



IPO Details	
Opening Date	Jan 27, 2023
Closing Date	Jan 31, 2023
Stock Exchange	BSE SME
Lot Size	3000 Shares
Issue Price	₹ 38-40 per share
Issue Size	32,40,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective	
Funding capital expenditure towards change in electricity supply voltage from 33 KV to 132 KV	
To meet Working Capital requirements	
General Corporate Purpose	
To meet Public Issue Expenses	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	90,00,000	100%
Public	-	-

Promoter of the Company	
1	Mr.Ravi Thakurdasji Laddha
2	Mr.Rajesh Somani
3	Mr.Prawin Somani
4	Mr.Padam Kumar Jain

Competitive Strengths	
1	Strategically located manufacturing plant resulting in cost and time efficiencies
2	Environment friendly manufacturing process generating Wealth from Waste
3	Quality Assurance
4	Diversified Client Base and long-standing relationship with our customers
5	Experienced Promoters, Board and senior management team
6	Comprehensive solution for logistics requirement

Company Background	
○	Company was incorporated in the year 2009 in Chhattisgarh.
○	Company is engaged in the business of manufacturing Cast Iron Lumps and Ductile Iron Pipe Fittings.
○	Company has been successful in manufacturing a full range of BIS Certified Ductile Iron Pipe Fittings of up to 600 mm width.
○	Company's manufacturing unit is located in the village Duldula.
○	The Company is also expanding its horizon by producing parts or components of plant and machinery with the help of foam molds.
○	As on September 30 2022, Company had 161 Employees on its payroll.

Financial Summary			
	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Sep-22
Total Assets	2,817.23	3,592.61	4,303.34
Net Assets	767.53	1,513.01	2,093.48
Total Borrowings	1,396.82	1,399.97	1,092.92
Total Revenue	2,457.52	4,907.53	4,824.68
Profit After Tax	267.31	745.48	580.47

Tentative Timeline	
Opening Date	Jan 27, 2023
Closing Date	Jan 31, 2023
Basis of Allotment	Feb 03, 2023
Initiation of Refunds	Feb 06, 2023
Credit of Shares to Demat	Feb 07, 2023
Listing Date	Feb 08, 2023



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Company Overview

Located in steel hub of Raipur, Chhattisgarh, Company is engaged in the business of manufacturing Cast Iron Lumps and Ductile Iron Pipe Fittings. Company has been successful in manufacturing a full range of BIS Certified Ductile Iron Pipe Fittings of up to 600 mm width. The manufacturing unit is located in the village Duldula about 50 KMs from Raipur, Chhattisgarh and is spread across an area of around 4.73 hectares of land. In the year 2022, company also commissioned another 5.5 MVA submerged electric arc furnace to manufacture 15,750 tonnes p.a. of cast iron lumps. Company have been granted ISO 9001:2015 for quality management systems.

Analysis

Being incorporated in the year 2009, the company has good track record of existence. Company is in the business of manufacturing cast iron lumps. Cast Iron Lumps are used as raw material in the steel foundries to manufacture products like: cast iron pipe fittings, machine components etc. Ductile Iron Pipe Fittings are used in public water supply systems as connectors of pipes. Company uses waste generated by integrated steel plants, sponge iron plants and rolling mills in their manufacturing process as raw material.






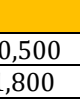
Thus, The plant is located near to the source of raw material i.e. Bhilai Steel Plant of SAIL and other pellet and sponge iron plants located in Raipur and surrounding area. Company is approved vendor for supply of ductile iron pipe fittings to Rural Water Supply & Sanitation, Odisha, Maharashtra Jeevan Pradhikaran and they have also received approval from Water Regulations Approval Scheme Ltd, UK for supply of the same in United Kingdom. Further, Company's range of products for ductile iron pipe fittings are BIS Certified and eligible to be sold to the European market.

