthening trust developed by and with Anlon in years.
- Fulfilling other service gaps.
- 24\*7 Availability for customer service.
- Regular technological upgradation.
- After-sales service and operation.

**Company Background**

- Company was incorporated in the year 2015 in Bangalore, Karnataka.
- The Company is primarily engaged in the business of providing engineering services for engineering systems, built on automotive chassis and allied areas, majorly for airports, high rise buildings and refineries.
- The Company also sells spare parts for performing engineering services which is ancillary part of the engineering services.
- Business' unique selling point is that Company is the exclusive service providers for providing maintenance and service for the products sold through them.
- As on the date of prospectus, Company had 113 employees on its payroll.

**Financial Summary**

For the Period Ended	(In Lacs)		
	Sept-22	Mar-22	Mar-21
<b>Total Assets</b>	2,041.97	2,096.90	1,552.78
<b>Net Assets</b>	822.96	488.76	245.82
<b>Total Borrowings</b>	557.87	580.94	161.05
<b>Total Revenue</b>	1,341.96	1,958.60	1,444.00
<b>Profit After Tax</b>	239.20	242.94	73.51

**Tentative Timeline**

<b>Opening Date</b>	Dec 29, 2022
<b>Closing Date</b>	Jan 02, 2023
<b>Basis of Allotment</b>	Jan 05, 2023
<b>Initiation of Refunds</b>	Jan 06, 2023
<b>Credit of Shares to Demat</b>	Jan 09, 2023
<b>Listing Date</b>	Jan 10, 2023



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## Company Overview

Anlon Technology solutions Limited was established in the year 2015. The Company is primarily engaged in the business of providing engineering services for engineering systems, built on automotive chassis and allied areas, majorly for airports, high rise buildings and refineries. Company identifies requirements in aviation infrastructure and mobile fire-fighting, and coordinate for imports high performance equipment from world class suppliers. In case of overseas manufacturer, Anlon provides end to end techno-commercial support which include specifying the solution, facilitate techno-commercial interaction between the manufacturer and the end user, and assist in order processing, and support in successful implementation by providing all logistic support in India such as custom clearance, inland transportation, etc.

## Analysis

The company's business operations are broadly divided in 2 categories:

### 1. Mobile Fire Fighting, Rescue and Evacuation Equipment and allied services:

- Airport Rescue and Fire Fighting vehicles (ARFF)
- High rise building rescue, evacuation and firefighting equipment
- Industrial Fire Engines

