



IPO Details	
Opening Date	Aug 22, 2023
Closing Date	Aug 24, 2023
Stock Exchange	BSE, NSE
Lot Size	130 Shares
Issue Price	₹ 102 to ₹ 108 per share
Issue Size	Aggregating up to 351.00 Cr.
Fresh Issue	Aggregating up to 162.00 Cr.
Offer for Sale	Aggregating up to 189.00 Cr.
Application Amount (@ upper Band)	Min. Inv. - ₹ 14,040 (130 shares) Max. Inv. - ₹ 1,96,560 (1,820 shares)

IPO Objective	
Full or part repayment and/or prepayment of certain outstanding secured borrowings.	
Working Capital Requirements.	
General corporate purposes and unidentified inorganic acquisitions.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	10,41,36,663	91.09 %
Public	1,01,83,707	8.91%

Promoter of the Company	
1	Sat Industries Limited

Competitive Strengths	
1	Global flexible flow solutions provider operating in addressable market, catering to diverse industry segments.
2	Export oriented business model.
3	Primary Manufacturer of flexible flow solutions.
4	High entry and exit barriers.
5	Experienced and dedicated senior team.

Company Background	
○	Company was incorporated in the year 1993 and has its registered office in Mumbai.
○	Company is engaged in manufacturing and supplying of environment friendly metallic flexible flow solution products.
○	The company exports the products to more than 80 countries including Europe, USA and others.
○	The company is also into metallic flexible flow solutions made of SS. The company have recently developed products made of bronze.
○	The company supply the products to a wide spectrum of industries for controlled flow of all forms of substances including air, liquid and solid.
○	As on March-23, Company has 57 employees on its payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 1,235	₹ 1,397

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	16,164.20	18,343.70	21,397.70
Net Assets	5,871.70	8,622.30	11,409.30
Total Borrowings	5,306.80	3,912.70	4,500.60
Total Revenue	14,483.50	24,099.20	26,947.80
Profit After Tax	601.00	2,750.70	3,015.40

Tentative Timeline	
Opening Date	Aug 22,2023
Closing Date	Aug 24, 2023
Basis of Allotment	Aug 29, 2023
Initiation of Refunds	Aug 30, 2023
Credit of Shares to Demat	Aug 31, 2023
Listing Date	Sept 01, 2023



Company Background and Analysis

The Company was originally incorporated as on 19th October 1993. The company is engaged in manufacturing and supplying of environment friendly metallic flexible flow solution products including braided hoses, unbraided hoses, solar hoses, gas hoses, vacuum hoses, braiding, interlock hoses, hose assemblies, lancing hose assemblies, jacketed hose assemblies, exhaust connectors, exhaust gas recirculation (EGR) tubes, expansion bellows, compensators and related end fittings collectively known as flexible flow solutions. The company exports these products to more than 80 countries including Europe, USA and others.

The company supply the products to a wide spectrum of industries for controlled flow of all forms of substances including air, liquid, and solid. The company's products replace flow solutions made of rubber and polymers. The company's diversified customer base comprises of distributors, fabrications, MROs (Maintenance Repair and Operations Companies), OEMs (Original Equipment Manufacturers) and companies operating in a wide range of industries such as Natural Gas, Steel and Metal, Solar, Bulk Terminal Handling, and Paper and Pulp etc.

The flexible flow solutions play a critical role in transfer of substances (air, liquid, and solid) in any industrial or commercial ecosystem, connecting the origin and end points of various processes. Flow solution products are required in fire sprinklers, gas supply, flow of air (conditioned / controlled) in aircrafts, fuelling and hydraulics in aircrafts. The company is also into metallic flexible flow solutions made of SS and have recently developed products made of bronze as well. The flexible flow solutions made with stainless steel corrugation conform to BS 6501 Part 1, ISO 10380 and PED CE and re manufactured as per type A, B, and C flexibility. The company offers a range of metallic flexible corrugated hoses with diameters starting from ¼ inch to 14 inches. The flexible solutions are capable to handle varied environmental and work conditions and are designed to handle temperatures levels from negative 196 degrees Celsius to 982 degrees Celsius and pressure handling capacity of up to 300 bars.

The manufacturing process of the company comprises starting from the rolling of steel sheet to create pipes, to weaving wire braiding, and all the way till cutting tubes – attaching joints, testing and the final step of drying and shipment concludes the manufacturing process.

