

### IPO Details

<b>Opening Date</b>	Dec 23, 2022
<b>Closing Date</b>	Dec 27, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 36 per share
<b>Issue Size</b>	23,25,000 Equity Shares
<b>Application Amount</b>	₹ 1,08,000

### IPO Objective

Funding Working Capital Requirement  
 Meet public issue expenses.  
 General Corporate Purpose

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	61,15,800	99.997%
Public	200	0.003%

### Promoter of the Company

1 Mr. Jaybajrang Ramaishish Mani

### Competitive Strengths

- 1 Strong project execution capabilities.
- 2 Experienced management team.
- 3 High growth opportunities in the infrastructure sector.

### Company Background

- Company was established in the year 2013 in Gujarat.
- The Company is engaged in the business of engineering, execution, testing, commissioning operation and maintenance.
- Company is Class -I certified Boiler Repairer / Erector and System / Feed Line fabricator / Erector service provider.
- Company has work order book of approximately ₹ 121 Crores (Including GST) as on September 06, 2022.
- Recently company has received letter of Intent from Malco Energy Limited worth ₹ 200 Crores for Operations and Maintenance of Metcoke Manufacturing Plant.
- As on 31<sup>st</sup> August 2022, the company had 2,049 employees on its payroll including 1,640 workers.

### Financial Summary

For the Period Ended	(In Lacs)		
	Jun-22	Mar-22	Mar-21
<b>Total Assets</b>	2,450.29	2,503.60	2,333.62
<b>Net Assets</b>	718.93	653.52	462.54
<b>Total Borrowings</b>	641.41	850.90	813.41
<b>Total Revenue</b>	1,027.20	4,763.05	3,888.74
<b>Profit After Tax</b>	65.40	190.99	(133.24)

### Tentative Timeline

<b>Opening Date</b>	Dec 23, 2022
<b>Closing Date</b>	Dec 27, 2022
<b>Basis of Allotment</b>	Dec 30, 2022
<b>Initiation of Refunds</b>	Jan 02, 2023
<b>Credit of Shares to Demat</b>	Jan 03, 2023
<b>Listing Date</b>	Jan 04, 2023

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## Company Overview

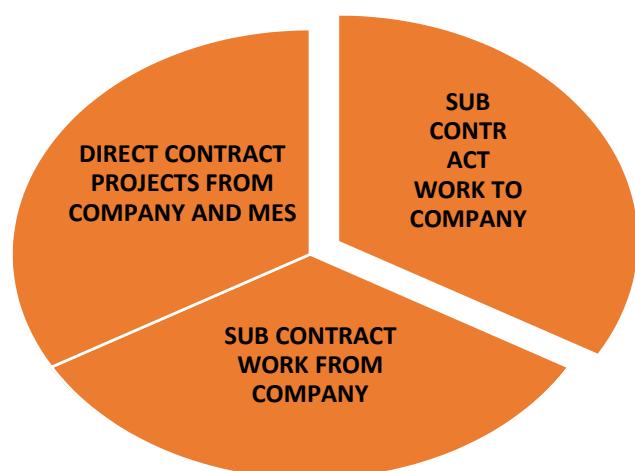
RBM Infracon limited is engaged in the business of engineering, execution, testing, commissioning operation and maintenance, particularly in the field of mechanical and rotary equipment for Oil & Gas Refineries, Gas Cracker Plants, Coal/Gas/WHR based Power Plants, Petrochemical, Chemicals, Cement, Fertilizers. Company provides following services in different plant like crude ( CDU-VDU) , DHDS, FCCU, NHT-CCR, HMU-I & II , VGO -DHDT-ISOM , CPP ( Boiler , Piping HT job with IBR coordination ) , DCU( Coker) Utility , Off site , RTF (Pit area) dispatch , Rail and Jetty with around 650 Manpower and also involve in ARC maintenance job in RIL-Jamnagar and YARA-Babralla. Company have executed around 14 Turnaround Shutdowns Job including Mega/Mini Shutdowns in Reliance Industries Limited, Nayara Energy Limited (Formerly Known as Essar Oil Limited) and Yara Fertilisers India Limited & HMEL-Bathinda. and renovation of existing institutions. Company takes projects from both Private Sector and Public Sector through different ways.

