

IPO Details	
Opening Date	Jan 25, 2023
Closing Date	Jan 30, 2023
Stock Exchange	NSE SME
Lot Size	4000 Shares
Issue Price	₹ 30 per share
Issue Size	15,28,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective	
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	42,10,000	100.00%	
Public	-	-	

Promoter of the Company	
1	Mr. Shilp Chotai
2	Mr. Utsav Chotai
3	Mr. Manoj Kumar Aggarwal

Competitive Strengths	
1	They are in manufacturing of rubber products including all types of rubber components and clear PVC profiles under single roof.
2	Quality Assurance and Quality Control of our Products
3	Wide and Stable customer base
4	Experienced management and dedicated employee base
5	Prime Factory Location

Company Background	
○	Company was incorporated in the year 2022 in Haryana but it was operating since 2009 as a proprietorship.
○	Company is engaged in the manufacturing and trading of rubber profile, aluminium rubber profile, automobile rubber profile, rubber compound, various kinds of rubber components and clear PVC profiles.
○	They supply rubber compounds to other rubber product manufacturers and OEMs.
○	As on December 31, 2022, the Company has employed 16 employees at various levels of the organization and around 30 contract laborers.

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	556.56	497.77	898.47
Net Assets	171.52	155.41	462.19
Total Borrowings	19.31	288.31	185.69
Total Revenue	1,563.08	1,673.73	1,785.64
Profit After Tax	14.53	81.01	85.50

Tentative Timeline	
Opening Date	Jan 25, 2023
Closing Date	Jan 30, 2023
Basis of Allotment	Feb 2, 2023
Initiation of Refunds	Feb 3, 2023
Credit of Shares to Demat	Feb 6, 2023
Listing Date	Feb 7, 2023

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Company Overview

Company was incorporated in the year 2022 but it started its operations as a proprietorship in the year 2009. Company is in the manufacturing and trading of rubber profile, aluminium rubber profile, automobile rubber profile, rubber compound, various kinds of rubber components and clear PVC profiles. They supply these rubber products across India to the dealers of Nalco, Banco, Jindal in aluminium sector and the agents of Motherson Sumi and few other state transports in automobile sector. They supply rubber compounds to other rubber product manufacturers and OEMs.

Analysis

Being in operations since 2009, the company has a decent track record. The company's core business can be divided in the following categories: -

- a. Sale from Manufactured Goods
- b. Sale from Traded Goods





Revenue bifurcation is shown below for your reference-

Particulars	For the Period		For the Financial Year Ended					
	From April 01, 2022 to December 31, 2022		2021-22		2020-21		2019-20	
	Rs. In Lakhs	%	Rs. In Lakhs	%	Rs. In Lakhs	%	Rs. In Lakhs	%
Sale from Manufactured Goods	1,512.93	84.73%	778.78	46.53%	704.08	45.04%	395.01	60.13%
Sale from Traded good	272.70	15.77%	894.94	53.47%	859.00	54.96%	261.90	39.87%
Total Revenue	1,785.64	100.00%	1,673.73	100.00%	1,563.08	100.00%	656.91	100.00%

It can be seen that majority revenue is generated from manufacturing operations in the current year. There has been a shift from sale of traded goods to sale from manufactured goods.

They procure their raw materials from Delhi NCR, Gujarat, Kerala and other parts of India. Some of their raw materials include- natural rubber / EPDM rubber, calcium carbonate/ chalk powder, zinc, etc.

Their products include the following items-

<p>Aluminium Rubber Beading</p> 	<p>Automobile Rubber Profiles</p> 
<p>Rubber Compound</p> 	<p>Clear PVC Profiles</p> 

Their process can be summarised as follows-

1. Raw Material Inspection
2. Mixing in Kneader Machine
3. Heat Treatment in Mixing Mills
4. Extrusion

Currently they have their manufacturing unit and registered office located at total area of 3 floors each having an area of approximately 4500 sq. ft.