The manufacturing facility of the company is located at Taloja, Navi Mumbai in the state of Maharashtra and that is the only manufacturing facility the company has and continue to depend on the single manufacturing facility the company has.

The company's key products offerings include –

1. Stainless Steel Corrugated Flexible Hoses (With and Without Braiding)
2. Stainless Steel Braiding
3. Stainless Steel Interlock Hoses
4. Assemblies



The following table sets forth revenue bifurcation for financial year ended 2021, 2022 and 2023 -

(Amount in Lakhs)

Particulars	FY 2020 -2021		FY 2021-2022		FY 2022-2023	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
India	2,261.60	16.19	2,942.80	12.63	4,334.50	16.64
USA	3,827.1	27.39	7,754.90	33.28	7,632.10	29.30
UAE	495.9	3.55	1,466.50	6.29	1,873.90	7.19
Italy	1,038.2	7.43	1,210.60	5.20	1,193.40	4.58
Spain	720.6	5.16	1,425.20	6.12	1,187.20	4.56
Canada	266.5	1.91	583	2.50	922.4	3.54
Belgium	728.9	5.22	648.30	2.78	797.50	3.06
Brazil	457.2	3.27	662.80	2.84	681.00	2.61
UK	342.9	2.45	1024.7	4.40	702.2	2.70
Russia	145.1	1.04	100.50	0.43	624.40	2.40
South Africa	105	0.75	254.80	1.09	624.10	2.40
Other Countries	3,584	25.65	5,224.70	22.42	5,479.60	21.03
Total	13,973.00	100.00	23,298.80	100.00	26,052.30	100.00

The company has its majority of the revenue coming in from the USA contributing to almost 30% of the total revenue from operation. For Fiscal Year 2023 the company has exported the products to 51 countries and to further expand the international presence the company has incorporated wholly owned subsidiary in the UK in the name of "Aeroflex Industries Limited" in the year 2019.

To conclude, the company was originally incorporated in the year 1993 and is engaged in manufacturing and supplying of environment friendly metallic flexible flow solutions and has a wholly owned subsidiary company in UK and the majority of the revenue for the company is generated from the country USA. The company is raising a total amount of Rs. 16,200 lakhs and out of the total net proceeds the company is planning to utilise Rs. 3,200 lakhs for repayment and prepayment of certain outstanding borrowings and Rs. 8,400 lakhs for working capital requirements and the remaining amount bifurcation of utilization are not provided by the company in the offer document.



Business Strategies

- 1. Expand the portfolio of solutions to capitalize on large opportunities across industrial segments.**

The company constantly seeks to develop and introduce the new products and expand the capabilities to serve diverse industrial segments to enhance the market position of a global flexible flow solutions company. The company believes that the expansion of the solutions portfolio through advanced and complex assemblies and solutions and multi-materials offerings will lead to a further increase in the operational margin, which was 20.05%, 19.39% and 15.43% for Fiscals ended 2023, 2022 and 2021, respectively.
- 2. Scale up the In-house Design and R&D efforts.**

The company intends to further scale up the Design and R&D efforts and add resources and technically competent manpower to undertake complex research, development and innovations on other high-end materials, new product applications and design complex products in-house for varied applications across industrial segments. The company believe that with well-equipped and dedicated in-house Design capabilities, coupled with the track record in the flow solutions business, the company would be able add further value in the offerings through providing upfront design services to customers, acting as backward integration of the capabilities. This would, in turn, result into higher level of customer servicing and optimisation of operating margins as the company would be able to tap larger value chain of the flow solutions.
- 3. Increase focus on global markets and enhance the international presence.**

The company intends to leverage the diversified and global delivery model by continuing to focus on tailor-made flexible flow solutions designed to suit the customers' preferences. The company also intends to expand the operations in geographies such as USA, Europe, Far East Region and Middle East and North Africa (MENA) region by opening up of own strategic delivery locations in these regions, expanding the share of supplied products, as well as by diversifying the portfolio.
- 4. Focus on digitalisation and industry 4.0 initiatives to drive operational efficiencies and achieve synergies.**

The company intends to continue to improve the operational efficiencies using variety of technology and digitisation led tools and techniques. The company intend to automate various process to improve the energy usage efficiency, eliminate waste, improve productivity and manpower optimization, further improvise the water discharge practices, continually working on cost reduction including applying various techniques to the products to reduce cost. The company believes that through implementation of tools and techniques such as Internet of Things (IOT), Machine Learning systems and Industry 4.0 for the relevant machines or equipment, the company will also support the identification of improvement areas and thus aim to bring synergies to the operational and business performance improvement process.

