

IPO Details

Opening Date	Feb 10, 2023
Closing Date	Feb 15, 2023
Stock Exchange	NSE SME
Lot Size	3000 Shares
Issue Price	₹ 42 per share
Issue Size	21,90,000 Equity Shares
Application Amount	₹ 1,26,000

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	50,53,485	100%
Public	3	-

Promoter of the Company

- Uma Shankar Agarwal
- Mahesh Kumar Agarwal

Competitive Strengths

- Experienced Promoters and a well-trained employee base.
- Strong Balance Sheet and Financial Condition.
- Existing client and supplier relationships.

Company Background

- Company was incorporated in the year 2018 in Rajasthan.
- Company's promoters had set up the Agarwal Group in 1997 by setting up a sole proprietorship under the name of 'Agarwal Glass House'.
- The Company is engaged in the business of trading of glass and specialised glass products by procuring quality products from manufacturers.
- Company's product portfolio largely consists clear glass, different kinds of value-added glass products and processed glass products, of varying thickness.
- Company's suppliers are Saint-Gobain India Private Limited, Asahi India Glass Limited and Gujarat Guardian Limited.
- As on Sep 30, 2022, Company had 20 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Sept-22	Mar-22	Mar-21
Total Assets	2,177.31	1,761.79	1811.87
Net Assets	595.43	327.68	226.02
Total Borrowings	1,167.91	1,141.78	1,175.30
Total Revenue	2,369.04	4,216.91	3,188.13
Profit After Tax	267.75	101.68	24.73

Tentative Timeline

Opening Date	Feb 10, 2023
Closing Date	Feb 15, 2023
Basis of Allotment	Feb 20, 2023
Initiation of Refunds	Feb 21, 2023
Credit of Shares to Demat	Feb 22, 2023
Listing Date	Feb 23, 2023



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Company Overview

Agarwal Float Glass India Limited was incorporated on May 3, 2018 as 'Agarwal Float Glass India Private Limited' in Jaipur, Rajasthan. Company forms a part of the Agarwal Group which has a legacy of more than two decades. Company is engaged in the business of trading of glass and specialised glass products by procuring quality products from manufacturers and selling it either through the sales managers or directly to the customers, as a wholesaler of glass and glass products. Company's work is spread across varied industry segments. Company is highly dependent upon suppliers and distributors, namely Saint-Gobain India Private Limited, Sisecam Flat Glass India Private Limited, Gold Plus Glass Industry Limited, Asahi India Glass Limited and Gujarat Guardian Limited. Company also trades a range of value-added glass products including clear frosted glass, clear sheet glass, mirror, tinted glass, reflective glass etc

Analysis

The company was incorporated in 2018, However the Promoters, Uma Shankar Agarwal and Mahesh Kumar Agarwal had set up the Agarwal Group in 1997 by setting up a sole proprietorship under the name of 'Agarwal Glass House' in Rajasthan. Hence, the company has great experience in the glass industry. Company's entire sales comes from Rajasthan.

The company's Products Portfolio include:

1. Annealed Glass	2. Toughened or Heat Strengthened Glass	3. Insulated Glass
		

4. Laminated Glass	5. Lacquered glass/ back printed glass	6. Ceramic fritted glass
		

Company majorly sells their finished products to various manufacturers functioning in different industries. The following is the revenue breakup of the top five and top ten customers of the Company for period ended September 30, 2022 and the preceding three fiscals are as follows:

Particulars	September 30, 2022		Fiscal 2022		Fiscal 2021	
	Amount	Percentage%	Amount	Percentage%	Amount	Percentage %
Top 5 customers	78.08	8.97	76.57	9.19	71.95	7.34
Top 10 customers	113.17	13.01	108.33	13.01	106.68	10.89

To conclude, the company's business has good prospect in future if the company expands its geographic presence as it currently operates only in the state of Rajasthan. The objective to raise money is further believed to contribute towards growth of the company.