Their capacity utilisation table is show below-

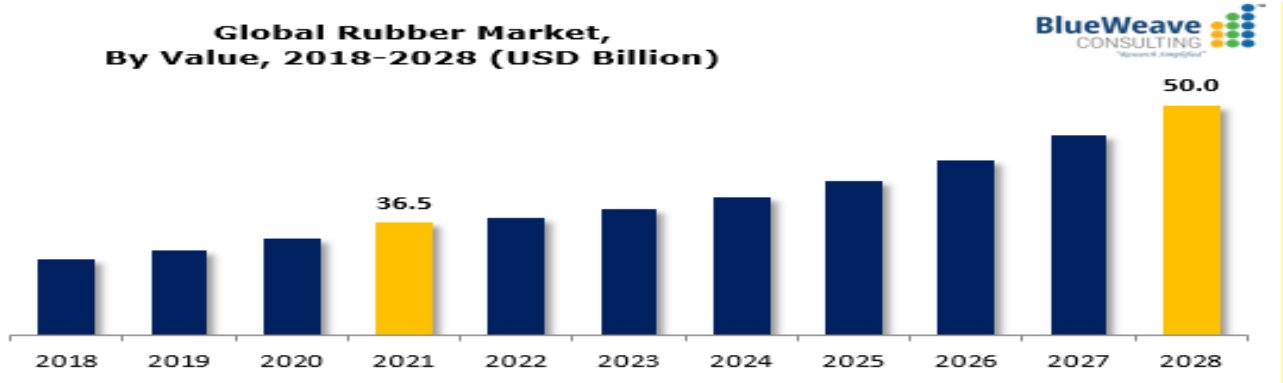
Product Name	Installed Unit Capacity (kg/day)	Utilised Capacity (kg/day)					
		2021-22	%	2020-21	%	2019-20	%
Rubber Profiles	10,000	2,000	20%	1,000	10%	1,900	19%
Rubber Compound	15,000	3,500	23%	1,800	12%	3,200	21%

As one can see, they are utilising only around 25% of their capacity. This leaves a lot of room for increasing production. Also, it seems that requirements of capital expenditure will not be there in the near future. But at the same time, it shows that company is not utilising its resources properly.

To conclude, the company has a decent track record. There are a lot of big and small players making it a very highly competitive market. However, there has been decent growth in the revenue and profit of the company. The company has the capacity availability so if they are able to convert that into revenue, one can see scope there.

Industry Charts

Exhibit 1: Global Rubber Market



Source: BlueWeave Consulting

Exhibit 2: Natural Rubber Contribution

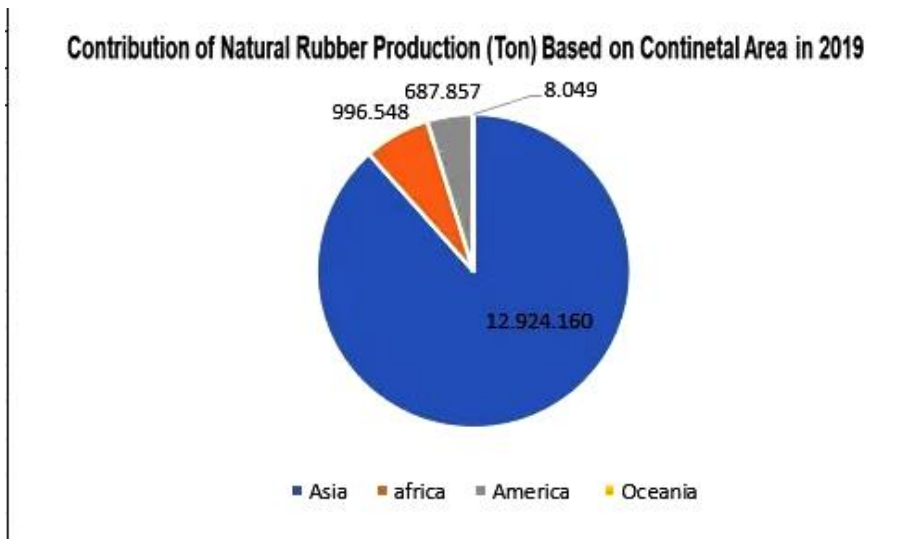
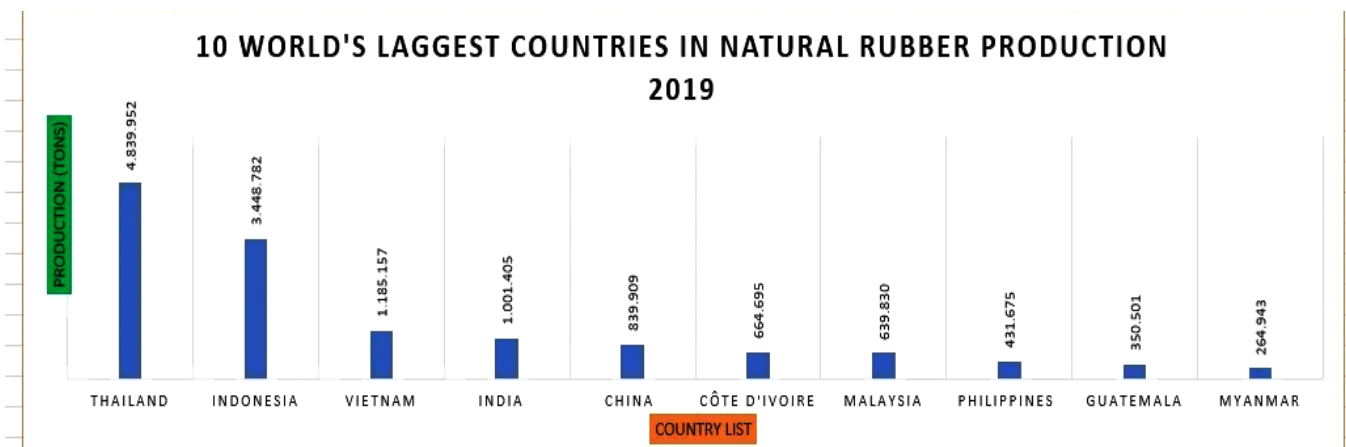


