

### IPO Details

<b>Opening Date</b>	June 14, 2023
<b>Closing Date</b>	June 16, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	400 shares
<b>Issue Price</b>	₹314 - ₹330 per share
<b>Issue Size</b>	18,22,000 Equity Shares
<b>Application Amount</b>	₹ 1,32,000
<b>Amount Raised (Issue Type)</b>	₹60.13 Cr

### IPO Objective

1. Funding the expansion of existing manufacturing unit.
2. Funding of working capital requirement.
3. General Corporate Purposes.
4. Prepayment or repayment of all or a portion of certain unsecured loans.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	50,19,600	98.42 %
Public	80,400	1.58%

### Promoter of the Company

1. Aditya Vikram Birla

### Competitive Strengths

1. A reputed private sector manufacturer of cold rolled stainless sections in India.
2. Long term sourcing arrangements for components.
3. Strong focus on innovation
4. Effective Cost Control Management

### Company Background

- Cosmic CRF Limited was incorporated in the year 2021 and is headquartered in – West Bengal, Ajabnagar.
- Company is a qualified and an RDSO approved supplier of cold rolled stainless sections to renowned wagon manufactures such as, Titagarh Wagons Limited, Hindusthan Engineering & Industries Limited etc.
- Company acquired the CRF unit of Cosmic Ferro Alloys Limited. The purchase included a manufacturing unit in West Bengal spread over an area of approximately 3.82 acres together with plant, machineries, assets and liabilities.
- As on date of filing of Red Herring Prospectus, company has 29 employees on their payroll.

### Financial Summary

(INR In Lacs.)

For the Period Ended	Mar-22	Mar-23
<b>Total Assets</b>	1,605.02	6,875.24
<b>Net Assets</b>	873.90	1,629.40
<b>Total Borrowings</b>	671.72	3151.33
<b>Total Revenue</b>	-	12,149.31
<b>Profit After Tax</b>	-11.80	641.20

### Tentative Timeline

<b>Opening Date</b>	June 14, 2023
<b>Closing Date</b>	June 16, 2023
<b>Basis of Allotment</b>	June 21, 2023
<b>Initiation of Refunds</b>	June 22, 2023
<b>Credit of Shares to Demat</b>	June 23, 2023
<b>Listing Date</b>	June 26, 2023

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## Company Overview

Company is a qualified and an RDSO approved supplier of cold rolled stainless sections to renowned wagon manufactures such as, Titagarh Wagons Limited, Hindusthan Engineering & Industries Limited, Melbrow Engineering Works Private Limited, Jindal Rail Infrastructure Limited, Allied Construction Engineers & Fabricators, etc. Company acquired the CRF unit of Cosmic Ferro Alloys Limited. The purchase included a manufacturing unit in West Bengal spread over an area of approximately 3.82 acres together with plant, machineries, assets and liabilities. Company's product portfolio largely consists of cold rolled stainless sections, such as fabricated items for railway, coach & wagons, cold rolled formed items for wagons and coaches, cold rolled formed items for infra companies and EPC projects and products for roadways and national highway.

## Analysis

Company supplies cold rolled stainless sections to direct orders of the railways through tender procurement. As of March 31, 2023, the total order book value of the Company is ₹ 53,640.82 lakhs, out of which orders amounting to ₹ 13,566.33 lakhs have been executed and orders amounting to ₹ 40,074.48 lakhs are ongoing. Further, as of March 31, 2023, Company has completed 25 orders for supply of cold rolled stainless sections and 23 order are ongoing. Company's business model provides customised solutions to manufacturers and also manufacture innovate solution-oriented products such as Research and Development division ("R&D Division") created new products for proto type wagons, CRF Section for bogie covered fly cement wagon and bogie open high sided with air breaks axle load wagon to run faster and made specially to be used in the dedicated freight corridor.