Competitive Scenario and Peer Mapping

Competition

The industry in which the company operates in is diversified and highly fragmented and the company faces competition from the global players and in India. Some of the end-use industries in which the company operate in has high entry barriers thus leading to high bargain power by the customers and the industry in general which the company operates in has high barriers to entry.

Peer Analysis

The company believe there are no comparable listed Indian companies.

Industry Overview

Exhibit 1: Consumption of finished steel (million tonnes)

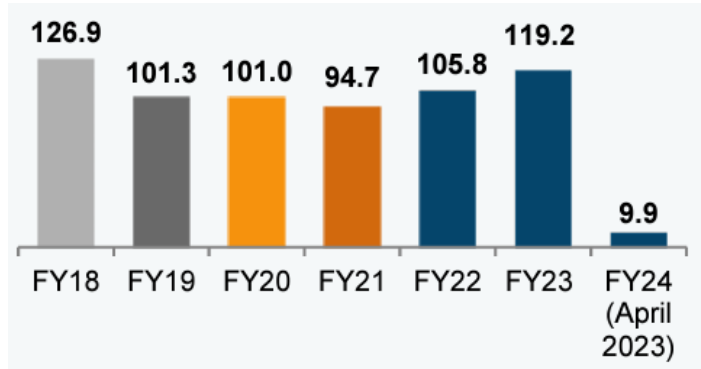


Exhibit 2: Per-capita Consumption of Steel (in Kgs)

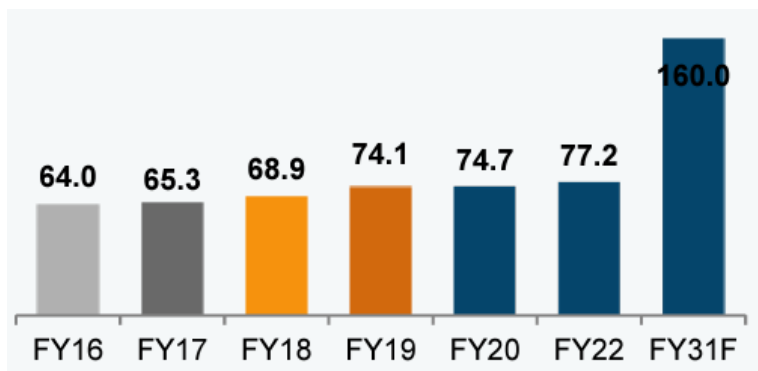
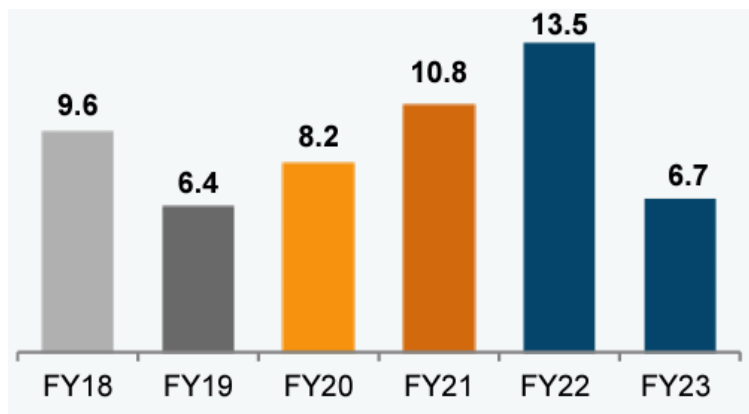


Exhibit 3: Finished Steel Export (million tonnes)



(Source: ibef.com)

**Indian Steel Industry -**

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.

India is the world's second-largest producer of crude steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23. India's steel production is estimated to grow 4-7% to 123-127 MT in FY24.

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.

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. The annual production of steel is anticipated to exceed 300 million tonnes by 2030-31. 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.com)



Key Managerial Personnel

Corporate Promoter -

Sat Industries Limited, was originally incorporated as a public limited company and the company is an incubator of both conventional cash-flow generating businesses and new-age start-ups. It is a listed entity that has diverse businesses under its portfolio, which ranges across multiple industries. Some of the key business activities undertaken by the promoter through its subsidiaries are manufacturing, leasing, trading, import and export, finance and investments.