Industry Charts

Exhibit 1: Global Flat Glass Market by Product Categories, 2014-2025 (in Million USD)

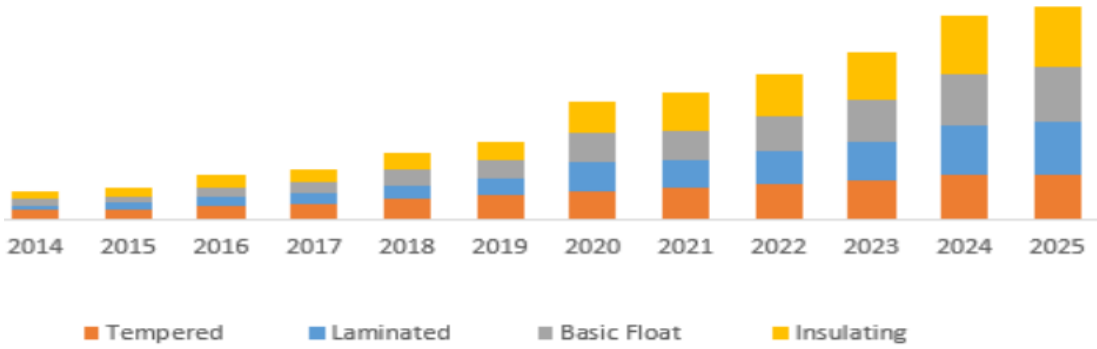


Exhibit 2: Glass Manufacturing Market

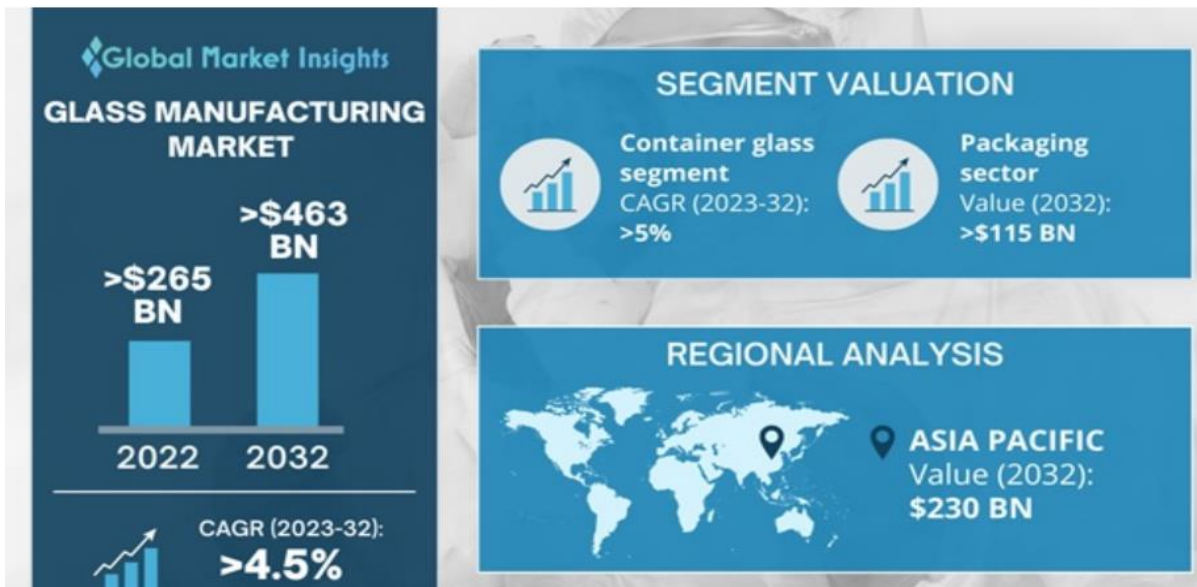
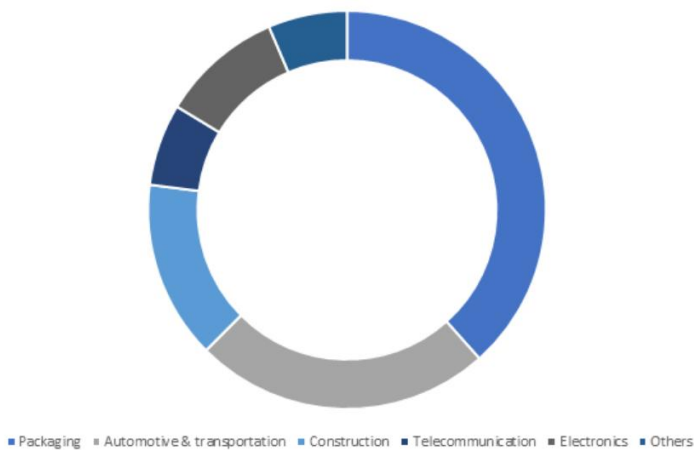