## Analysis

Company has almost a decade of experience in the industry. Company's major services include:

- Fabrication & Erection of Structural Work on Procurement & Construction Basis
- Tankage Fabrication & Erection Work
- Fabrication and erection of Piping of such as CS/ SS/ Alloy steel including above ground and underground
- ARC Maintenance of Refineries, Petrochemicals, Fertilizers Plant etc.
- Turnaround (Shutdown) of Power, Refineries and Petrochemicals etc.
- Blasting & Painting for various industries
- Insulation and Refractory work
- Electrical and Instrumentation
- Wagon Tippers, Conveying System (Raw Material Handling etc.)
- Scaffolding Work
- Torquing & Bolting
- NDT Services (Radiology)

Company's Business Model can be broadly categories into three categories:



Particulars	Amount up to June 2022	IN %
Direct	824 lacs	80.35
Indirect	0	0
Sub-Contracting to other Entities	201.56 lacs	19.65
<b>Total</b>	<b>1,025.56 lacs</b>	<b>100%</b>

Talking about the revenue of the company, it is seen that the revenue has shown some supernormal growth from FY 20 to FY 22 growing at a CAGR of around 85%. However, it can be justified as Company have work order book of approximately ₹ 121 Crores (Including GST) as on September 06, 2022 and recently company has received letter of Intent from Malco Energy Limited (Part of Vedanta Group) worth ₹ 200 Crores for Operations and Maintenance of Metcoke Manufacturing Plant. Contract Tenure is for 3 years.

To conclude on business overview, it can be said the company has proven track record and has built up the credential of handling most critical /challenging work in various industries. However, company's growth is dependent upon growth in infrastructure industry and company has insufficient market reach outside Jamnagar (Gujarat), which might be a concern in future for expansion.

**Industry Charts**

Exhibit 1: Growth in Infrastructure Related Activities in FY21 (%)