Company's Product Portfolio:

1. Cast Iron Lumps



2. Ductile Iron Pipe Fittings

	
ALL FLANGED TEE	DOUBLE FLANGED BEND
	
ALL SOCKET TEE	FLANGED ON DOUBLE SOCKET TEE
	
DOUBLE SOCKET BEND OF DIFFERENT ANGLES	DOUBLE SOCKET CONCENTRIC TAPER

Capacity Utilization:

Product	Installed Capacity (MT.) *	2021-22		2020-21	
		Actual Production (MT)	%	Actual Production (MT)	%
Cast Iron Lumps	10,500	9,241	88%	5,554*	89%
Ductile Iron Pipe Fittings	1,800	1,011	56%	578*	32%

*In addition to above mentioned installed capacity, during the year FY 2022-23 company also commissioned another 5.5 MVA submerged electric arc furnace to manufacture 15,750 tonnes p.a. of cast iron lumps.

The following table sets out the bifurcation of **sales turnover** for the fiscals :

Sr No	Particulars	September 30, 2022	Fiscal 2022	Fiscal 2021
1	Cast Iron Lumps	3,932.7	3,758.32	1,831.79
2	Ductile Iron Pipe fittings	660.73	914.68	540.99
	Total	4,593.5	4,673.00	2,372.78

To conclude, the company has fared well in terms of revenue generation and has also expanded its manufacturing facility recently with only around 50% of capacity utilisation. The company and its promoters have good experience in product segment and also the company is strategically located manufacturing plant is huge advantage for the company.

Industry Charts

Exhibit 1: Market Size of Steel Industry

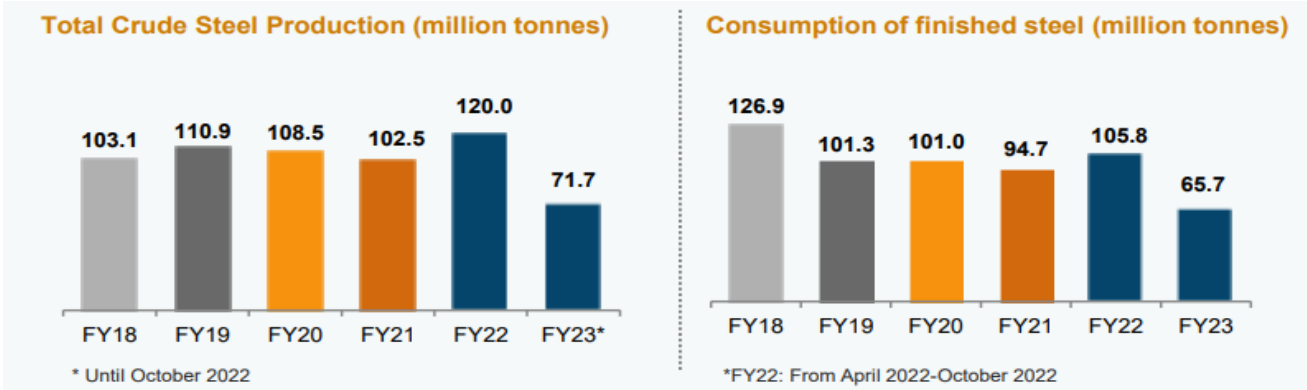
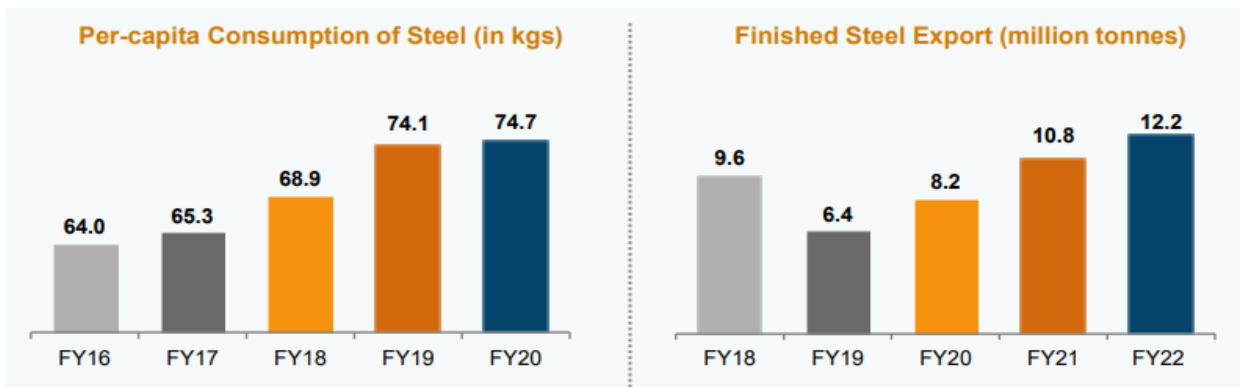