### **Top three Order Book position as at March 31, 2023 has been provided below:**

(₹ in lakhs)

Sl No.	Name of the Buyers	Present Orders till March, 2023	Orders Executed till March, 2023	Pending Orders till March, 2023
1	Titagarh Wagons Limited	18,678.03	7,224.43	11,453.60
2	Hindusthan Engineering & Industries Limited	17,189.69	4,150.50	13,039.18
3	Melbrow Engineering Works Pvt. Ltd	14,157.41	1,412.06	12,745.36

Order book is very strong out of 53,640.82 lakhs orders only 13,566.33 lakhs is executed and orders amounting to ₹ 40,074.48 lakhs are ongoing.

Consistent growth in Order Book has happened due to continued focus on business activities and ability to successfully bid and win new projects. Experience in execution of projects, technical capabilities, timely performance, reputation for quality and timely delivery, financial strength as well as the price competitiveness has enabled to successfully bid and win projects. Company developed long-standing relationships with clients like Titagarh Wagons Limited, Hindusthan Engineering & Industries Limited, Melbrow Engineering Works Private Limited, Jindal Rail Infrastructure Limited, Allied Construction Engineers & Fabricators, etc. Revenues from operations for the Fiscal 2023 was ₹12,148.90 lakhs and profit after tax for the Fiscal 2023 was ₹641.20 lakhs.