Management / Directors -

Asad Daud, aged 33, is the Chairman, and the Managing Director of the company. He holds a bachelor's degree in accounting and finance and a master's degree in accounting and finance. He has over 12 years of experience in the manufacturing industry. He's involved in bringing about innovation in the operations and products of the Company.

Mustafa Abid Kachwala, aged 55, is the Whole-Time Director of the company. He holds a bachelor's degree in commerce. He currently looks after the financial affairs of the Company.

Ramesh Chandra Soni, aged 63, is the Independent Director of the Company. He holds a bachelor's degree in commerce. He is also a fellow member of Institute of Chartered Accountants of India and has experience of over 35 years in the fields on accounts, finance, taxation and banking.

Harikant Ganeshlal Turgalia, aged 61, is the Non-Executive Director of the Company. He holds a bachelor's degree in commerce. He has 30 years of experience in the field of management administration.

To conclude, the company has one corporate promoter. The management/directors have good experience in the fields which help in the growth of the business. The company does not have anyone on its top management who has knowledge in the industry in which the company specifically operates in.


Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	14,477.40	24,080.00	26,946.10
Other Income	6.10	19.20	1.70
Total Income	14,483.50	24,099.20	26,947.80
Expenses			
Cost of Materials consumed	9,448.20	15,633.00	18,784.70
Purchase of stock-in-trade	-	-	-
Changes in inventories of Finished goods, work-in- Progress	-92.40	-26.80	-1,778.40
Employee benefits expense	1,314.00	1,752.00	2,315.10
Finance costs	894.00	625.10	455.00
Depreciation and Amortization expense	377.80	418.40	521.90
Other expenses	1,574.10	2,052.60	2,221.30
Total Expenses	13,515.70	20,454.30	22,519.60
Earnings Before Interest, Taxes, Depreciation & Amortization	2,217.20	4,673.34	5,372.68
EBITDA Margin	15%	19%	20%
Profit before exceptional items and tax	967.80	3,644.90	4,428.20
Exceptional items	-16.3	4.14	-30.72
Profit/(Loss) before tax	951.50	3,649.04	4,397.48
Tax Expense			
Current Tax	-	833.00	1,018.50
Short/(Excess) Provisions for earlier years	-	-0.30	64.90
Deferred tax (net)	203.80	102.90	22.20
Total Tax Expense	203.80	935.60	1,105.60
Profit/(Loss) for the year	601.00	2,750.70	3,015.40
Net Profit Margin	4%	11%	11%

Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4,302.00	4,581.90	5,554.30
Intangible assets	-	635.00	64.30
Capital Work in Progress	24.20	29.30	77.40
Non-Current Investments	26.10	26.10	-
Financial Assets			
i) Investments and loans	-	-	-
ii) Trade Receivables	-	-	-
iii) Loans	-	-	-
iv) Others	29.00	0.70	-
Deferred Tax-Assets (Net)	97.10	-	-
Other non-current assets	142.10	174.40	257.80
Total Non-Current assets	4,620.50	5,447.40	5,953.80
Current Assets			
Inventories	3,432.00	3,582.20	5,600.70
Trade Receivables	3,378.00	5,261.20	6,697.00
Cash and Cash Equivalents	347.70	820.50	613.20
Other bank balances	11.50	12.30	12.10
Others	42.70	45.70	61.30
Current Tax Assets (Net)	4.30	-	-
Other current assets	4,327.50	3,174.40	2,459.60
Total Current assets	11,543.70	12,896.30	15,443.90
Total Assets	16,164.20	18,343.70	21,397.70



AEROFLEX INDUSTRIES LIMITED

IPO Note

"Commitment to Excellence"