Exhibit 2: India's export of iron and steel (US\$ Billion)



Exhibit 3: Key Trends of Steel Industry



(Source: Prospectus, IBEF)

Investment Overview

Indian Iron and Steel Industry

The Indian Foundry & Forging industry occupies a special place in shaping the country's economy. India is currently among the largest producers of ferrous and non-ferrous castings. The sector which was the world's fifth largest in 2008 has become the third largest with a growth of 47% in six years followed by China and USA.

India is the 2nd largest crude steel producer in the world, with 120 MT of crude steel produced in FY'22. The steel industry has a significant growth potential and urged them to achieve the target of 300 mn tonnes by 2030. Production of Total Finished Steel stood at 111.858 MT showing a growth of 21.3% over the year. India Exported 13.5 MT of Finished Steel amounting to INR one lakh crores during FY'22. Over 2030-31, crude steel actual production forecasted to reach 255 MT. Per capita finished steel consumption is expected to rise to 160 kg by 2030-31 (from 72.3 kg in 2021). Domestic stainless-steel demand expected to reach 20 MT by 2047. Secondary steel sector and consumers as target of achieving 300 MT of steel capacity by the year 2030.

While the purchase of pipes in general has increased, the share of DI pipes in the total purchase of pipes has increased significantly from 33% to 52%. The share of other pipes has been either declining or stagnant. The plastic pipes used are predominantly PVC pipes and recent increase in use of HDPE pipes in competition for PVC pipes. The other pipes include GRP, BWSCC pipes, Hume pipes, stoneware pipes, etc. GRP pipes, RCC pipes, and stoneware pipes are used predominantly in sewerage applications. The increasing share of DI pipes obviously indicates its rising acceptance by customers and its growing popularity. The increasing share of DI pipes indicates that DI pipes are gradually replacing all other pipes, especially steel pipes. The government bodies have virtually stopped purchase of CI pipes for potable water supply and the existing CI pipelines are increasingly being replaced by DI pipes. Plastic pipes and cement pipes (AC/RCC/PSC) are also being replaced in urban and semi-urban areas; however, in rural water supply schemes they still exist due to the low initial investment.

(Source: Prospectus)

Addressable Market for Earthstahl & Alloys Limited

The company sells its products primarily in India, primarily in the state of West Bengal, Punjab, Orissa, Gujarat, Madhya Pradesh and Maharashtra. Company intends to continue developing and nurturing existing markets and expand their reach in under and nonpenetrated geographies. Further for their ductile iron pipe fittings company intend to sale in countries like: UK and Sri Lanka. Company is an approved vendor for supply of ductile iron pipe fittings to Water Regulations Approval Scheme Ltd, UK and intend to procure more such vendor approvals in international markets.

Competition

Company operates in competitive environment where the key factors of competition primarily comprise of product quality and specification, cost, delivery. In case of Cast Iron Lumps most of the producers are from small and medium segment with small capacities. In cast iron product segment Company face competition from companies like Vandana Global Limited. In the ductile iron pipe fittings segment they face competition from some of significant companies like: Electrosteel Casting Limited, Jindal Fittings Limited, Kejriwal Casting Limited.

Peer Analysis

As provided in the prospectus, there are no listed companies in India that are engaged in a business similar to that of company.

Promoters' Profile and Management Analysis

Mr. Ravi Thakurdasji Laddha



- Ravi Thakurdasji laddha, aged 50 years, is one of the Promoters and is also the Non-Executive Director of the company.
- He holds a bachelor's degree in engineering from Amravati University passed in the year 1995.
- He has been associated with the company since the year 2010.