## Industry Charts

Exhibit 1: Total crude steel production and consumption of finished steel

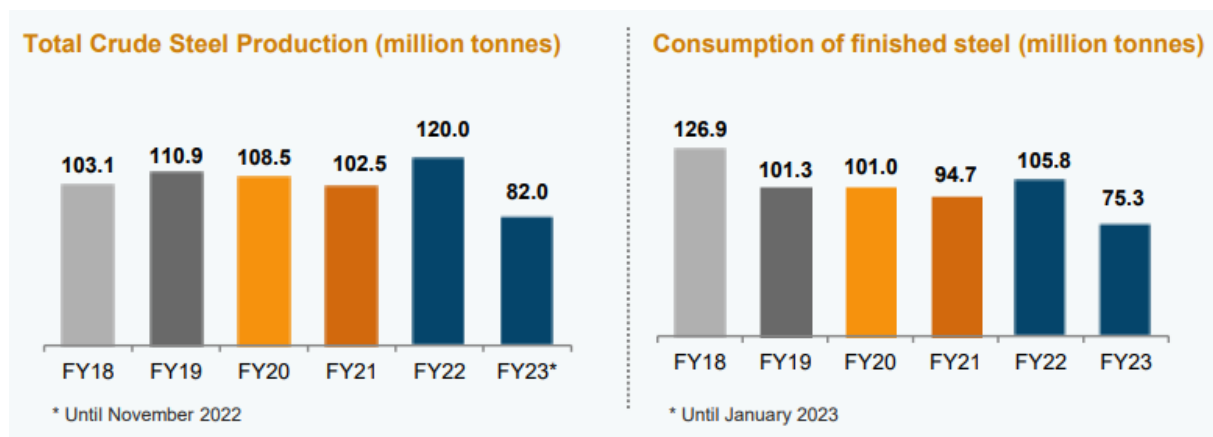


Exhibit 2: Steel

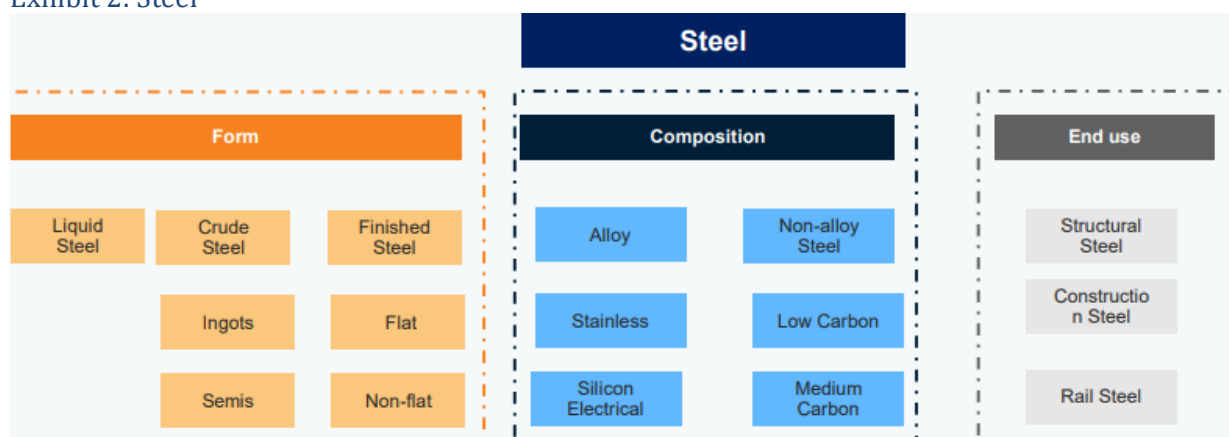
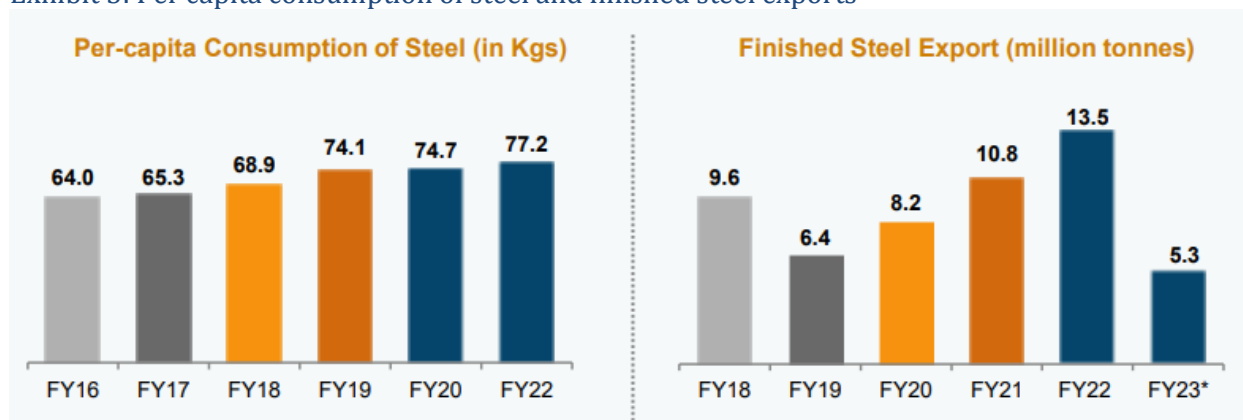


Exhibit 3: Per capita consumption of steel and finished steel exports



(Source: ibef.org)

## Investment Overview

One of the primary forces behind industrialization has been the use of metals. Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, it would not be an exaggeration to argue that the steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers. As of December 2022, India was the world's second-largest producer of crude steel. In FY22, the production of crude steel and finished steel stood at 133.596 MT and 120.01 MT, respectively. In April-November 2022, the production of crude steel and finished steel stood at 81.96 MT and 78.09 MT respectively. The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels.

## MARKET SIZE

In the past 10–12 years, India's steel sector has expanded significantly. Production has increased by 75% since 2008, while domestic steel demand has increased by almost 80%. The capacity for producing steel has grown concurrently, and the rise has been largely organic. In FY22, the production of crude steel and finished steel stood at 133.596 MT and 120.01 MT, respectively. The consumption of finished steel stood at 105.751 MT in FY22. Between April-December 2022, India's finished steel consumption stood at 75.34 MT. In April-July 2022, the production of crude steel and finished steel stood at 40.95 MT and 38.55 MT respectively. In FY23 (until January 2023), the exports of finished steel stood at 5.33 MT, while the imports stood at 5 MT. In FY22, exports and imports of finished steel stood at 13.49 MT and 4.67 MT, respectively. In FY22, India's export rose by 25.1% YoY, compared with 2021. In FY21, India exported 9.49 MT of finished steel. In December 2022 exports of finished steel stood at 4.42 lakh tonnes. The annual production of steel is anticipated to exceed 300 million tonnes by 2030–2031. By 2030–31, crude steel production is projected to reach 255 million tonnes at 85% capacity utilisation

achieving 230 million tonnes of finished steel production, assuming a 10% yield loss or a 90% conversion ratio for the conversion of raw steel to finished steel. With net exports of 24 million tonnes, consumption is expected to reach 206 million tonnes by the years 2030–1931. As a result, it is anticipated that per-person steel consumption will grow to 160 kg.