### 2. Other Airport Services:

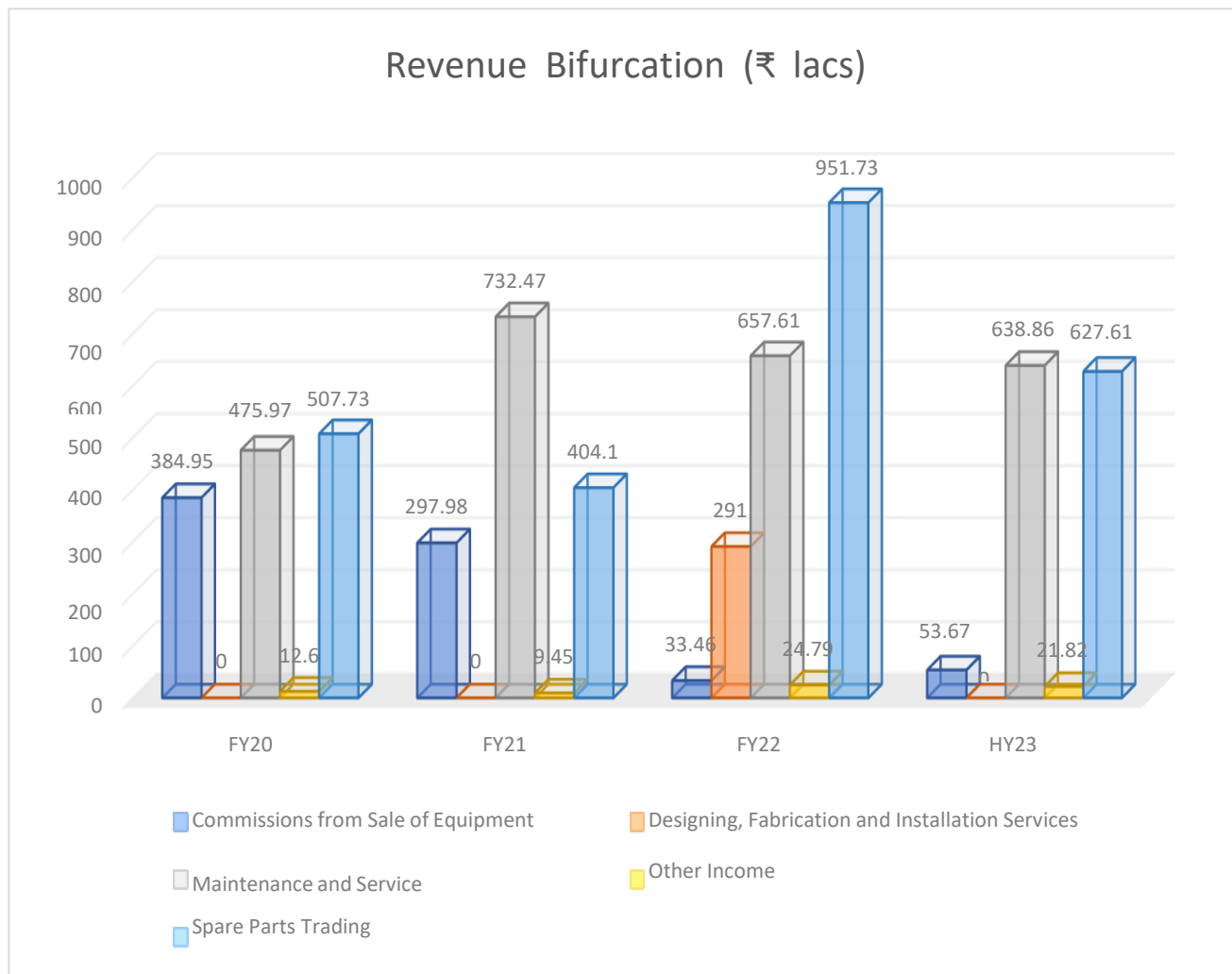
- Runway Rubber removal and paint removal machines
- Runway sweeping and Bay cleaning
- Disabled Aircraft Recovery Kit (DARK)
- Supply of Airport interior components

In FY22, the company had entered into a contract for fabrication and installation of airport interior equipment where company did sourcing, supervising & quality control of the manufacturing process, and did safe transportation & installation of the end product to the installation site, overseeing safe installation, and have supplied conveyer belt systems in airports for air cargo handling companies and have also been providing equipment and services for runway maintenance. Company also offers helps in installation, commissioning, training, warranty and

post-warranty services and thus looking after the equipment for its whole lifetime. Company also supports in spare parts distribution.

### Revenue breakdown

Revenue Bifurcation (in ₹ lacs)	Half year ended September 30, 2022	FY 2021-22	FY 2020-21	FY 2019-20
Commissions from Sale of Equipment	53.67	33.46	297.98	384.95
Spare Parts Trading	627.61	951.73	404.10	507.73
Maintenance and Service	638.86	657.61	732.47	475.97
Designing, Fabrication and Installation Services	-	291.00	0.00	0.00
Other Income	21.82	24.79	9.45	12.60
<b>Total Revenue</b>	<b>1341.96</b>	<b>1,958.59</b>	<b>1,444.00</b>	<b>1,381.25</b>





To conclude, the company's business has different segments which have good prospect in future. Company's majority of revenue come from trading of spare parts and after sale service and maintenance, thus providing end to end service to its clients. Company is the sole entity for their OEMs (Original Equipment Manufacturer) i.e., M/s. Rosenbauer International AG, Austria. The objective to raise money is further believed to contribute towards growth of the company.

**Industry Charts**

Exhibit 1: Market size of Global Truck Market (US\$ Billion)