Exhibit 3: Top 10 NATURAL RUBBER PRODUCERS



Source- commerce.gov.in

Investment Overview

INDIAN RUBBER INDUSTRY

India's rubber consumption had increased 22% in 2021, and the use of both natural and synthetic rubber has increased. The global demand for rubber too had gone up in 2021, registering a growth of 11%.

The growth of the sector was supported by investments and regulatory measures taken by the government and the private sector. "The government introduced incentives and reforms to improve the business climate. The government's policy of self-sufficiency also played a crucial role in the growth of the sector.

The global rubber market size stood at US \$ 40.77 billion in 2019 and it is projected to reach US \$ 51.21 billion by 2027, exhibiting a CAGR of 5.3% during the forecast period. Properties such as heat and abrasion resistance make rubber a highly useful and valuable raw material in various end-use industries. It is mostly used in manufacturing products such as tyres, car tubes, adhesives, hoses, gaskets, and roll coverings. The rising demand from the automotive industry for tyre and non-tyre applications is one of the key rubber market trends. It is majorly used in the manufacturing of tyres due to its strong properties, such as tear resistance and toughness. It also works under low-temperature conditions. It is a perfect material for the manufacturing of tyres and hence, accounts for over 40% of the share in the overall tyre composition. Additionally, properties, such as weather resistance, insulation property, and flexibility increase the usage in industrial applications including transmission belts, elevators, and non-flat belts.

The COVID-19 pandemic has affected the market in the same manner as numerous disrupted industries across the globe. Silicone rubber is majorly used in the automotive industry for the manufacturing of tyres and several components. During this pandemic, several countries including China, India, Germany, Italy, Brazil, and Canada declared complete lockdown. This further led to the shutdown of production facilities, and raw material transportation. This epidemic has severely affected the supply chain of numerous manufacturing units. Since, both raw material supply and finished goods distribution is majorly affected, causing a massive drop in revenue. China is a major consumer of materials and an epicentre of coronavirus, thus, inhibiting the development of the market. Restrictions over

export and import of products such as tyres, general, and industrial goods acts as a factor for the decline of the market.

Rubber products find applications in various industries such as packaging, manufacturing, engineering, and construction. When combined with various polymers and chemicals, it provides sturdy outcomes in the production of products such as surgical supplies, respirators, pacemakers, etc. Some companies operating in the market are specialized in compounding rubber according to the specifications of customers to develop novel products. For instance, reinforced products such as drive belts, air brake diaphragms, and conveyors are built from calendered or coated rubber on a revolving or stationary drum. On the other hand, non-reinforced rubbers are formed and cured for the formation of a sponge. Hence, the development of novel products is expected to create immense growth opportunities for the market.

