



IPO Details		Company Background				
<b>Opening Date</b>	Sept 12, 2023	<ul style="list-style-type: none"> <li>○ Kundan Edifice limited is incorporated in the year 2010 and has its registered office in Maharashtra.</li> <li>○ Company is into manufacturing, assembly and sale of light emitting diode (“LED”) strip lights.</li> <li>○ Company is primarily an original design manufacturer (“ODM”) and design, develop, manufacture and supply products to customers who then further distribute these products under their own brands.</li> <li>○ As on August 31, 2023, Company had 311 employees on its payroll.</li> </ul>				
<b>Closing Date</b>	Sept 15, 2023					
<b>Stock Exchange</b>	NSE SME					
<b>Lot Size</b>	1200 Shares					
<b>Issue Price</b>	₹91 per share					
<b>Issue Size</b>	Aggregating up to 25.22Cr.					
<b>Fresh Issue</b>	Aggregating up to 25.22Cr.					
<b>Application Amount</b>	₹1,09,200					
IPO Objective		Market Capitalization (In Cr)				
Working Capital Requirements		<b>Pre-Issue</b>	<b>Post-Issue</b>			
General corporate purposes		₹ 68	₹ 93			
Pre-Issue Shareholding			Financial Summary (In Lacs)			
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23
Promoter & Promoter Group	74,25,000	99.00 %	<b>Total Assets</b>	1,185.13	1,928.14	2,965.83
Public	75,000	1.00%	<b>Net Assets</b>	129.90	297.72	810.81
Promoter of the Company			<b>Total Borrowings</b>	728.65	905.03	1,450.61
1	Divyansh Mukesh Gupta		<b>Total Revenue</b>	1,522.43	3,250.61	6,046.36
2	Vijaya Mukesh Gupta		<b>Profit After Tax</b>	77.23	167.83	513.10
Competitive Strengths			Tentative Timeline			
1	Long-term relationships with leading industry customers		<b>Opening Date</b>	Sept 12, 2023		
2	Strong focus on R&D		<b>Closing Date</b>	Sept 15, 2023		
3	Experienced Promoter Directors with extensive domain knowledge		<b>Basis of Allotment</b>	Sept 21, 2023		
			<b>Initiation of Refunds</b>	Sept 22, 2023		
			<b>Credit of Shares to Demat</b>	Sept 25, 2023		
			<b>Listing Date</b>	Sept 26, 2023		



### Company Background and Analysis

Company entered into assembly and sale of lighting products in Fiscal 2014. Once current Promoter, Divyansh Gupta took control of Company since Fiscal 2016, company has focused on business operations into manufacturing, assembly and sale of light emitting diode (“LED”) strip lights and as an EMS Company, company is primarily an original design manufacturer (“ODM”) and design, develop, manufacture and supply products to customers who then further distribute these products under their own brands. Company also works with customers to develop, manufacture and supply products that are designed by customers. Company focuses on unconventional form of lighting products i.e., LED strip lights that have varied application across industries such as real estate, railways, automobiles, decorative lighting, etc. Company provides lighting solutions to some of the key electrical and electronic manufacturing brands in India.

The LED strip lights or the flexible linear lights as a concept is replacing the traditional lighting like bulbs, tube lights and many other kinds of lights since the flexible linear lights have indoor as well as outdoor application. Company has over 6 years of experience in EMS sector. Since Fiscal 2016, company has expanded product portfolio within primary product, customer base and gained technological expertise in designing and manufacturing of products. Company has a history of high customer retention. In the nine months period ended December 31, 2022 and for the Fiscal 2022, the Fiscal 2021, the Fiscal 2020, company derived approximately 45.20%, 65.31%, 62.27% and 36.68% respectively, of restated revenues from operations from repeat customers. In Fiscal 2022, company enjoyed relationships of over three years with 5 out of these top ten customers.