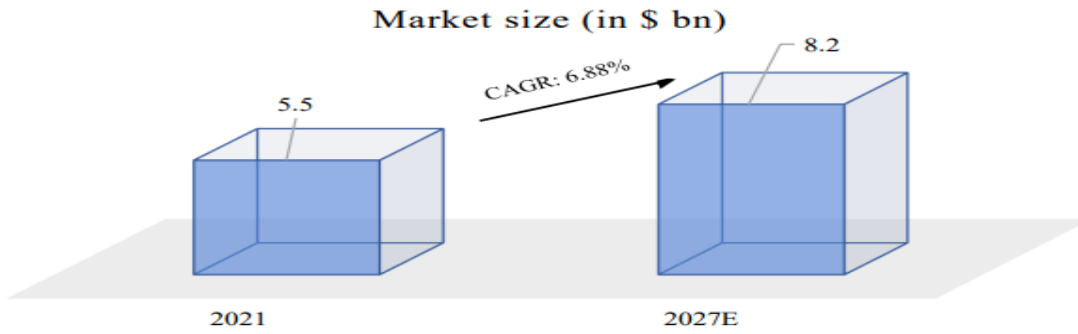


Exhibit 2: Product Categories

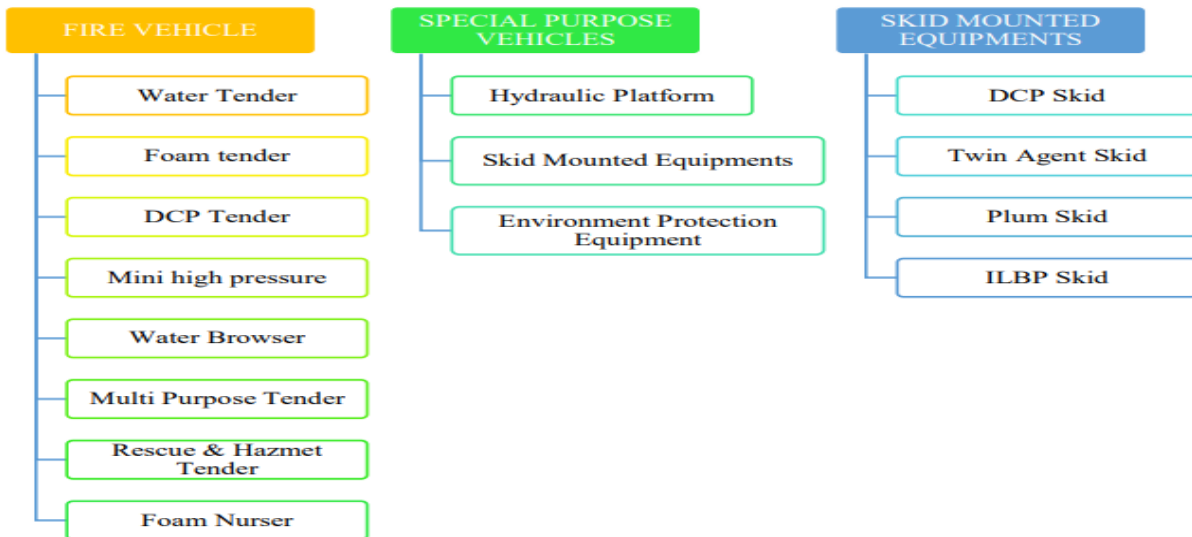
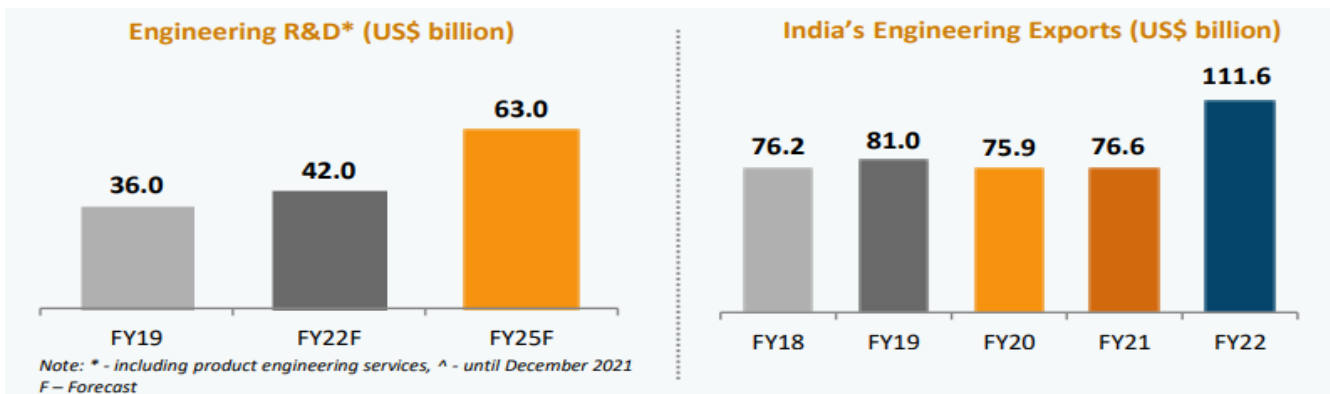


Exhibit 3: Key Trends in Indian Engineering Industry



(Source: ibef.org, prospectus)

## Investment Overview

### **Indian Firefighting and Engineering Industry**

India has witnessed a key increase in the demand for fire trucks over the past years, owing to the high industrialization the country is undergoing. Industries from segments like oil refineries, steel plants, industrial corporations, and thermal power generation plants have been demanding industrial grade fire trucks with special emphasis on foam trucks.