Mr. Rajesh Somani



- Rajesh Somani, aged 53 years is the Promoter and Whole-Time Director of the Company.
- He possesses around 27 years of experience in the iron and steel industry.
- He has been on the Board of Directors of the Company since incorporation.
- He completed his graduation in Commerce from Nagpur University in the year 1993.

Mr. Prawin Somani



- Prawin Somani, aged 48 years is the Promoter and Whole-Time Director of the Company.
- He has been on the Board of Directors of the Company since incorporation.
- He has work experience of around 19 years in the Mineral Briquetting along with experience in Coke and Cast Iron Trading.

Mr. Padam Kumar Jain



- Padam Kumar Jain, aged 59 years, is one of the Promoters of the company.
- He passed his CA from Institute of Chartered Accountants of India (ICAI) in 1986 and CS from the Institute of Company Secretaries of India (ICSI) in 1991.

Analysis on the Company's Promoter and Board of Directors

Rajesh Somani, aged 53 years is the Promoter and Whole-Time Director of the Company. He possesses around 27 years of experience in the iron and steel industry. He has been on the Board of Directors of the Company since incorporation. He completed his graduation in Commerce from Nagpur University in the year 1993. He primarily looks after the marketing activities of the company. He also looks after functions such as finance and compliance matter in the Company. He is responsible for the overall management of the business of the Company.

Prawin Somani, aged 48 years is the Promoter and Whole-Time Director of the Company. He has been on the Board of Directors of the Company since incorporation. He has work experience of around 19 years in the Mineral Briquetting along with experience in Coke and Cast-Iron Trading. He is in charge of Production and procurement for company. He is playing a vital role in formulating business strategies and effective implementation of the same.

Padma Somani, aged around 53 years is the Whole-Time Director of the Company. She has been appointed as Whole-time Director of Company w.e.f. January 02, 2023. She completed her Bachelor of Arts from University of Madras in the year 1989. She looks after the Human Resource department of the company.

Ravi Thakurdasji Laddha aged 50 years is the Promoter and Non- executive Director of the Company. He possesses around 25 years of experience in the steel industry. He holds a bachelor's degree in engineering from Amravati University passed in the year 1995 and has been associated with the company since the year 2010.

To conclude, the company's individual promoters have good experience in the industry in which the company belongs to, However Padma Somani has been recently appointed as Whole Time Director and promoter Mr. Padam Kumar Jain doesn't hold any directorial position. The independent directors of the company are also well experienced and could be a good driving force for the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
Profit and Loss			
Revenue from operations	2,411.70	4,887.50	4,815.86
Other income	45.82	20.03	8.82
Total Revenue	2,457.52	4,907.53	4,824.68
Expenses	1,795.56	3,546.42	3,901.15
Depreciation and Amortisation Cost	145.45	151.45	86.50
Finance Cost	174.28	119.87	54.04
Total Expenses	2,115.29	3,817.74	4,041.69
PBT	342.23	1,089.79	782.99
PBT Margin	14.19%	22.30%	16.26%
EBITDA	616.14	1,341.08	914.71
EBITDA Margin	25.55%	27.44%	18.99%
Net Profit	267.31	745.48	580.47
Net Profit Margin	11.08%	15.25%	12.05%
Balance Sheet			
Total Borrowings	1,396.82	1,399.97	1,092.92
Net Worth	767.53	1,513.01	2,093.48
Fixed Assets	1,608.51	2,116.41	2,265.17
Net Working Capital	-228.68	350.57	168.40
Financial Measures (Annualised)			
Inventory Turnover Ratio	6.63	5.09	9.15
Receivables Turnover Ratio	28.74	86.69	121.89
Payables Turnover Ratio	2.12	4.99	6.73
Fixed Assets Turnover Ratio	1.50	2.31	4.60
Return on Capital Employed	23.93%	43.22%	35.40%
Return on Equity	34.83%	49.27%	29.24%
Debt-Equity Ratio	1.82	0.93	0.27

(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 increased from Rs. 616.14 lacs in 2021 to Rs. 1341.08 lacs in 2022 and on 30th Sep 2022 it was Rs. 914.71 lacs and if we annualise the same it would be around Rs. 1,829.42 lacs. The EBITDA on annualised basis has grown at a CAGR of 72.31%. The EBITDA margin in 2021 was 25.55%, 27.44% in 2022 and 18.99% up to 30th Sep 2022. The EBITDA margin had decreased due to increase in employee benefit expenses.