**The table set forth below provides the split of revenue from operations in ODM businesses and others in Fiscal 2022, Fiscal 2021 and Fiscal 2020 and for the nine months period ended December 31, 2022.**

(₹ in lakhs, except percentages)

Name of Products	Nine months ended December 31, 2022	As % of Revenue from Operations	As of March 31, 2022	As % of Revenue from Operations	As of March 31, 2021	As % of Revenue from Operations	As of March 31, 2020	As % of Revenue from Operations
120LED-HV Flex	983.73	20.86	62.68	1.93	14.74	0.97	-	-
60LED-HV Flex	1855.25	39.33	1086.19	33.45	91.61	6.05	-	-
60LED LV Flex	1011.01	21.43	1415.1	43.58	1051.39	69.46	387.42	59.93
120LED LV Flex	186.9	3.96	214.3	6.6	133.82	8.84	104.4	16.15
180LED LV Flex	111.02	2.35	166.95	5.14	181.15	11.99	82.09	12.7



240LED LV Flex	175.06	3.71	38.46	1.18	7.31	0.48	22.29	3.45
RGB LV Flex (Smart Lights)	105.61	2.24	76.45	2.35	8.87	0.59	50.21	7.77
Accessories Kit	288.07	6.11	187.09	5.76	24.36	1.61	-	-
<b>Total</b>	<b>4716.67</b>	<b>100</b>	<b>3247.21</b>	<b>100</b>	<b>1513.66</b>	<b>100</b>	<b>646.41</b>	<b>100</b>

## CAPACITY, PRODUCTION AND CAPACITY UTILIZATION

Product Name	Nine months ended Dec, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
	Installed capacity (MTPA) *	Actual capacity (MTPA) *	Installed capacity (MTPA)*	Actual capacity (MTPA) *	Installed capacity (MTPA) *	Actual capacity (MTPA) *	Installed capacity (MTPA) *	Actual capacity (MTPA) *
<i>Vasai facility</i>								
120L HV FLEX	4500000	3600000	6000000	4800000	600000	600000	600000	600000
60L HV FLEX	6750000	5400000	9000000	7200000	3000000	3000000	3000000	3000000
60L LV FLEX	4500000	4050000	6000000	5400000	6000000	5400000	6000000	4800000
120L LV FLEX	900000	900000	1200000	1200000	720000	720000	720000	600000
180L LV FLEX	450000	450000	600000	600000	360000	300000	360000	300000
240L LV FLEX	225000	225000	300000	300000	120000	120000	120000	120000
RGB LV FLEX (Smart Lights)	225000	180000	300000	240000	120000	120000	120000	120000
<b>Total</b>	<b>17550000</b>	<b>14805000</b>	<b>23400000</b>	<b>19740000</b>	<b>10920000</b>	<b>10260000</b>	<b>10920000</b>	<b>9540000</b>
<b>% Capacity Utilized</b>	<b>84.36%</b>		<b>84.36%</b>		<b>93.96%</b>		<b>87.36%</b>	

**\*MTPA stands for Meters per Annum**

To conclude Kundan Edifice is primarily an original design manufacturer ("ODM") and design, develop, manufacture, and supply products to customers who then further distribute these products under their own brands. The company also provides custom products. Its product list includes HV Flex- High voltage flex, LV Flex- Low voltage flex, RGB LV Flex (Smart Lights), and Accessories Kit.



## **Business Strategies**

### **1. Improve and increase operational efficiencies**

The Company will continue to focus on further increasing operations and improving operational effectiveness at production facilities. Higher operational effectiveness results in greater production volumes and greater sales, and therefore allows company to spread fixed costs over a higher number of units sold, thereby increasing profit margins.

### **2. Optimal utilization of resources**

The Company constantly endeavours to improve manufacturing process, skill up-gradation of workers, using latest technology in machineries to optimize the utilization of resources. Company regularly analyses existing raw material procurement and manufacturing processes to identify the areas of bottlenecks and correct the same. This helps in improving efficiency and putting resources to optimal use.