Exhibit 3: Glass Manufacturing Market, By Sector, 2022 (USD Million)



(Source: GMI, ameriresearch.com)

Investment Overview

Glass Industry

The glass industry in India is quite old and well established. The Indian glass industry represents one of the largest markets and the manufacturing capacity for glass products in Asia region. The first glass plant in India was set up in 1908. The glass industry remained largely a cottage industry for a long time. From rudimentary mouth blown and hand working processes, the industry in recent years has evolved to adopt modern processes and automation in a large way. However, mouth blown processes and handcrafted glassware continue to play a role in developing innovative designs in decorative and table glassware products that are exported in large quantities. Indian glass industry is involved in the production of different types of glass products.

The Indian glass market was worth about USD 2.7 billion during 2011-12. The per capita glass consumption was 1.2 kg compared with 8–9 kg in developed countries and 30–35 kg in USA. During the same period the flat glass market was 4500 tpd (tonnes per day) and was growing at 16%. The market for container glass was about 7000 tpd which has a share of 55-60% of overall market share in the country. The market for other glass products such as lighting, bangle, beads, etc. is about 1500 tpd.

The Indian glass industry has been growing across all segments. Sheet and float glass have recorded the fastest growth, at nearly 67 per cent CAGR (Compound Annual Growth Rate) between 2001 and 2005. Other glassware such as bottles and fibre glass has recorded more modest growth rates of about 5-6 per cent CAGR, over the same period.

(Source: Prospectus)

Addressable Market for Agarwal Float Glass India Limited

Currently the company's trading activities are focused only in Rajasthan; however Company intend to cater to the increasing demand of their existing customers and also to increase their existing customer base by enhancing the distribution reach of the products in different parts of the country.

Competition

Company's faces competition from organized as well as unorganized players in the domestic market as well as in the international market. Company has a number of competitors who manufacture products, which are similar to them. The principal elements of competition in this industry are price, quality, timely delivery and reliability.

Peer Analysis

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

Promoters' Profile and Management Analysis

Mr. Uma Shankar Agarwal



- Uma Shankar Agarwal, aged 48 years, is the Promoter, Chairman and Managing Director of the Company.
- He holds Bachelor's degree in Commerce from Ranchi University.
- He has more than two decades of experience in the glass industry.
- He been associated with the Company since its inception.

Mr. Mahesh Kumar Agarwal



- Mahesh Kumar Agarwal, aged 45 years, is the Promoter and Executive Director of the Company
- He has basic education and has passed the secondary school examination from Bihar School Examination Board, Patna.
- He has more than two decades of experience in the glass industry.
- He has been associated with the Company since its inception.

Analysis on the Company's Promoter and Board of Directors

Mr. Uma Shankar Agarwal, aged 48 years, is the Chairman, Managing Director and the Promoter of the Company. He has passed the examination conducted by Ranchi University for the degree course of bachelor's degree in commerce. He has more than two decades of experience in the glass industry. He is the co-founder of other ventures such as "Agarwal Glass House" and is also a director on the board of directors of Agarwal Toughened Glass India Private Limited. He been associated with the company since its inception.

Mr. Mahesh Kumar Agarwal, aged 45 years, is the Executive Director and the Promoter of the Company. He has basic education and has passed the secondary school examination from Bihar School Examination Board, Patna. He is a director on the board of directors of Agarwal Toughened Glass India Private Limited and Agarwal Fortune India Limited and is a partner in the partnership firm, under the name M/s. Mukesh Kumar Agarwal. He has more than two decades of experience in the glass industry and has been associated with the Company since its inception.

Mrs. Sharda Agarwal, aged 40 years, is a Non-Executive Director of the Company. She has passed the examination conducted by University of Rajasthan for the degree course of bachelor's degree in arts. She is the co-founder of other ventures such as "Agarwal Glass House" and "Hardik PVC". She is a director on the board of directors of Agarwal Fortune India Limited and has more than a decade of experience in the glass industry.