### **ROAD AHEAD**

The steel industry has emerged as a major focus area given the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India. With the industry accounting for about 2% of the nation's GDP, India ranks as the world's second-largest producer of steel and is poised to overtake China as the world's second-largest consumer of steel. Both the industry and the nation's export manufacturing capacity have the potential to help India regain its favourable steel trade balance. The National Steel Policy, 2017 envisage 300 million tonnes of production capacity by 2030-31. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31. As per Indian Steel Association (ISA), steel demand will grow by 7.2% in 2019-20 and 2020-21. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

*(Source- IBEF)*

### **Addressable market for Cosmic CRF Limited**

Company should focus on increasing capacity and performance in order to increase market share in both Indian Railways and the private sector by leveraging on strengths and providing total customer satisfaction. Company primary focus should be on offering diversified and customized products based on customer's specifications and requirements. Through a combination of increased capacities, reduced costs, wider range of product specifications and services adhering to global standards, marketing initiatives, competitive pricing and more efficient use of

resources and intend to expand global footprint with diversified applications for products in various industries.

### **Competition**

The company is operating in a segment with many players around. The segment is fragmented and the competition highly depends upon the winning of bids. The threat of new entrant is although not that high, but the bargaining power of customers is high in this sector.



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**PEER ANALYSIS**

As per the offer document, there are no listed peers for the company.

## Promoters' Profile and Management Analysis

### MR. ADITYA VIKRAM BIRLA



- Aditya Vikram Birla, aged 33 years, is the Promoter and Managing Director of Company.
- He holds a bachelor's degree in business administration, and a post-graduate diploma in business management. He has an experience of more than a decade in manufacturing of cold rolled components, spares and components for railways and wagon industry.
- He oversees the manufacturing division of the Company and supervises the entire operations of the Company

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

**Mr. Aditya Vikram Birla**, aged 33, is the Promoter and Managing Director of the Company. He holds a bachelor's degree in business administration, and a post-graduate diploma in business management. He has an experience of more than a decade in manufacturing of cold rolled components, spares and components for railways and wagon industry. He oversees the manufacturing division of the Company and supervises the entire operations of the Company.

**Ms. Purvi Birla**, aged 34, is the Whole-time Director of the Company. She holds a bachelor's degree in business administration. She has an experience of more than five years in business development and administration. She oversees the business development of the Company.

**Mr. Pawan Kumar Tibrewalla**, aged 62, is the Non-Executive Director of the Company. He holds a bachelor's degree in commerce and a fellow member of the Institute of Chartered Accountants of India. He has an experience of more than three decades in the field of accounting and finance.

**Mr. Ashok Barnwal**, aged 58, is the Independent Director of the Company. He holds a bachelor's degree in commerce and a fellow member of the Institute of Chartered Accountants of India. He has experience in the field of accounting and finance.

To conclude, the management of the company has good experience in the field of business operations. The independent directors of the company are also experienced and well educated and can be a good driving force for the company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2022	As at 31st, March 2023
<b><u>Profit and Loss</u></b>		
Revenue from operations	-	12,148.90
Other income	-	0.41
Total Revenue	-	12,149.31
Expenses	15.76	10,935.24
Depreciation and Amortisation Cost	0.01	86.33
Finance Cost	-	259.76
Total Expenses	15.77	11,281.33
PBT	-15.77	867.98
PBT Margin	-	7.14%
EBITDA	-15.76	1,213.66
EBITDA Margin	-	9.99%
Net Profit	-11.80	641.20
Net Profit Margin	-	5.28%
<b><u>Balance Sheet</u></b>		
Total Borrowings	671.72	3,151.33
Net Worth	873.90	1,629.40
Fixed Assets	19.18	4,147.51
Net Working Capital	15.01	166.58
<b><u>Financial Measures</u></b>		
Inventory Turnover Ratio	-	6.22
Receivables Turnover Ratio	-	20.83
Payables Turnover Ratio	-	6.48
Fixed Assets Turnover Ratio	-	2.93
Return on Capital Employed	-1.02%	26.08%
Return on Equity	-1.35%	39.35%
Debt-Equity Ratio	0.77	1.93

(The data has been taken and calculated from the financials given in the prospectus)

### **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

EBITDA as on 31st March 2023 was 1213.66 lacs and EBITDA margin was at 9.99%.