The demand is primarily noticeable from tier 1 and tier 2 cities of the country, which has been scrutinized by the fire truck manufacturers and further collaborated and partnered to capitalize on this pain point; moreover, with increasing urbanization, further demand is expected to drive the market. In March 2021, Ashok Leyland, India, unveiled the new 2021 Fire Truck, manufactured in collaboration with Laxmi Steel Industries. This truck was equipped with a fire pump capacity of 2250 LPM at 7 KG-Cm<sup>2</sup> with a water tank capacity of approximately 5000 Litres and an additional 500 litres of Foam Tank, working together for effective fire extinguishing.

The engineering sector is the largest of the industrial sectors in India. It accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations. Demand for engineering sector services is being driven by capacity expansion in industries like infrastructure, electricity, mining, oil and gas, refinery, steel, automobiles, and consumer durables. India has a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors.

India's engineering sector has witnessed a remarkable growth over the last few years, driven by increased investment in infrastructure and industrial production. The engineering sector, being closely associated with the manufacturing and infrastructure sectors, is of huge strategic importance to India's economy.

(Source: ibef.org, Prospectus)

### **Addressable Market for Anlon Technology Solutions Limited**

The company provides services to their clients spread across the country, namely in cities like Mumbai, Bangalore, Thane, Delhi, Hyderabad, Kurnool, Kannur, Jamnagar, Kolkata, Barmer, Ahmedabad, Lucknow, Guwahati, Mangalore and Chennai. The company could cover other parts of India and overseas as well in the coming times.

### **Competition**

Company operates in a competitive atmosphere. Company's competition varies by market, geographic areas and type of products. Company faces stiff competition from domestic as well as global market. Some of their competitors may have greater resources than those available to company. It can be considered that there is an entry barrier to this industry as operating in this industry requires a deep understanding of the offerings from the suppliers and also simultaneously must have the understanding of the customer's issues and requirements needed by them.

### **Peer Analysis**

As provided in the prospectus, the company do not have any listed peer.



**Promoters' Profile and Management Analysis****Mr. Unnikrishnan Nair P M**

- Unnikrishnan Nair P M, aged 54 years, is the Chairman of the Board, Managing Director and Promoter of the Company.
- He holds Bachelor's degree in Engineering – Mechanical from Bangalore University.
- He has more than 28 years of experience in the aviation industry.

**Mrs. Beena Unnikrishnan**

- Beena Unnikrishnan, aged 53 years, Whole-Time Director and Promoter of the Company.
- She holds Bachelor's Degree in Arts from University of Kerala.
- She has more 10 than years of experience in the Human Resources, operations and financial matters.

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

Mr. Unnikrishnan Nair P M, aged 54 years, is the Chairman of the Board, Managing Director and Promoter of the Company. He holds Bachelor's degree in Engineering – Mechanical from Bangalore University. He has more than 28 years of experience in the aviation industry.

Mrs. Beena Unnikrishnan, aged 53 years, Whole-Time Director and Promoter of the Company. She holds Bachelor's Degree in Arts from University of Kerala. She has more 10 than years of experience in the Human Resources, operations and financial matters.

Mrs. Veena Praveen, aged 47 years, is the Non-Executive Director of the Company. She holds Bachelor's degree in Commerce from M.G. University. She has more than 10 years of experience in accounting.

To conclude, the company's promoters and board of directors are very well experienced and educated. The roles and responsibilities of the management is majorly handled by Mr. Unnikrishnan Nair P M and also the fact that the Managing Director holds the chairman position reflecting a little concern in the corporate governance factor of the company. The independent directors are also experienced and educated 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 Sept, 2022
<b>Profit and Loss</b>			
Revenue from operations	1,434.55	1,933.81	1,320.14
Other income	9.45	24.79	21.82
Total Revenue	1,444.00	1,958.60	1,341.96
Expenses	1,306.54	1,522.21	952.62
Depreciation and Amortisation Cost	19.36	20.09	10.01
Finance Cost	14.36	74.95	46.86
Total Expenses	1,340.26	1,617.25	1,009.49
PBT	103.74	341.35	332.47
PBT Margin	7.23%	17.65%	25.18%
EBITDA	128.01	411.60	367.52
EBITDA Margin	8.92%	21.28%	27.84%
Net Profit	73.51	242.94	239.20
Net Profit Margin	5.12%	12.56%	18.12%
<b>Balance Sheet</b>			
Total Borrowings	161.05	580.94	557.87
Net Worth	245.82	488.76	822.96
Fixed Assets	158.58	387.27	389.92
Net Working Capital	283.72	281.72	322.86
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	29.13	13.05	27.43
Receivables Turnover Ratio	3.33	3.73	8.41
Payables Turnover Ratio	0.51	1.29	3.16
Fixed Assets Turnover Ratio	9.05	4.99	7.14
Return on Capital Employed	33.18%	48.76%	26.28%
Return on Equity	29.90%	49.71%	18.67%
Debt-Equity Ratio	0.66	1.19	0.21