### **3. Continue to focus on ODM /OEM mode**

Company plans to gradually expand share of the ODM/OEM model of manufacturing. As an ODM/OEM, company controls the entire manufacturing cycle of a product from the initial stage of designing and are responsible for all the aspects of manufacturing, including planning and sourcing of raw materials and components. Under ODM/OEM, Company sells products to companies who in turn distribute these products under their own brand to end users. The ODM/OEM model of business requires additional investment in R&D as well as working capital but provides higher margins.

## **Competitive Scenario and Peer Mapping**

### **Competition**

Company operates in an industry which is highly competitive and fragmented and compete with a range of organized and unorganized players, both at the national and regional level. Many segments within the electronic manufacturing space have low barriers to entry or exit. The bargaining power of the company is low and the threat of new entrant is high. Compete with international and domestic manufacturers engaged in the manufacture and supply of lighting products as well as from players in the unorganized sector.

### **Peer Analysis**

There are no listed companies that exclusively undertake the manufacturing of LED strip lights.

**Industry Overview**

Exhibit 1: Electronics industry in India

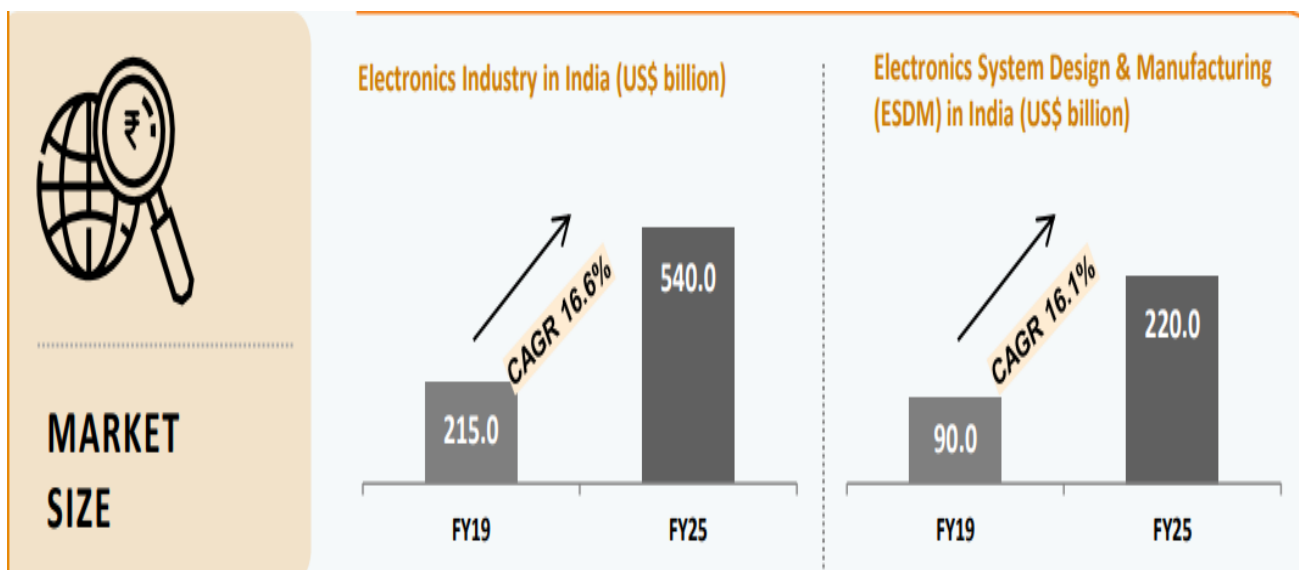
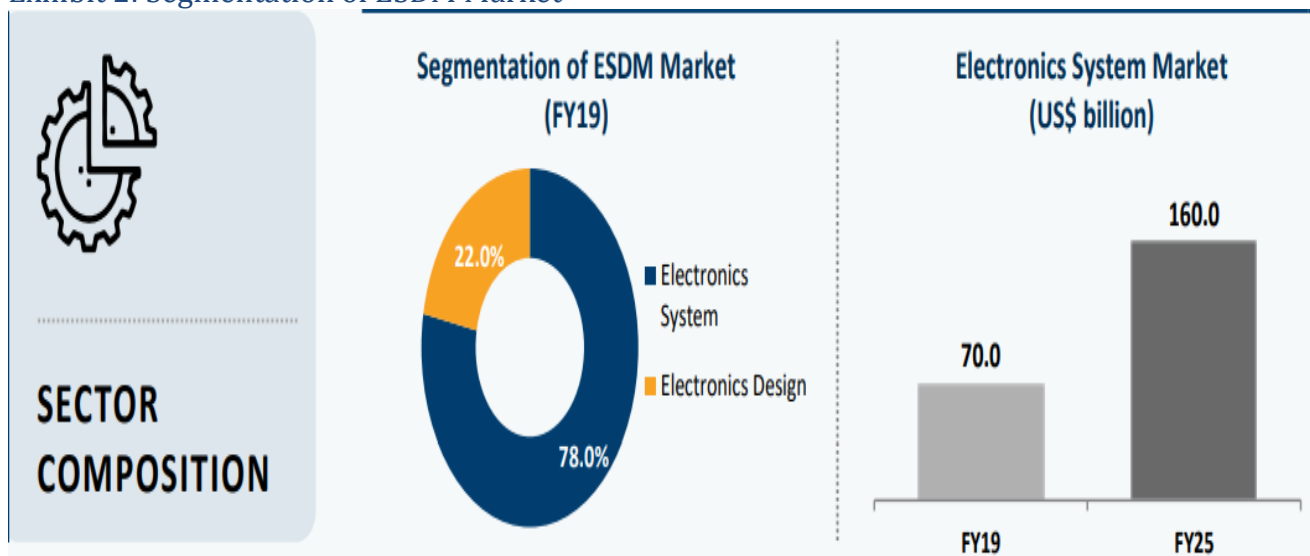