To conclude, the company's promoters and board of directors are very well experienced. However, 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 Sep, 2022
Profit and Loss			
Revenue from operations	3,162.74	4,210.22	2,356.30
Other income	25.39	6.69	12.74
Total Revenue	3,188.13	4,216.91	2,369.04
	96%	94%	82%
Expenses	3,035.43	3,975.84	1,941.05
Depreciation and Amortisation Cost	6.34	6.22	3.19
Finance Cost	111.85	93.99	53.85
Total Expenses	3,153.62	4,076.05	1,998.09
PBT	34.51	140.86	370.95
PBT Margin	1.09%	3.35%	15.74%
EBITDA	127.31	234.38	415.25
EBITDA Margin	4.03%	5.57%	17.62%
Net Profit	24.73	101.68	267.75
Net Profit Margin	0.78%	2.42%	11.36%
Balance Sheet			
Total Borrowings	1,175.30	1,141.78	1,167.91
Net Worth	226.02	327.68	595.43
Fixed Assets	31.60	28.92	26.27
Net Working Capital	394.74	543.74	769.89
Financial Measures (Annualised)			
Inventory Turnover Ratio	4.45	5.54	4.16
Receivables Turnover Ratio	3.23	5.05	5.42
Payables Turnover Ratio	9.47	24.60	22.74
Fixed Assets Turnover Ratio	100.09	145.58	236.93
Return on Capital Employed	27.92%	39.36%	42.46%
Return on Equity	10.94%	31.03%	30.03%
Debt-Equity Ratio	5.20	3.48	0.63

(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. 127.31 lacs in 2021 to Rs. 234.38 lacs in 2022 and on 30th Sept 2022 it was Rs. 415.25 lacs and if we annualise the same it would be around Rs. 830.50 lacs. The EBITDA on annualised basis has grown at a CAGR of 155.41%. The EBITDA margin in 2021 was 4.03%, 5.57% in 2022 and 17.62% as on 30th Sept 2022.

Net Profit

The net profit of the company has grown from Rs 24.73 lacs in 2021 to Rs. 101.68 lacs in 2022 and as on 30th Sept 2022 it was Rs. 267.75 lacs and if we annualise the same it would be around Rs. 535.50 lacs growing at a CAGR of 365.34%. The growth of CAGR of 365.34% is super-normal and the sustainability of the same is in question.

Finance Cost.

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

Financial Measures/Ratios

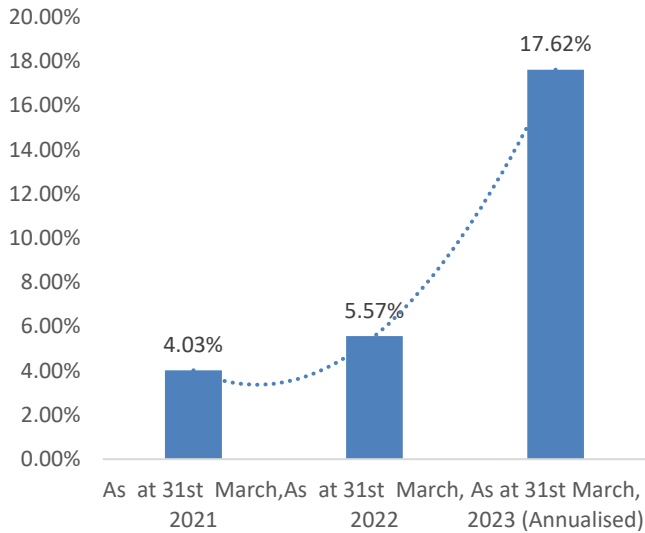
RoCE of the company up to 30th Sept 2022 is 51.29% vs 39.36% in 2022 and 27.92% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 42.46%. The RoCE has increased due to increase in net profit margins of the company in FY 2022.

ROE of the company in 2021 was 10.94%, 31.03% in 2022 and 44.97% up to Sept 2022, if annualised, ROE would be around 30.03%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

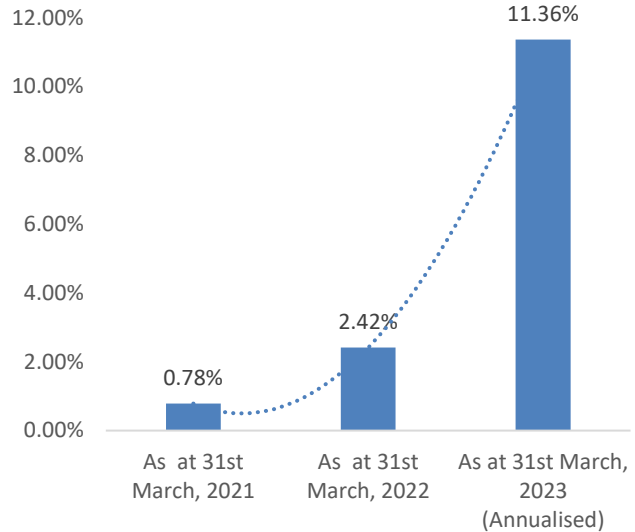
The company has a debt-equity ratio of 1.96 which shows the company is decently leveraged. The debt-equity ratio is going to go further down to around 0.63 times post IPO.