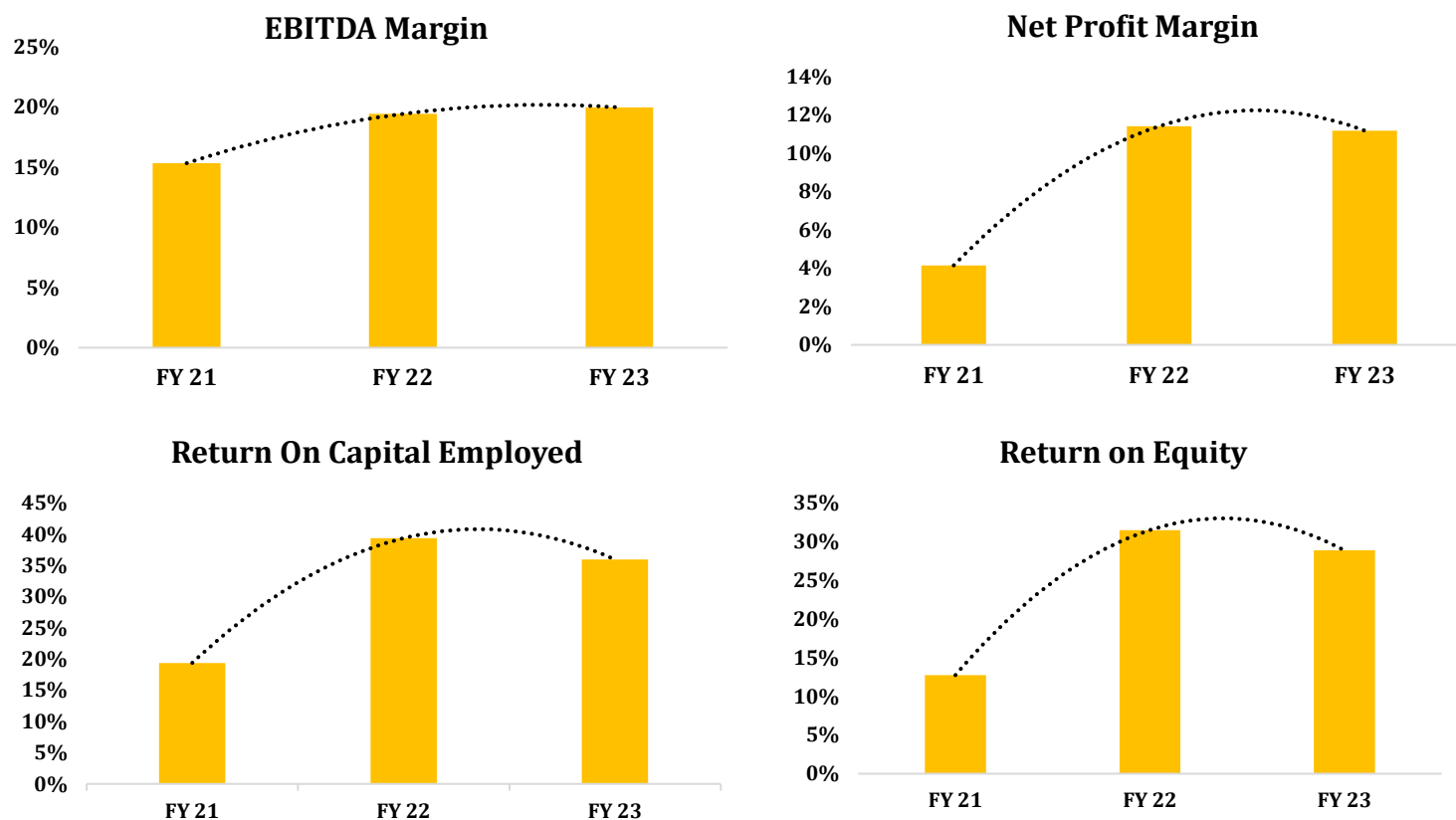


EQUITY AND LIABILITIES			
Equity			
Share Capital	2,286.40	2,286.40	2,286.40
Other Equity	3,585.30	6,335.90	9,122.90
Total Equity	5,871.70	8,622.30	11,409.30
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	3,528.00	2,098.60	1,968.60
Other financial liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities (Net)	-	5.80	28.00
Other non-current liabilities	94.70	93.10	98.60
Total Non-current liabilities	3,622.70	2,197.50	2,095.20
Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	1,778.80	1,814.10	2,532.00
(ii) Trade Payables			
i) Total outstanding dues of micro enterprises and small enterprises	55.50	8.70	883.10
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	3,978.10	3,409.80	2,780.00
Other Current Liabilities	857.40	1,537.10	1,091.10
Current tax liabilities (Net)	-	754.20	607.20
Total Current liabilities	6,669.80	7,523.90	7,893.40
Total Liabilities	10,292.50	9,721.40	9,988.60
Total Equity and Liabilities	16,164.20	18,343.70	21,397.90