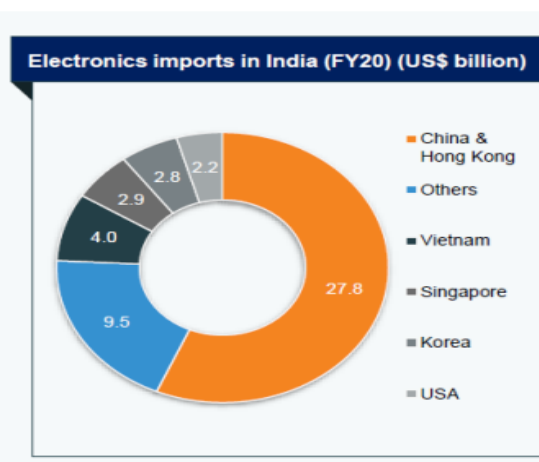
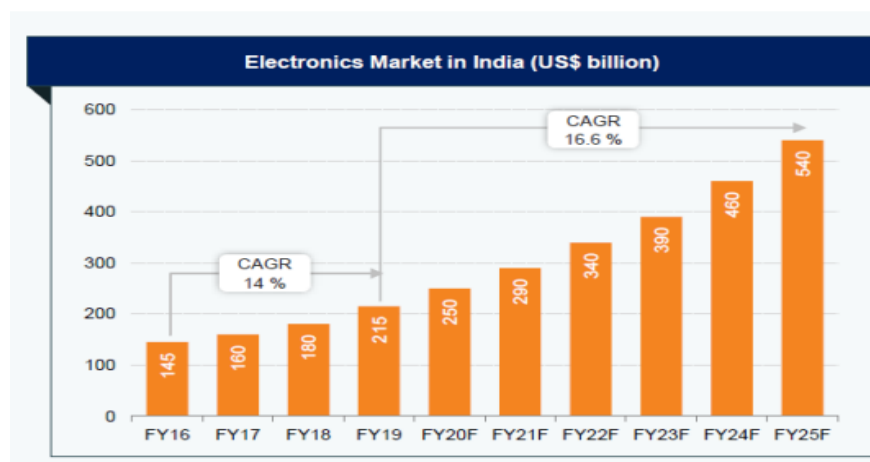
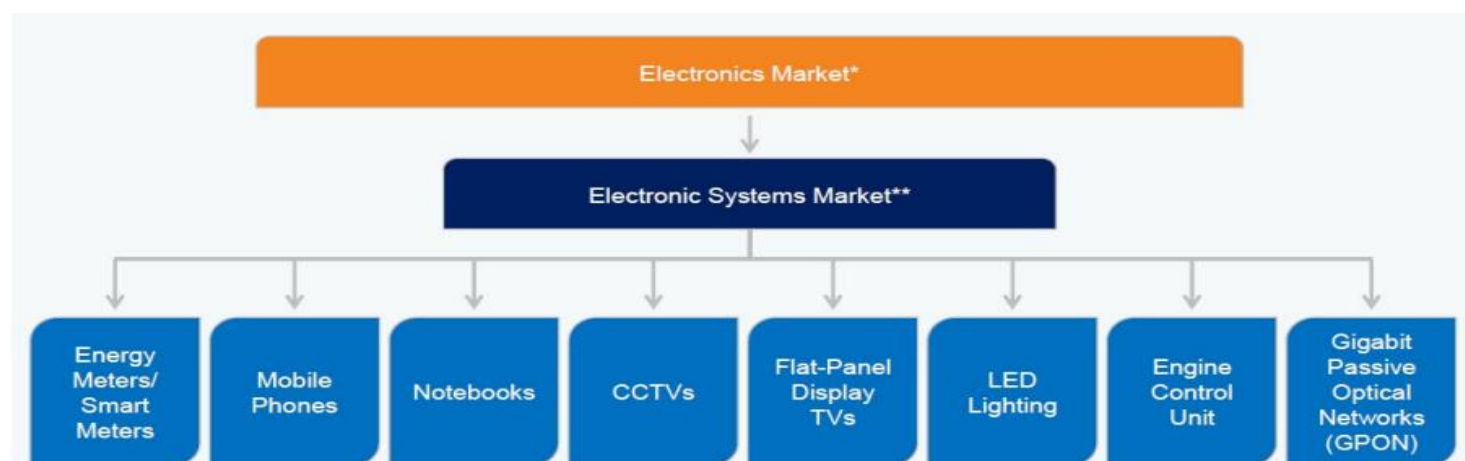
Exhibit 2: Segmentation of ESDM Market