Net Profit

The net profit of the company has grown from Rs 267.31 lacs in 2021 to Rs. 745.48 lacs in 2022 and as on 30th Sep 2022 it was Rs. 580.47 lacs and if we annualise the same it would be around Rs. 1,160.94 lacs growing at a CAGR of 108.40 %. The net profit margin in 2021 was 11.08%, 15.25% in 2022 and 12.05% up to 30th Sep 2022. The net profit margin of the company has decreased the reason for the same can be set forth as that of EBITDA margin. The electricity cost constitute the significant percentage of total expense due to increase in this cost company had faced loss in past.

Finance Cost.

The company's finance cost mainly due to short terms borrowings and unsecured long-term borrowings availed by the company.

Financial Measures/Ratios

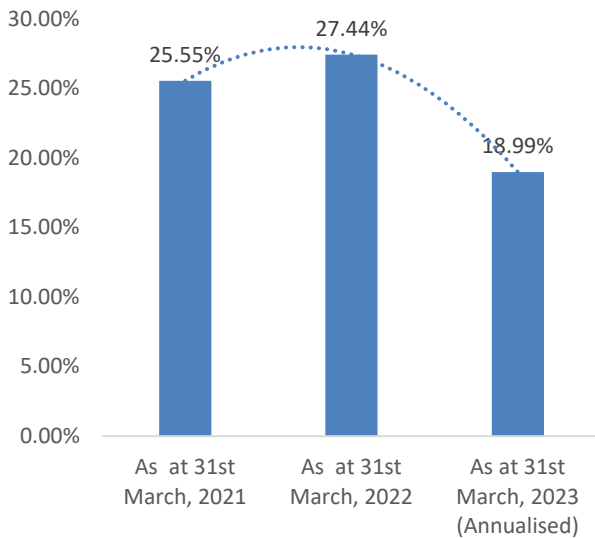
RoCE of the company up to Sep 2022 is 27.93% vs 43.22% in 2022 and 23.93 % in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 35.40%.

ROE of the company in 2021 was 34.83%, 49.27% in 2022 and 27.7% up to Sep 2022, if annualised, ROE would be around 29.24%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -8.37%.

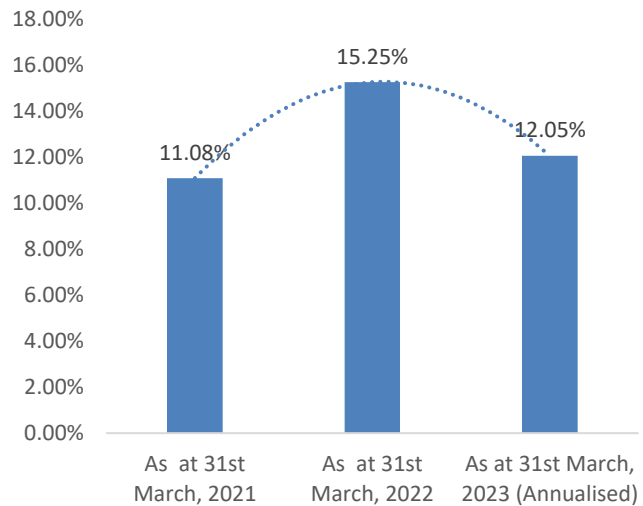
The company has a debt-equity ratio of 0.52 which shows the company is not leveraged properly and should better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.27 times post IPO.