Financial Charts

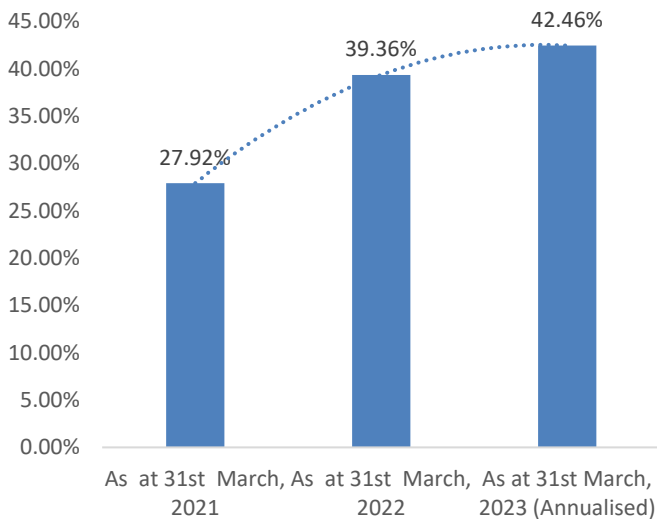
EBITDA Margin



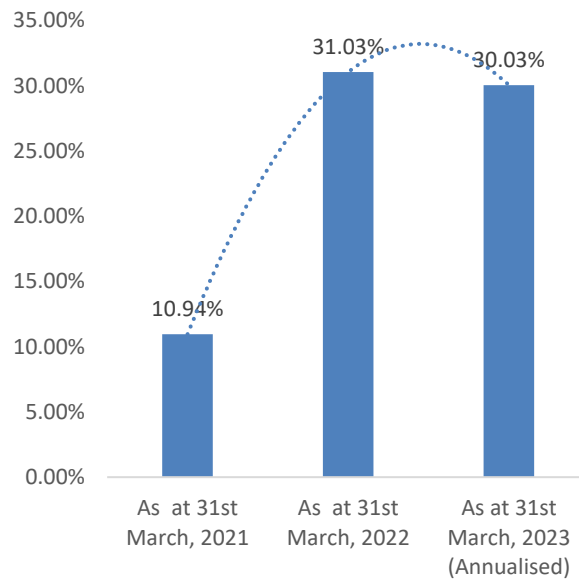
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company is involved in certain litigations including tax related litigations amounting to Rs. 8.11 lacs and 16 unascertainable litigations as well, which if determined against the company, can affect financial conditions of the company
2. Company's operations are significantly located in the Rajasthan region.
3. The top 5 suppliers of the Company during the preceding six months ended September 30, 2022, Fiscal year ended March 31, 2022, March 31, 2021, aggregated to 91%, 90% and 90% of the total suppliers, respectively, for the said period.
4. **Qualified Audit Report has been issued by Statutory Auditor for the Financial Year 2019-20.**
5. Company has experienced negative cash flow in the past.
6. 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. 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	83.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	41.65
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	31.95
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	127.00
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	43.90
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	17.40
7.	Mafia Trends Limited	1.28	28/-	06/10/202	19.60
8.	Pritika Engineering Components Limited	9.42	29/-	08/12/12	32.05
9.	Anlon Technology Solutions Limited	15.00	100/-	10/01/2023	187.20

#CMP is taken as on 13th February 2023

This is the 12th mandate from GYR Capital in the last two fiscals (including the ongoing one). Out of the last 10 listings, all opened at premiums ranging from 2.45% to 1511% on the day of listing.

Recommendation

The company has a decent experience considering the year of establishment being 2018. However, the company is the part of Agarwal Group which was set up in 1997. The Net profit margins has shown super normal growth.

The company has been in an industry which is highly competitive and also the company has its presence only in the state of Rajasthan.

The management of the company is highly experienced. However, 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 21.57 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. Looking at the experience of the promoters and market situation there are mixture of views and we are **neutral** on 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.