(Source: ibef.com)

**ELECTRONICS MARKET IN INDIA**

The Indian electronics system design and manufacturing (ESDM) sector is one of the fastest growing sectors in the economy and is witnessing a strong expansion in the country. The ESDM market in India is well known internationally for its potential for consumption and has experienced constant growth. The ESDM market in India is well known internationally for its potential for consumption and has experienced constant growth. Indian manufacturers are attracting the attention of multinational corporations due to shifting global landscapes in electronics design and manufacturing capabilities, as well as cost structures. Companies from all over the world are striving to develop local capacities in India not only to serve the domestic market but also to cater to international markets. The Electronics System Design Manufacturing (ESDM) industry includes electronic hardware products and components relating to information technology (IT), office automation, telecom, consumer electronics, aviation, aerospace, defence, solar photovoltaic, nano electronics and medical electronics. The industry also includes design-related activities such as product designing, chip designing, Very Large-Scale Integration (VLSI), board designing and embedded systems.



(Source: prospectus)



## Key Managerial Personnel

**Divyansh Mukesh Gupta** aged 34 years is the Managing Director and Chairman of the Board of Company. He holds a bachelor's degree in commerce from the University of Mumbai. He has been on the Board since April 01, 2015 and has experience of over 6 years in the line of business of Company.