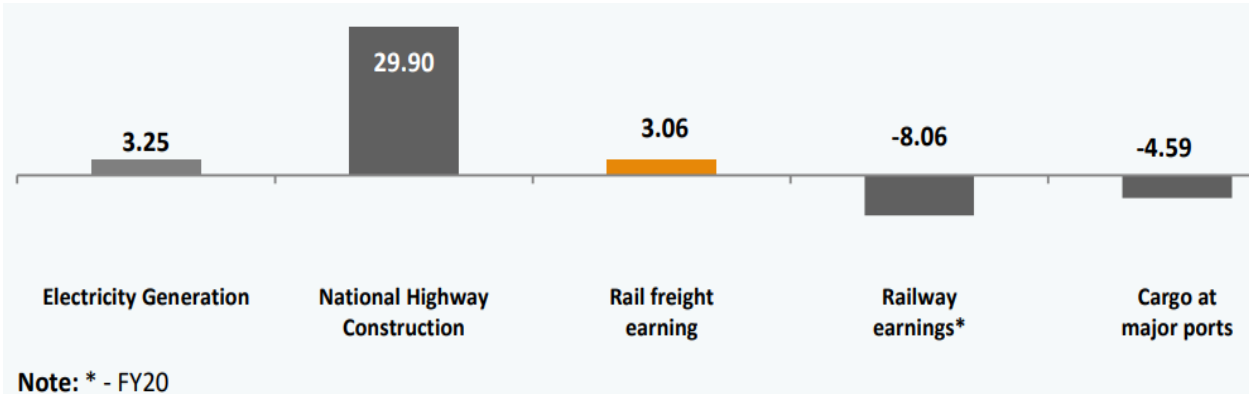


Exhibit 2: Sector Composition of Indian Infrastructure Sector

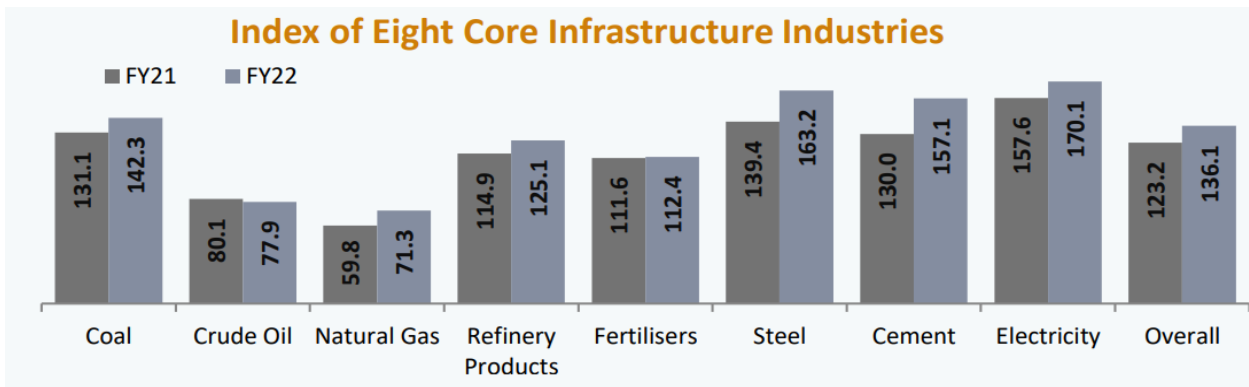
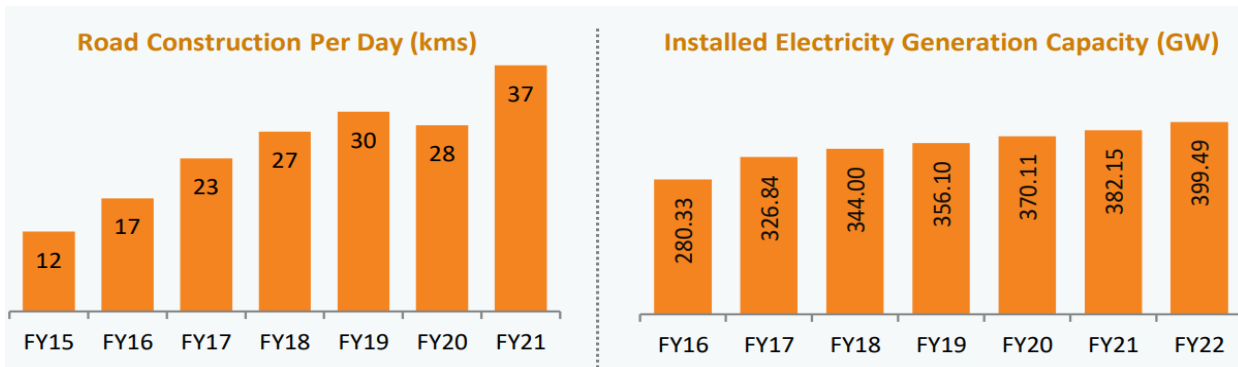


Exhibit 3: Key Trends in Indian Infrastructure Sector



(Source: ibef.org)

## Investment Overview

### Infrastructure Industry

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development.

India plans to spend US\$ 1.4 trillion on infrastructure through 'National Infrastructure Pipeline' in the next five years. In FY21, infrastructure activities accounted for 13% share of the total FDI inflows of US\$ 81.72 billion. India will need to construct 43,000 houses every day until 2022 to achieve the vision of Housing for All by 2022.

Hundreds of new cities need to be developed over the next decade. Over the next 10 years, demand for urban freight is predicted to increase by 140%. Final-mile freight transit in Indian cities accounts for 50% of the total logistics expenditures in the country's increasing e-commerce supply chains. India is expected to become the third-largest construction market globally by 2022. Indian logistics market is estimated to touch US\$ 320 billion by 2025.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDIs in the construction development sector (townships, housing, built up infrastructure and construction development projects) and construction (infrastructure) activities stood at US\$ 26.20 billion and US\$ 27.92 billion, respectively, between April 2000-March 2022.