### **Net Profit**

Net loss as on 31st March 2022 was 11.80 lacs and Net Profit as on 31st March 2023 is 641.20 lacs. Net profit margin as on 31st March 2023 was at 5.28%

### **Finance Cost**

The finance cost of the company is only as of 31st March 2023, and it mainly comprises of interest on term loan.

### **Financial Measures/Ratios**

RoCE of the company as on 31st March 2022 was at -1.02%, and as on 31st March 2023 it was at 26.08%.

ROE of the company as on 31st March 2022 was at -1.35%, and as on 31st March 2023 it was at 39.35%

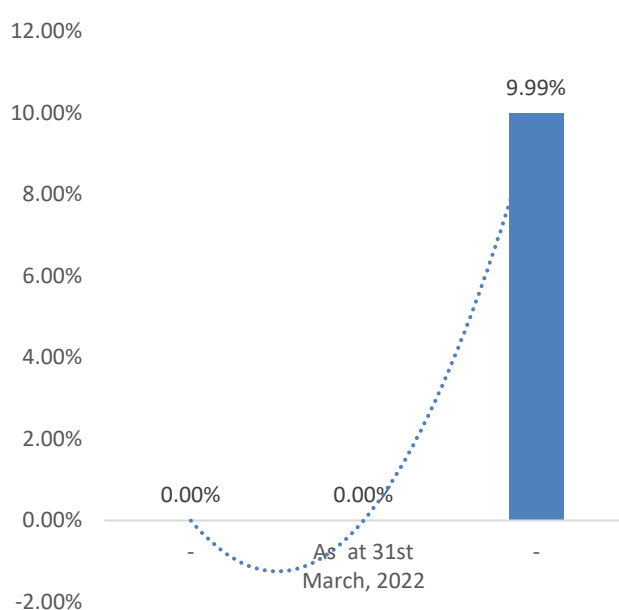
Inventory turnover ratio is at 6.22, Receivables turnover ratio at 20.83, Payables turnover ratio at 6.48, and Fixed asset turnover ratio is at 2.93 as on 31st March 2023.

The company's Debt-Equity ratio is at 1.93 as on 31st March 2023 which shows the company is leveraged.

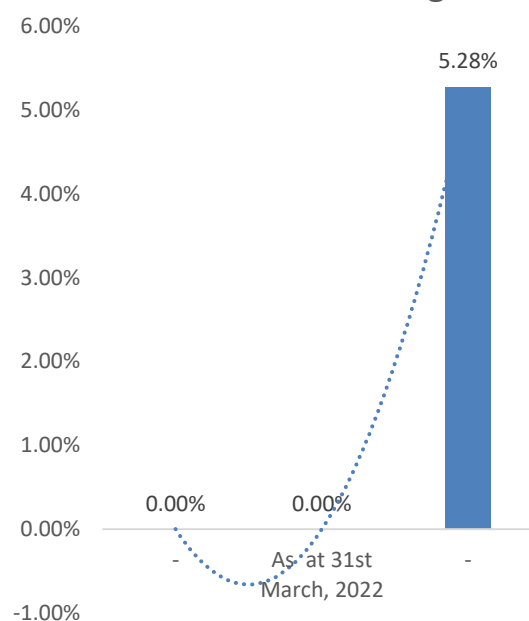
Since they haven't given total revenue on march 2022 it is difficult to analyse financials