**Vijaya Mukesh Gupta** aged 54 years is the Promoter of Company and is holding a degree in Bachelor of Arts from Patna University. She was appointed as Executive Director of the Company with effect from September 30, 2016, later she resigned from the office of directorship with effect from November 07, 2017.

**Mallika Mukesh Gupta**, is a Whole Time Director on the Board of Company. She holds a bachelor degree in art from the University of Arts London. She has also completed level 4 diploma in art and design – foundation studies (QCF) from Cambridge School of Visual and Performing Arts. She is associated with Company since September 30, 2017. She has over one year of experience in the line of business of Company.

**Girish Kumar Joshi** is a Non-Executive Independent Director on the Board of Company. He holds a bachelor and master's degree in commerce from the Mohanlal Sukhadia University, Udaipur and is an associate member of the Institute of Chartered Accountants of India He is a partner in the firm M/s Tarun Jugal & Associates. He is a non-Executive independent director at Integrated Personnel Services Limited.

**Satish Inani** is a Non-Executive Independent Director on the Board of Company. He holds master's degree in commerce from the Mohanlal Sukhadia University, Udaipur and is an associate member of the Institute of Chartered Accountants of India. He is a partner in the firm M/s Satish Inani & Co.

To conclude, the company has 2 promoter, Divyansh Mukesh Gupta has 6 years of experience and other promoter and directors doesn't have much experience in the business which company operates in.



## Financial Snapshot

<b>Profit and Loss Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	1,513.66	3,247.25	6,021.93	
Other Income	8.77	3.36	24.43	
<b>Total Income</b>	<b>1,522.43</b>	<b>3,250.61</b>	<b>6,046.36</b>	
<b>Expenses</b>				
Cost of materials consumed	999.39	2,378.98	3,671.70	
Purchase of stock-in-trade	-	-	-	
Changes in Inventories	-6.54	-161.68	68.00	
Employee benefits expense	140.98	292.98	606.53	
Finance costs	55.02	63.02	108.04	
Depreciation and Amortization expense	29.95	43.46	84.09	
Other expenses	222.12	458.70	809.50	
<b>Total Expenses</b>	<b>1,440.92</b>	<b>3,075.46</b>	<b>5,347.86</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>157.71</b>	<b>278.27</b>	<b>866.20</b>	
<b>EBITDA Margin</b>	<b>10%</b>	<b>9%</b>	<b>14%</b>	
<b>Profit before exceptional and extraordinary items and tax</b>	<b>81.51</b>	<b>175.15</b>	<b>698.50</b>	
<b>Exceptional items</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Profit/(Loss) before tax</b>	<b>81.51</b>	<b>175.15</b>	<b>698.50</b>	
Tax Expense				
Current Tax	6.81	29.24	158.54	
Add/(Less) MAT credit Reversal/(entitlement)	-6.81	-29.24	36.04	
Deferred tax (net)	4.28	7.32	-9.18	
Total Tax Expense	4.28	7.32	185.40	
<b>Profit/(Loss) for the year</b>	<b>77.23</b>	<b>167.83</b>	<b>513.10</b>	
<b>Net Profit Margin</b>	<b>5%</b>	<b>5%</b>	<b>8%</b>	

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	246.91	501.73	566.99	
Capital Work in Progress	-	38.04	5.89	
Intangible assets	1.97	7.52	124.27	
Intangible Assets Under Development	-	-	12.66	
i) Non-current investments	0.01	0.01	0.01	
Long Term Loans & Advances	21.15	63.04	69.19	
<b>Total Non-Current assets</b>	<b>270.04</b>	<b>610.34</b>	<b>779.01</b>	
<b>Current Assets</b>				
Inventories	577.29	849.45	1,596.36	
Trade Receivables	143.60	194.72	447.05	