(Source: ibef.org)

## **Addressable Market for Shantidoot Infra Services Limited**

The company is currently catering its services in Jamnagar, Gujarat and nearby location, Maharashtra and Uttar Pradesh. Company has not mentioned in prospectus about the company's aims to increase its geographical presence in other states of the country.

## **Competition**

Company operates in a highly competitive market and there are large numbers of players in organized sector. The company may face competition from their peers who have similar one or more division of their business. Competition emerges not only from small but also from big Regional and National and International players. There are no entry barriers in the industry, which puts company to the threat of competition from new entrants.

## **Peer Analysis**

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

## Promoters' Profile and Management Analysis

### Mr. Jaybajrang Ramaishish Mani



- **Mr. Jaybajrang Ramaishish Mani** aged 46 years is Promoter-Chairman cum Managing Director of the Company.
- He is having more than 20 years of experience in the field of Industrial Mechanical Work
- He has completed Bachelor of Art from D.D.U. Gorakhpur University, Gorakhpur.
- He looks after Finance, Sales and Marketing Division of the company.



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

**Mr. Jaybajrang Ramaishish Mani** aged 46 years is Promoter-Chairman cum Managing Director of the Company. He is having more than 20 years of experience in the field of Industrial Mechanical Work. He looks after Finance, Sales and Marketing Division of the company.

**Mrs. Seema Mani** aged 45 years is Non-Executive Director of the Company. She is an under Graduate. She is having more than 9 years of experience in the field of Industrial Mechanical Work.

**Mr. Aditya Jay Bajrang Mani** aged 25 years is Whole Time Director of the Company. He holds the Degree of Bachelor of Technology in Mechanical Engineering from the SRM Institute of Science and Technology. Currently he looks after operations of the company. He has recently joined the business operations and has experience of less than a month in the industry in which company is operating.

**Mrs. Payal Mani** aged 22 years is Executive Director of the Company. She is an under Graduate. She is heading Human Resources Department of the company. She has recently joined the business operations and has experience of less than a month in the industry in which the company is operating.

To conclude, the management of the company looks decent, as the sole promoter has good experience but lacks educational qualification in the field company operates. Other Directors i.e., Mr. Aditya Jay Bajrang Mani and Mrs. Payal Mani have limited experience in the industry in which the company is operating. Company's independent director Mr. Anandeshwar Dubey does not have business experience. Managing Director handling the Chairman position in the Board of Directors depict a negative outlook on the independence of the Board decisions.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th June, 2022
<b>Profit and Loss</b>			
Revenue from operations	3,871.49	4,754.36	1,025.56
Other income	17.25	8.69	1.64
Total Revenue	3,888.74	4,763.05	1,027.20
Expenses	3,914.03	4,412.95	910.27
Depreciation and Amortisation Cost	51.95	50.72	15.87
Finance Cost	59.06	53.81	10.44
Total Expenses	4,025.04	4,517.48	936.58
PBT	-136.30	245.57	90.62
PBT Margin	-3.52%	5.17%	8.84%
EBITDA	-42.54	341.41	115.29
EBITDA Margin	-1.10%	7.18%	11.24%
Net Profit	-133.24	190.99	65.40
Net Profit Margin	-3.44%	4.02%	6.38%
<b>Balance Sheet</b>			
Total Borrowings	813.41	850.90	641.41
Net Worth	462.54	653.52	718.93
Fixed Assets	219.57	270.81	255.64
Net Working Capital	252.01	426.02	546.04
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	-	79.19	10.77
Receivables Turnover Ratio	2.47	3.09	3.87
Payables Turnover Ratio	1.03	0.94	0.79
Fixed Assets Turnover Ratio	17.63	17.56	68.71
Return on Capital Employed	-19.24%	40.54%	40.10%
Return on Equity	-28.81%	29.22%	29.50%
Debt-Equity Ratio	1.76	1.30	0.28

(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. (42.54) lacs in 2021 to 341.41 lacs in 2022 and Rs. 115.29 lacs up to June 2022 and if we annualise the same it would be around Rs. 935.56 lacs growing at a CAGR of 368.96%, such a growth seems to be unsustainable in future. The EBITDA margin up to June 2022 was 11.24% vs 7.18% in 2022 and (1.10%) in 2021 showing an extra ordinary and unstable jump.