(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. 128.01 lacs in 2021 to Rs. 411.60 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 367.52 lacs and if we annualise the same it would be around Rs. 735.04 lacs. The EBITDA on annualised basis has grown at a CAGR of 139.63%, but the year 2021 was affected with COVID which had affected the revenue of the company. The EBITDA margin in 2021 was 8.92%, 21.28% in 2022 and 27.84% as on 30<sup>th</sup> Sept 2022. The EBITDA margin has grown due to huge decrease in employee benefit expenses and purchases.

### **Net Profit**

The net profit of the company has grown from Rs 73.51 lacs in 2021 to Rs. 242.94 lacs in 2022 and as on 30<sup>th</sup> Sept 2022 it was Rs. 239.20 lacs and if we annualise the same it would be around Rs. 478.40 lacs growing at a CAGR of 155.11%. The growth of CAGR of 155.11% is super-normal and the sustainability of the same is in question.

### **Finance Cost.**

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

### **Financial Measures/Ratios**

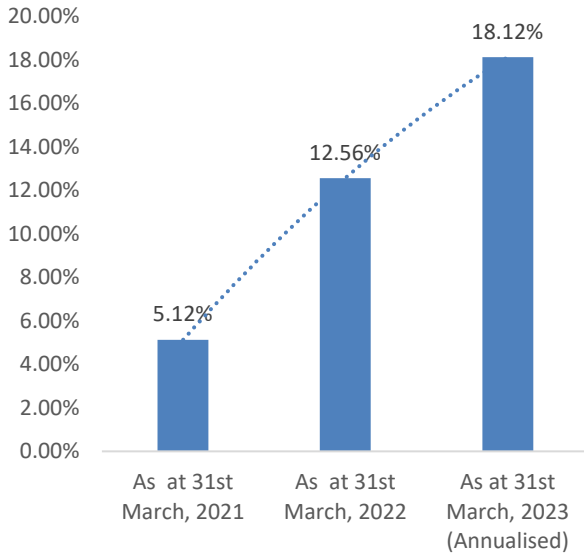
RoCE of the company up to 30<sup>th</sup> Sept 2022 is 33.66% vs 48.76% in 2022 and 33.18% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 26.28%. The RoCE has increased due to increase in net profit margins of the company in FY 2022.

ROE of the company in 2021 was 29.90%, 49.71% in 2022 and 29.07% up to Sept 2022, if annualised, ROE would be around 18.67%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

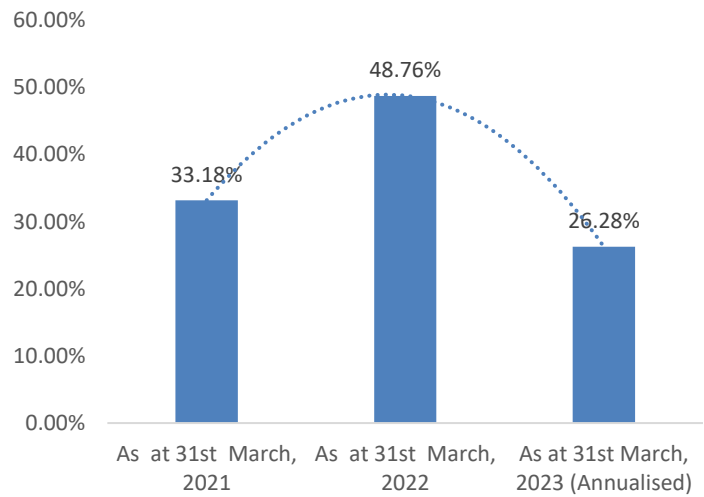
The company has a debt-equity ratio of 0.68 which shows the company is decently leveraged. The debt-equity ratio is going to go further down to around 0.21 times post IPO.