<b>Balance Sheet</b>			<b>(In Lacs)</b>
Cash and Cash Equivalents	27.59	6.05	34.76
Bank Balance other than above	-	-	108.65
Short Term Loans & Advances	166.61	267.58	-
<b>Total Current assets</b>	<b>915.09</b>	<b>1,317.80</b>	<b>2,186.82</b>
<b>Total Assets</b>	<b>1,185.13</b>	<b>1,928.14</b>	<b>2,965.83</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	300.00	300.00	750.00
Reserves & Surplus	-170.10	-2.28	60.81
<b>Total Equity</b>	<b>129.90</b>	<b>297.72</b>	<b>810.81</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long Term Borrowings	390.31	492.57	546.29
Long Term Provisions	-	-	23.40
Deferred Tax Liability (Net)	4.28	11.61	2.43
<b>Total Non-current liabilities</b>	<b>394.59</b>	<b>504.18</b>	<b>572.12</b>
<b>Current liabilities</b>			
Financial Liabilities			
(i) Short Term Borrowings	338.34	412.46	904.32
(ii) Trade Payables	-	-	-
i) Due to micro and small enterprises	0.68	12.13	6.73
ii) Due to other than micro and small enterprises	279.26	629.70	395.08
Other Current Liabilities	30.42	46.31	83.56
Short-Term Provisions	12.24	25.65	193.22
<b>Total Current liabilities</b>	<b>660.94</b>	<b>1,126.25</b>	<b>1,582.91</b>
<b>Total Liabilities</b>	<b>1,055.53</b>	<b>1,630.43</b>	<b>2,155.03</b>
<b>Total Equity and Liabilities</b>	<b>1,185.43</b>	<b>1,928.15</b>	<b>2,965.84</b>

<b>Cash Flow Statement</b>			<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
Net Cash Flow from Operating Activities	21.94	206.96	-162.21
Net Cash Flow from Investing Activities	-80.62	-343.72	-266.96
Net Cash Flow from Financing Activities	61.73	113.35	437.54



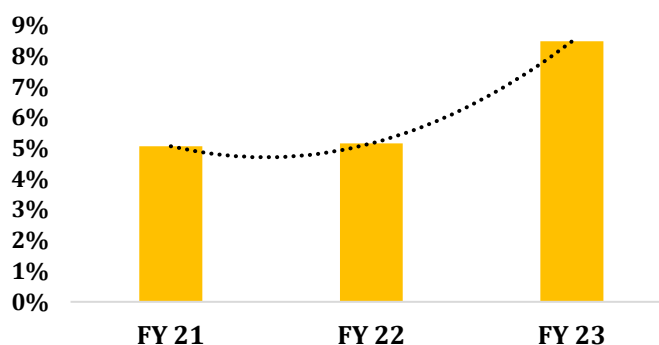
<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b><u>Per Share Data</u></b>			
Diluted EPS	1.06	2.24	6.26
BV per share	1.27	2.92	7.95
<b><u>Operating Ratios (%)</u></b>			
EBITDA Margins	10%	9%	14%
PAT Margins	5%	5%	8%
Inventory days	139.21	95.48	96.76
Debtor days	34.63	21.89	27.10
Creditor days	80.08	94.12	32.69
<b><u>Return Ratios (%)</u></b>			
RoCE	24%	29%	57%
RoE	59%	56%	63%
<b><u>Valuation Ratios (x)</u></b>			
EV/EBITDA	2.79	2.53	1.97
Market Cap / Sales	6.13	2.86	1.54
P/E	85.85	40.63	14.54
Price to Book Value	71.43	31.17	11.44
<b><u>Solvency Ratios</u></b>			
Debt / Equity	2.60	1.39	1.14
Current Ratio	1.38	1.17	1.38
Quick Ratio	0.51	0.42	0.37
Asset Turnover	1.28	1.68	2.03
Interest Coverage Ratio	2.32	3.73	7.24