India ranks fourth among the top rubber consumers in the world. It is the third largest producer and is the largest producer of reclaimed rubber. Spurred economic growth and higher import duty and anti-dumping duty on tyres have contributed to the growth of the Indian Rubber Industry in recent years. The consumption of natural rubber has increased from 11,12,210 tonnes in 2018 to 12,11,940 tonne in 2019. The imports also increased by 24% in 2019 and 70% of the imports were through duty-paid channel. As in the previous years, 81% of imports were in the form of block rubber. The major factors behind the import are the differences in prices between domestic sheet rubber and international block rubber and shortage of rubber in the domestic market. The production capacity in India is around 9,00,000 tonnes, of which around 75% is tapped. Out of the total area under rubber in India of around 8,822,000 ha, 6,14,500 ha is a mature yielding crop.

Traditional rubber-growing states comprising Kerala and Tamil Nadu account for 81% of production. Major non-traditional rubber growing regions are the North Eastern states of Tripura, Assam and Meghalaya, Odisha, Karnataka, Maharashtra and West Bengal.

Source- Prospectus

Addressable Market for Gayatri Rubbers and Chemicals Limited

They supply these rubber products across India to the dealers of Nalco, Banco, Jindal in aluminium sector and the agents of Motherson Sumi and few other state transports in automobile sector. They supply rubber compounds to other rubber product manufacturers and OEMs.

Competition

Company operates in a highly competitive environment. There are many small and unorganised players in the market along with some players having better penetration in some geographical areas in which the company operates. The threat of new entrant is high.

Peer Analysis

The company has no listed peers as stated in its prospectus.

Promoters' Profile and Management Analysis

MR. SHILP CHOTAI



- Mr. Shilp Chotai is Promoter- Chairman cum Managing Director of the Company.
- He graduated in BSc Biotechnology from Bharati Vidyapeeth, Pune (Maharashtra) in 2010 & did Diploma in Event Management from Pune in 2011.
- He is responsible for the Sales & Marketing Strategy and the Operations.

MR. UTSAV CHOTAI



- Mr. Utsav Chotai is Promoter and Whole-Time Director of the Company.
- He joined the family business in operations profile for the manufacturing of Calcium Carbonate in 2006.
- He is responsible for finance and distribution strategy.

MR. MANOJ KUMAR AGGARWAL



- Mr. MANOJ KUMAR AGGARWAL is Promoter- Whole Time Director of the Company.
- He is currently pursuing B.A. in Political science from IGNOU.
- He is responsible for production and administration.

Analysis on the Company's Promoter and Board of Directors

Mr. Shilp Chotai , aged 36 years is the Promoter and Whole-Time Director of the Company. He graduated in Bachelor of Business Administration (BBA) in Marketing from Madhvani College (Gujarat) in 2005. He joined the family business in operations profile for the manufacturing of Calcium Carbonate in 2006. In 2016, he along with his brother Mr. Shilp Chotai started a new venture under the name M/s Elements India had started business of rubber profiles and developed business all over India while purchasing rubber profiles directly from M/s Goyal Rubbers. Since the takeover of M/s Goyal Rubbers by Gayatri Rubbers and Chemicals Limited, he will work as a Whole Time Director and Chief Financial Officer taking care of finance and distribution strategy

Mr. Utsav Chotai, aged 36 years is the Promoter and Whole-Time Director of the Company. He graduated in Bachelor of Business Administration (BBA) in Marketing from Madhvani College (Gujarat) in 2005. He joined the family business in operations profile for the manufacturing of Calcium Carbonate in 2006. In 2016, he along with his brother Mr. Shilp Chotai started a new venture under the name M/s Elements India had started business of rubber profiles and developed business all over India while purchasing rubber profiles directly from M/s Goyal Rubbers. Since the takeover of M/s Goyal Rubbers by Gayatri Rubbers and Chemicals Limited, he will work as a Whole Time Director and Chief Financial Officer taking care of finance and distribution strategy.

Mr. Manoj Kumar Aggarwal, aged 43 years, is the Promoter and Whole-Time Director of the Company. He is currently pursuing B.A. in Political science from IGNOU. He started doing business in rubber related products in 1996 on his own. He established M/s Goyal Rubbers in 2008 and incorporated company to Public in 2022. Since the takeover of M/s Goyal Rubbers by Gayatri Rubbers and Chemicals Limited, he will work as a Whole-Time Director taking care of production and administration.