Financial Charts

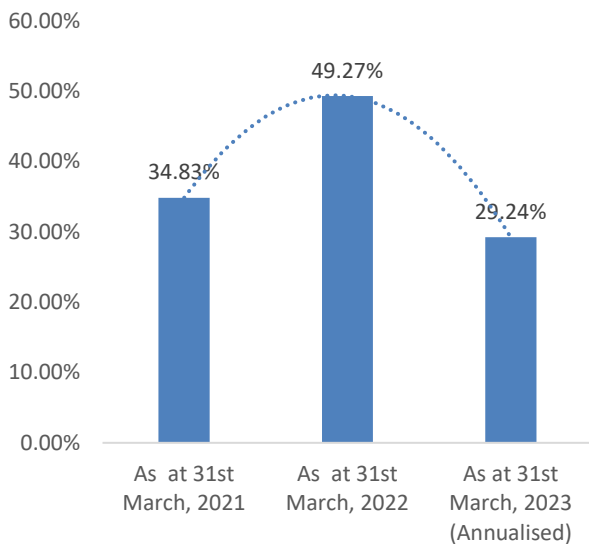
EBITDA Margin



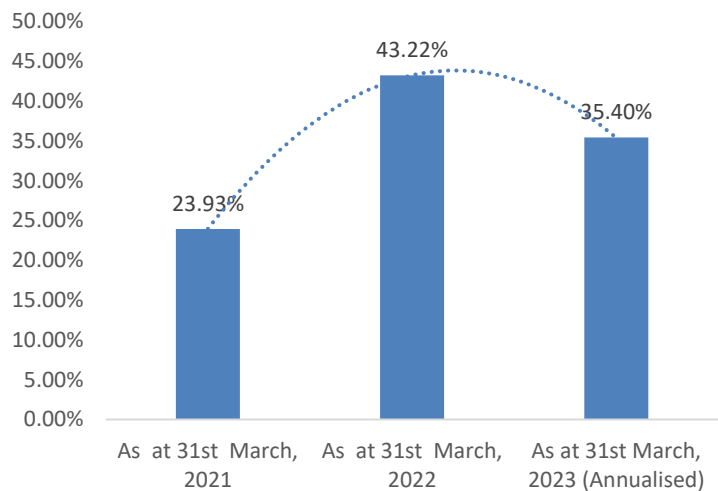
Net Profit Margin



Return on Equity



Return on Capital Employed



Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to Rs. 186.94 lacs which if determined against the company, can affect financial conditions of the company.
2. Company in past has defaulted in servicing its debt obligations during FY 15-16 and FY 16-17 and such debt was settled as at March 31, 2018.
3. Business is significantly dependent upon the steel industry.
4. Company profit for F.Y. 2019-20 was negative.
5. Company's statutory Auditor has included certain Qualifications on Audited financial statements for FY 19-20.
6. Company has significant power requirements for continuous running of factory. Company's electricity cost constitutes a significant percentage of their total expenses.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 20th 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.	Eighty Jewellers Limited	11.07	41/-	13-04-2022	52.50
2.	Kesar India Limited	15.82	170/-	12-07-2022	166.00
3.	Concord Control Systems Limited	8.32	55/-	10-10-2022	230.00
4.	Lloyds Luxuries Limited	24.00	40/-	11-10-2022	51.50
5.	Silicon Rental Solutions Limited	21.15	78/-	10-10-2022	159.45
6.	Cargosol Logistics Limited	7.56	28/-	10-10-2022	59.90
7.	Vedant Asset Limited	3.00	40/-	12-10-2022	63.00
8.	Cargotrans Maritime Limited	4.86	45/-	10-10-2022	109.70
9.	Baheti Recycling Industries Limited	12.42	45/-	08-12-2022	121.40
10.	Chaman Metallics Limited	24.21	38/-	16-01-2023	57.85

#CMP is taken as on 24th January 2023

Out of the last 10 listings, all were listed at premiums ranging from 1.47% to 166.67% on the listing date.



Recommendation

The company has been into this industry from 2009 and has established well into the market. However, it has shown negative profits in FY 2019-20.

Revenue from operations for this company has shown good number however EBITDA profit margins have decreased substantially despite and the mixed ratios has also seen decline

The management outlook of the company is good as they have good experience in the industry in which the company belongs.

The company is getting listed at a PE of around 2.70 times on post IPO basis, it is fairly-priced.

In conclusion, the company has shown increasing revenues and has also expanded its manufacturing facility. Looking at all these, one 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.