## Financial Charts

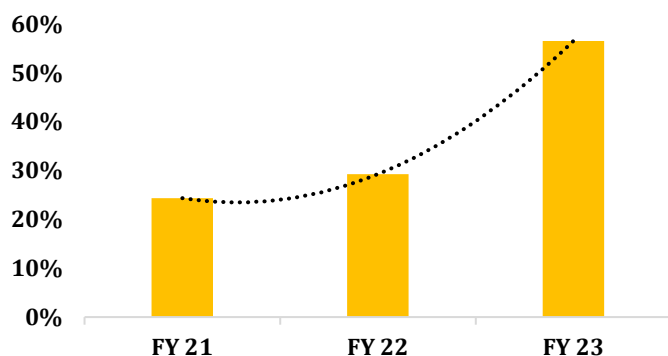
### EBITDA Margin



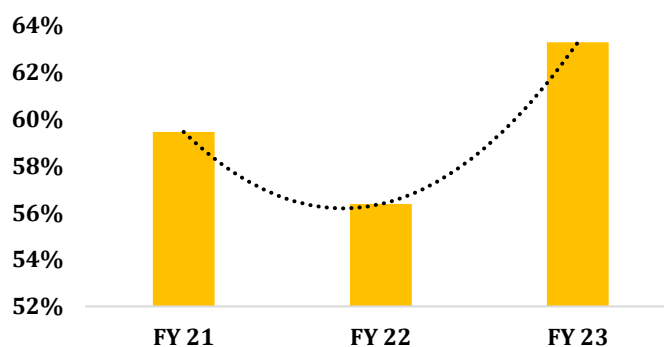
### Net Profit Margin



### Return On Capital Employed



### Return on Equity



## Key Risk Factors

1. Company, and group companies are party to certain litigation and claims of amount of ₹4,813.88 Lakhs. These legal proceedings are pending at different levels of adjudication before various courts and regulatory authorities. Any adverse decision may make liable to liabilities/penalties and may adversely affect reputation, business and financial status.
2. Shortages in, or rises in the prices of, raw materials or components for products company manufactures, which account for majority of costs, may adversely affect business.
3. Some of Group Companies have incurred losses in the past and may incur losses in the future.



### Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Pvt Ltd. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

#### Fedex Securities Pvt Ltd–

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Yasons Chemex Care Limited	20.57	40.00	Aug 03, 2023	35.95
2.	Pattech Fitwell Tube Components Limited	12.00	50.00	Apr 21, 2023	65.00
3.	Lead Reclaim and Rubber Products Limited	4.88	25.00	Feb 21, 2023	47.35
4.	Moxsh Overseas Educon Limited	10.42	153.00	Dec 30, 2022	130.50
5.	Tapi Fruit Processing Ltd	5.21	48.00	Sep 22, 2022	202.15
6.	Virtuoso Optoelectronics Limited	30.24	56.00	Sep 15, 2022	263.95
7.	Kesar India Limited	15.82	170.00	Jul 12, 2022	215.00
8.	Le Merite Exports Limited	48.00	75.00	May 09, 2022	52.90
9.	Sunrise Efficient Marketing Limited	16.70	121.00	Apr 12, 2022	225.25
10.	Wherrelz IT Solutions Limited	2.01	171.00	Dec 29, 2021	147.35

\*CMP for all the above-mentioned company is taken as on 07th Sep 2023.

As per the offer document Fedex Securities Pvt Ltd have had 10 mandates in the last ten fiscal years. For Fedex Securities Pvt Ltd out of the 10 mentioned above, two opened at discount and 8 at premium ranging from (-16.44%) to 106.07% on the listing day.



### Recommendation

The company has been into the industry since 2010 has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. The management outlook of the company, Divyansh Mukesh Gupta has 6 years of experience and other promoter and directors doesn't have much experience in the business which company operates in.

The PE on an annualised and Post IPO basis is around 18.08 times which seems to be fairly priced looking at the size and performance of the company.

The company operates in a competitive segment. The company has seen an overall growth in its financials consistently over the years. Since the company is into manufacturing, assembly and sale of light emitting diode ("LED") strip lights and no listed peer companies, **Risk Averse Investors should wait, and Risk Seekers should apply.**



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