To conclude, the company's individual promoters have decent experience in the industry in which the company belongs to. 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 31st Dec, 2022
Profit and Loss			
Revenue from operations	1,563.08	1,673.73	1,785.64
Other income	-	-	-
Total Revenue	1,563.08	1,673.73	1,785.64
Expenses	1,537.16	1,551.39	1,680.05
Depreciation and Amortisation Cost	5.36	4.00	14.09
Finance Cost	2.35	14.37	17.82
Total Expenses	1,544.87	1,569.76	1,711.96
PBT	18.21	103.97	73.68
PBT Margin	1.17%	6.21%	4.13%
EBITDA	25.92	122.34	105.59
EBITDA Margin	1.66%	7.31%	5.91%
Net Profit	14.53	81.01	85.50
Net Profit Margin	0.93%	4.84%	4.79%
Balance Sheet			
Total Borrowings	19.31	288.31	185.69
Net Worth	171.52	155.41	462.19
Fixed Assets	16.10	12.62	107.67
Net Working Capital	150.46	401.59	423.94
Financial Measures (Annualised)			
Inventory Turnover Ratio	9.89	9.43	9.81
Receivables Turnover Ratio	4.62	6.05	6.32
Payables Turnover Ratio	4.39	70.48	9.85
Fixed Assets Turnover Ratio	97.09	132.63	26.79
Return on Capital Employed	11.99%	28.26%	12.39%
Return on Equity	8.47%	52.13%	12.01%
Debt-Equity Ratio	0.11	1.86	0.15

(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. 25.92 lacs in 2021 to Rs. 122.34 lacs in 2022 and on 31st Dec 2022 it was Rs. 105.59 lacs and if we annualise the same it would be around Rs. 140.79 lacs. The EBITDA on annualised basis has grown at a CAGR of 133.06%. The EBITDA margin in 2021 was 1.66%, 7.31% in 2022 and 5.91% up to 31st Dec 2022. CAGR seems a bit unsustainable and hard to maintain.

Net Profit

The net profit of the company has grown from Rs 14.53 lacs in 2021 to Rs. 81.01 lacs in 2022 and as on 31st Dec 2022 it was Rs. 85.50 lacs and if we annualise the same it would be around Rs. 114.00 lacs growing at a CAGR of 180.10 %. The net profit margin in 2021 was 0.93%, 4.84% in 2022 and 4.79% up to 31st Dec 2022. The Net Profit Margin of the company has increased drastically by roughly 3 folds.

Finance Cost.

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

Financial Measures/Ratios

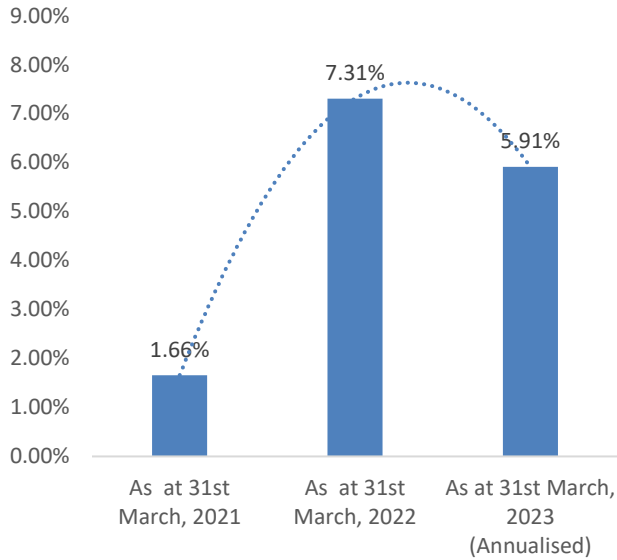
RoCE of the company up to 31st Dec 2022 is 12.39% vs 28.26 % in 2022 and 11.99 % in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 12.39%.

ROE of the company in 2021 was 8.47%, 52.13% in 2022 and 18.50% up to Dec 2022, if annualised, ROE would be around 12.01%. 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 19.08%.

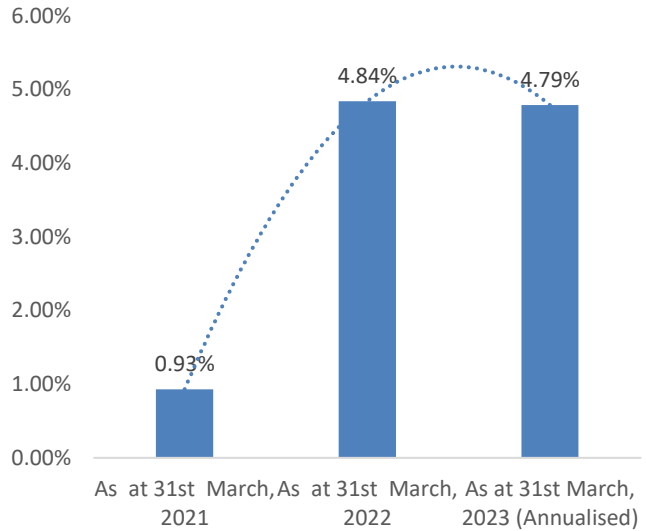
The company has a debt-equity ratio of 0.40 which shows the company is not leveraged properly and should better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.15 times post IPO.