Cash Flow Statement			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	120.88	320.63	37.89
Net Cash Flow from Investing Activities	-29.09	133.85	94.56
Net Cash Flow from Financing Activities	-103.87	-139.41	35.92

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	0.53	2.41	2.64
BV per share	4.54	6.67	8.82
Operating Ratios (%)			
EBITDA Margins	15%	19%	20%
PAT Margins	5%	11%	12%
Inventory days	86.53	54.30	75.86
Debtor days	85.17	79.75	90.71
Creditor days	1531.63	791.90	703.04
Return Ratios (%)			
RoCE	19%	39%	36%
RoE	13%	31%	29%
Valuation Ratios (x)			
EV/EBITDA	4.88	2.51	2.85
Market Cap / Sales	9.65	5.80	5.18
P/E	203.77	44.81	40.91
Price to Book Value	23.79	16.20	12.24
Solvency Ratios			
Debt / Equity	0.90	0.45	0.39
Current Ratio	1.73	1.71	1.96
Quick Ratio	1.22	1.24	1.25
Asset Turnover	0.90	1.31	1.26
Interest Coverage Ratio	2.06	6.81	10.66

Financial Charts



Key Risk Factors

1. The company is dependent on China for a significant portion of raw material suppliers, loss of any major suppliers increases in the cost of raw material by any supplier, or a shortfall in the availability or quality of such raw materials, in a timely manner or at all, or the ability to pass these costs onto the customers could have an adverse effect on the business and results of operations. For the Fiscals March 31, 2023, March 31, 2022 and March 31, 2021 the raw materials purchased from out of India contributed to 45.22%, 45.81% and 47.10% of the total raw material purchases respectively, For the Fiscals 2023, 2022 and 2021 the raw materials purchase from domestic market contributed to 54.78%, 54.19% and 52.90% of the total raw material purchases respectively.
2. The company's top 10 suppliers contributed for the Fiscal years 2021, 2022, and 2023 was at 80.60%, 82.27%, and 81.24% respectively.
3. The promoter of the company is involved in 1 Indirect Tax matter proceedings amounting to Rs. 226.3 lakhs. Any adverse decision in the proceeding may render the Promoter liable to penalty and/or monetary compensation and may adversely affect the business and results of operations.
4. The company in the past was categorised as wilful defaulter in relation to default of payment in the year 2011 with respect to consortium finance availed from State Bank of India ('SBI'), Axis Bank, Bank of India, Exim Bank, UCO Bank and Allahabad Bank. In the year 2018 all the outstanding amounts were paid off by the Company. Bank of India Limited continues to report the closed facility of the company as a 'doubtful credit facility'.

**Track Record of Lead Manager**

The lead manager to the issue is Pantomath Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 5 companies handled by the Lead Managers in recent times –

Pantomath Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Urban Enviro Waste Management Limited	11.42	100.00	June 22, 2023	90.20
2.	Sah Polymers Limited	66.30	65.00	January 12, 2023	107.70
3.	AB Cotspin India Limited	10.09	35.00	January 11, 2022	55.15
4.	Exxaro Tiles Limited	161.09	120.00	August 16, 2021	118.50
5.	V-Marc India Limited	23.40	39.00	April 09, 2021	101.15

*CMP for all the above-mentioned company is taken as on 16th August 2023.

As per the offer document Pantomath Capital Advisors Private Limited have had 5 mandates in the last three fiscal years. For Pantomath Capital Advisors Private Limited out of the 5 mentioned above, all opened at premiums ranging from 0.1% to 0.41% on the listing day.



Recommendation

The company has been into the industry since 1993 thus has very vast experience in the industry. The company's financials have seen a consistent increase in its bottom line. The profitability margin has seen a sudden surge. The overall cash flow for the company looks decent. The management outlook of the company is not satisfactory with no one in the management having knowledge in the core business sector of the company.

The PE on an annualised and Post IPO basis is around 42.43 times which seems to be highly priced by looking at the performance of the company

The company operates in a competitive segment and has competitors for all over the world. The company's overall financial performance looks decent and the company operates in a very fragmented business and has high barriers to entry making way to reduced unorganized competition. The company has seen consistent growth in its bottom and top line. Thus, one can **APPLY** to this IPO.



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