### **Net Profit**

The net profit of the company has grown from Rs. (133.24) lacs in 2021 to Rs. 190.99 lacs in 2022 and Rs. 65.40 lacs up to June 2022 and if we annualise the same it would be around Rs. 623.78 lacs growing at a CAGR of 116.37% which seems to come down in coming times. The net profit margin of the company was (3.44)% in 2021 and 4.02% in 2022 and 6.38% up to June 2022 showing a supernormal jump and the consistency of same is highly in question.

### **Finance Cost.**

The company has incurred finance cost mainly on short term borrowings and long term borrowings obtained from bank.

### **Financial Measures/Ratios**

RoCE of the company up to 30<sup>th</sup> June 2022 is 12.07% vs 40.54% in 2022 and (19.24) % in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 40.10%. Return on Capital Employed has not outperformed because sales have increased and also the equity base has increased in that proportion.

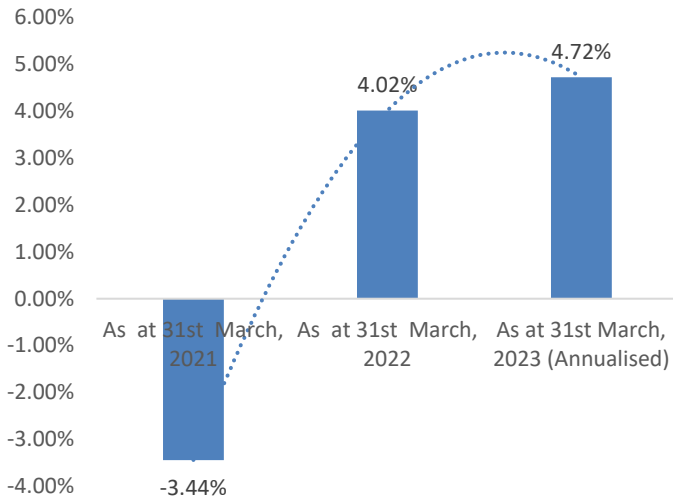
ROE of the company in 2021 was (28.21) %, 29.22% in 2022 and 9.10% in June 2022, if annualised, ROE would be around 29.50%.

The company's Receivables Turnover Ratio and Payables Turnover Ratio has shown consistency and trend could be established on the same. However, the Inventory Turnover Ratio has shown some inconsistency.

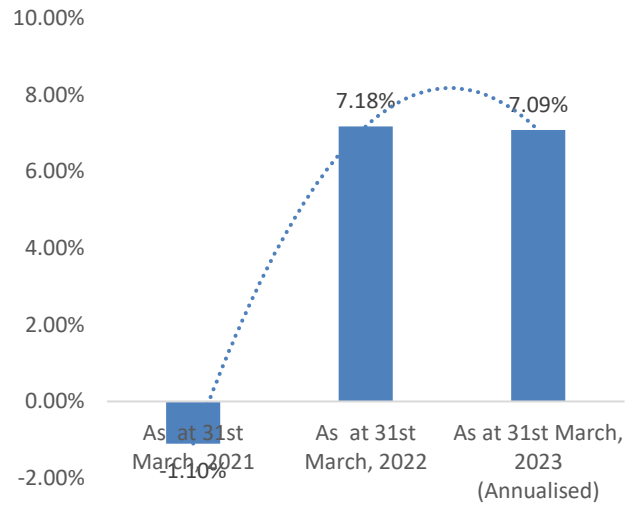
The company has debt-equity ratio of around 0.89 times in up to June, 2022 which is expected to fall in coming times.