**Financial Charts**

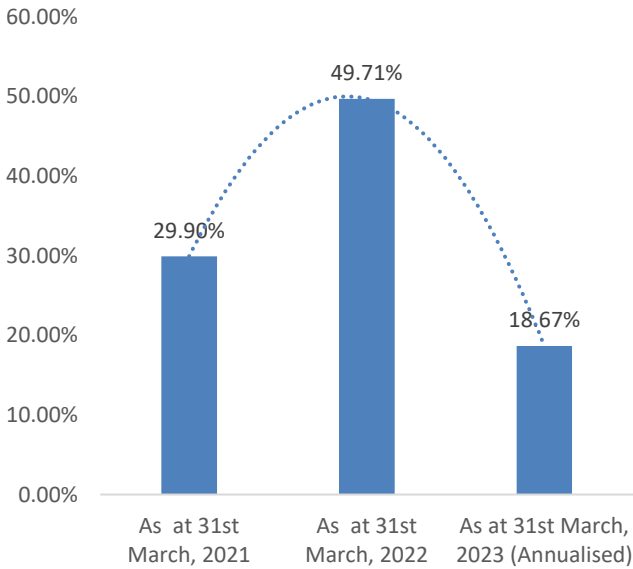
**Net Profit Margin**



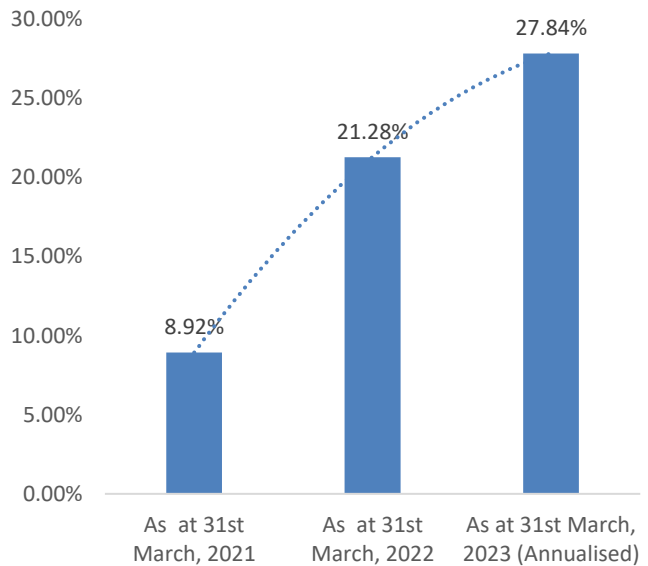
**Return on Capital Employed**



**Return on Equity**



**EBITDA Margin**



## Key Risk Factors

1. Company is involved in certain litigations including tax related litigations amounting to Rs. 188.75 lacs and certain unascertainable litigations as well, which if determined against the company, can affect financial conditions of the company
2. Company had negative cash flow in its operating activities in the past years.
3. Company faces foreign exchange risks that could adversely affect their results of operations and cash flows.
4. Business offerings are highly dependent upon the safety and performance codes of airports and firefighting.
5. Company has availed certain unsecured loans of which an amount of ₹ 430.07 lakhs is outstanding as on March 31, 2022.

## 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	52.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	24.00
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	26.45
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	73.00
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	36.30
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	15.25
7.	Mafia Trends Limited	1.28	28/-	06/10/202	17.65
8.	Pritika Engineering Components Limited	9.42	29/-	08/12/12	32.20

### #CMP is taken as on 22nd December 2022

This is the 9th IPO of the Lead Manager; all the last 8 listings have been in premium. The lead manager made its first IPO quite recently and had been handling IPOs of less than 10 crores.

## Recommendation

The company has a decent experience considering the year of establishment being 2015, However the Net profit margins has shown super normal growth.

The company has been in an industry which is highly competitive but there is an entry barrier to this industry as operating in this industry requires a deep understanding of the offerings from the suppliers.

The management of the company is experienced and educated. However, the roles and responsibilities of the management is majorly handled by Mr. Unnikrishnan Nair P M and also the fact that the Managing Director holds the chairman position reflecting a little concern in the corporate governance factor of the company.

The company is getting listed at a Post IPO PE of around 22.68 times which seems fairly priced, looking at the record of the company over the past years.

To conclude, the company is operating in a good segment and has been able to perform well over the years. The net profit margin might not be sustainable but the company has an objective to raise money for business expansion. Looking at the experience of the promoters and market situation one with excess capital should **apply** to 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.**