Financial Charts

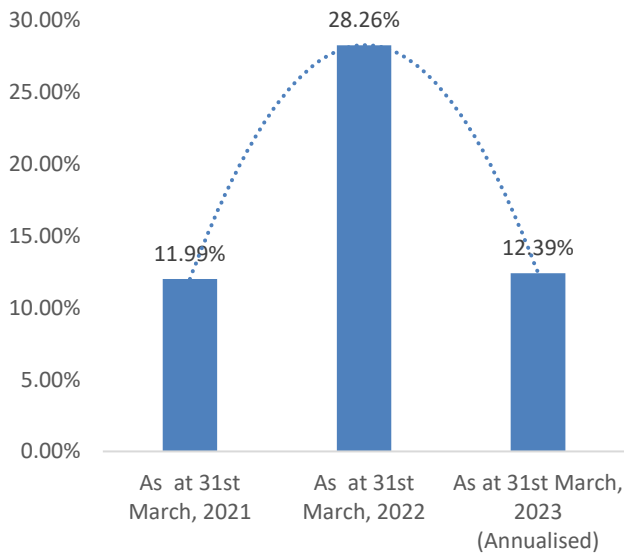
EBITDA Margin



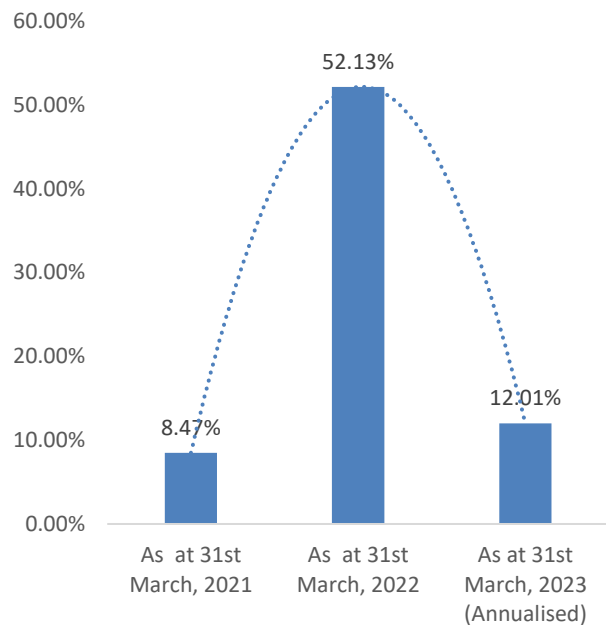
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to **Rs. 811.11 lacs** which if determined against the company, can affect financial conditions of the company.
2. Company's top ten customer account for 84.99% of its total. It shows high dependence on customers.
3. Company had negative cash flows from their operating activities, investing activities as well as financing activities during the last three fiscal years.

Track Record of Lead Manager

The lead manager to the issue is Khambatta Securities Limited. 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.	Rudrabhishek Enterprises Limited	18.73	41.00	July 13, 2018	150.75

CMP is taken as on 25th January 2023

This is the 1st mandate from Khambatta Securities in the last three fiscals (including the ongoing one). Its last IPO mandate was in July 2018 which opened at a premium of 0.61%.

Recommendation

The company has been into this industry since 2009 and has shown decent track record. However, not much information is available regarding its geographical presence.

Revenue from operations and net profit margins have increased significantly which raises some concerns.

The management outlook of the company is decent since their qualification related to the educational front is not so strong.

The company is getting listed at a PE of around 13.98 times on post IPO basis but looking at increasing margins, it is slightly over-priced.

In conclusion, the company has shown increasing revenues and net profit margins but the growth in the same raises some concerns. One can also see the inefficiency of the company is utilising its resources by looking at its capacity utilization. It would be too soon to make a comment on the company at this point of time and so it would not be a wrong decision to Avoid this 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.