**Financial Charts**

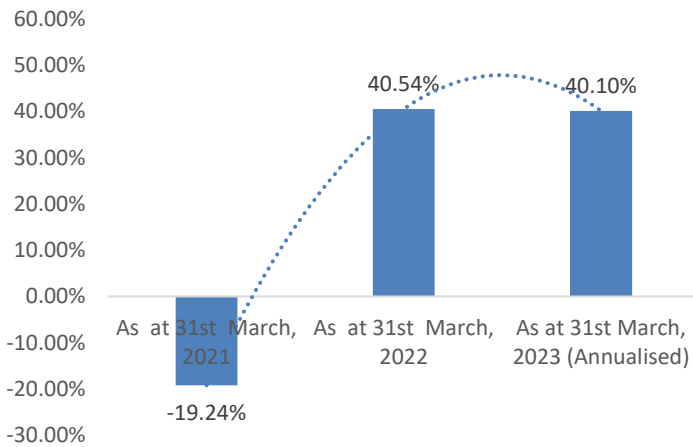
**Net Profit Margin**



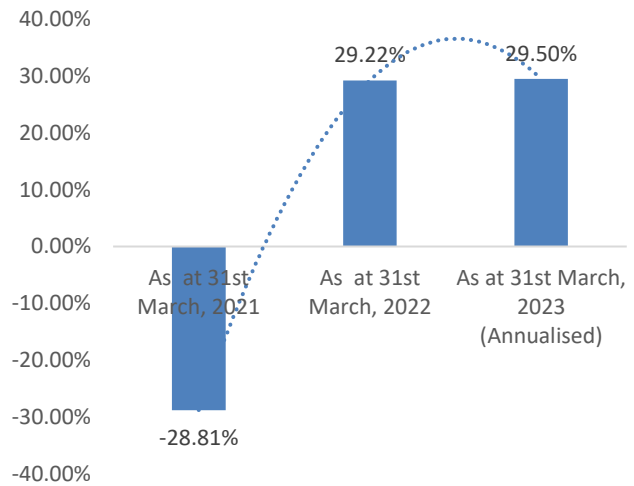
**EBITDA Margin**



**Return on Capital Employed**



**Return on Equity**



## Key Risk Factors

1. Company and Group Company are involved in certain tax related litigations totalling to an amount of Rs. 90.55 lacs, which if determined against them, can affect financial conditions of the company.
2. The company generate their majority of sales from operations in Gujarat specially in Jamnagar region
3. The company's top 5 customers contribute more than 85% of revenue from operations.
4. Seasonality and weather conditions may adversely affect the business.
5. Company had negative cash flow in its operating activities in the past years.

## Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Pvt Ltd and this is the 6<sup>th</sup> mandate in 2022. 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# (INR)
1.	Trident Lifeline Limited	35.34	101.00	October 10, 2022	129.95
2.	Kandarp Digi Smart BPO limited	8.10	30.00	September 28, 2022	15.95
3.	Viviana Power Tech Limited	8.80	55.00	September 16, 2022	96.95
4.	Jay Jalaram Technologies Limited Viviana Power Tech Limited	10.80	36.00	September 08, 2022	247.65
5.	Vital Chemtech Limited	64.64	95- 101	November 14, 2022	143.85

### CMP is taken as on 19<sup>th</sup> December 2022

This is the 6<sup>th</sup> mandate from Beeline Capital in the current fiscal. Out of the last 5 listings, 1 opened at par and the rest with premiums ranging from 3.96% to 63.64% on the date of listing.

## Recommendation

The company has decent record of existence as it got established in the year 2013. The revenue of the company has grown super-normally in the year just before IPO which raises some concern. The industry in which the company is operating has a very good prospect due to rapid urbanization and growth in infrastructure.

The management of the company is decent as it has only one experienced director but lacks education regarding the relevant field of business. Moreover, the sole promoter of the company holds multiple managerial positions showing lack of segregation of duties.

The company is getting listed at P/E of around 15.87 times which makes it a fairly priced issue.

To conclude, the company is operating in a good industry, the company has good experience and has performed well in its top line as well as keeping the profit margins growing. Except for the fact of Insufficient market reach outside Jamnagar (Gujarat), the company looks good to have a bet on. Although the financial figures of the company has shown some extra-ordinary growth, the order book of the company looks strong. Also, the company has gained new order worth of ₹ 200 crores from Malco which is a part of Vedanta Group. Looking at all the above-mentioned factors, the company looks to be a risky bet and so one with excess capital **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.**