## Financial Charts

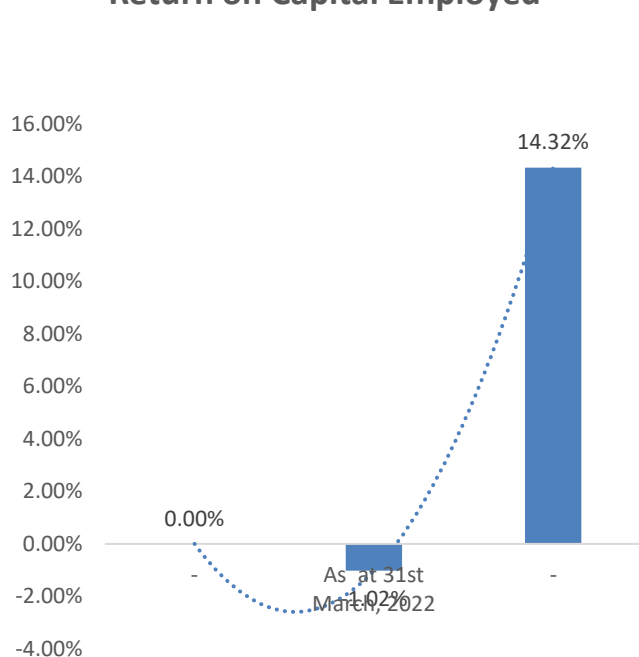
### EBITDA Margin



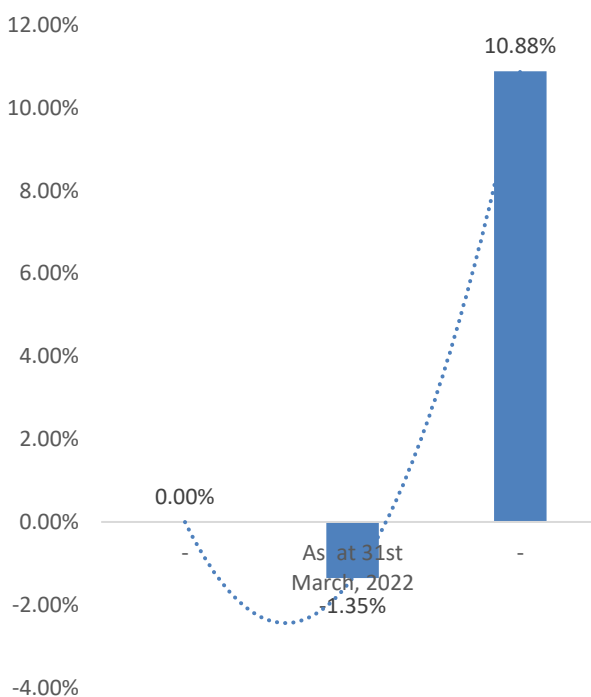
### Net Profit Margin



### Return on Capital Employed



### Return on Equity



## Key Risk Factors

1. Company is required to obtain licenses and approvals under several legislations. Inability to obtain or renew such permits, approvals and licenses in the ordinary course of business may adversely affect business, financial condition and results of operations.
2. There have been instances of delays of certain forms which were required to be filed as per the reporting requirements under the Companies Act, 2013 to RoC. Further, there have also been instances where Company has inadvertently filed incorrect information with the RoC in its statutory filings.
3. Company depends on customers and any decrease in revenues or sales from any one of key customers may adversely affect business and results of operations.
4. An increase in the cost of or a shortfall in the availability of raw materials could have an adverse effect on business, results of operations and financial condition.
5. Company may face several risks associated with the proposed expansion of manufacturing unit, which could hamper growth, prospects, cash flows and business and financial condition.

### **Track Record of Lead Manager**

As per the offer document, this is the first issue of the Book Running Lead Manager. Thus, no previous record available.



## Recommendation

The company has been into this industry since 2021 and does not have a good track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth and it is justified with order book they have in their hand. Company has good order book for the coming years compared to the previous years.

The management of the company has an overall experience of more than a decade in manufacturing of cold rolled components, spares and components for railways and wagon industry.

The stock is coming at a PE of around 35 times in Post IPO basis which seems to be on a higher side.

Looking at the above-mentioned scenarios, the company has although shown good order book but does not have a good track record of existence. Based on the order book, one can lure towards investing for short term, but not on long-term basis and therefore, **Risk Averse Investors should wait and Risk Seekers should apply.**

## 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.**