

IPO Details		Company Background							
Opening Date	Sept 18, 2023	<ul style="list-style-type: none"> Master Components Limited was originally incorporated in the year 1999 and has its registered office in Maharashtra. The Company is engaged in manufacturing plastic engineering components and subassemblies. The company's products are industrial capital goods. The company is an International Automotive Task Force (IATF)- 16949-2016 certified and ISO 9001:2015 certified for Quality Management As of 31st March 23, the Company has 25 employees on its payroll. 							
Closing Date	Sept 21, 2023								
Stock Exchange	NSE SME								
Lot Size	1,000 Shares								
Issue Price	₹ 140 per share								
Issue Size	Aggregating up to 15.46 Cr.								
Fresh Issue	Aggregating up to 9.81 Cr.								
Offer for Sale	Aggregating up to 5.64 Cr.	<th colspan="2">Market Capitalization</th> <td colspan="2">(In Cr.)</td>				Market Capitalization		(In Cr.)	
Application Amount	₹ 1,40,000					Pre-Issue	Post-Issue		
IPO Objective									
Working Capital Requirements.									
General Corporate Purposes.									
Pre-Issue Shareholding		Financial Summary							
Category	No. of Shares	% of Total Shares	(In Lacs)						
Promoter & Promoter Group	33,00,000	100.00%	For the Period Ended	Mar-21	Mar-22	Mar-23			
Public	-	-	Total Assets	1,419.09	1,485.24	1,659.17			
Promoter of the Company			Net Assets	901.04	994.77	1,165.31			
1	Mudduraj Kulkarni		Total Borrowings	216.29	173.33	93.96			
2	Shrikant Joshi		Total Revenue	1,328.75	1,842.50	2,090.03			
3	Rajeshwari Kulkarni		Profit After Tax	77.17	93.73	170.55			
4	Anagha Joshi		Tentative Timeline						
Competitive Strengths			Opening Date	Sept 18, 2023					
1	Experienced Promoters and Teams		Closing Date	Sept 21, 2023					
2	Strong financial performance		Basis of Allotment	Sept 26, 2023					
3	Long-standing relationship with customers		Initiation of Refunds	Sept 27, 2023					
4	Strategic Location of Unit		Credit of Shares to Demat	Sept 28, 2023					
			Listing Date	Sept 29, 2023					

Company Background and Analysis

The Company was originally incorporated on December 27, 1999. The company is engaged in the business of manufacturing plastic engineering components and sub-assemblies. The company's product is an industrial capital goods and it undergoes stringent quality tests to meet industry standards. The proximity of Nashik facility to the Mumbai-Pune Highway provides a competitive advantage and the company believes it is helping them to cater to various sector MNCs and smaller business associates who generally require components of different sizes and shapes.

The product manufactured by the company is used as an input in the following sectors –

1. Electrical
2. Industrials
3. Automotive
4. Medical

The company's specialization and primary activity is moulding the materials to produce the components. The following are the list of its services –

1. Thermoplastic Injection Moulding
2. Thermoset Injection Moulding
3. Thermoset Transfer Moulding
4. Compression Moulding

All the moulding takes place at the company's facility on machines which as a capacity ranging from 60-450 tonnes and the mould products range from 1 gm to 150 gms.

The company has domestic and export sales. The countries included in the export sales are as follows – Saudi, Riyadh, Abu Dhabi, Czech Republic, Germany, and Israel.

Geography-wise revenue break-up according to off-line and online sales for the fiscal year ended 2021, 2022, and 2023 are given below –

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Domestic Sales	1247.58	94.14	1,662.67	91.17	1,934.12	93.42
Export Sales	77.7	5.86	161.11	8.83	136.14	6.58
Total	1325.28	100.00	1,823.78	100.00	2,070.26	100.00

To conclude, the company was originally incorporated in the year 1999. The company is engaged in the business of manufacturing plastic engineering components and sub-assemblies. Most of the revenue generated for the company during the financial year 2023 is from the electrical components sector of the company. The company is raising total gross proceeds of Rs. 9.81 Cr.

Business Strategies

1. Augment the fund-based capabilities to scale up business operations.

The company believes that companies with high liquidity on their balance sheet they should be in a better position to negotiate. Funding this working capital requirement from the proceeds of the Fresh Issue will also enable them to save a considerable interest cost due to lower working capital borrowings.

2. To establish a presence in the international market.

The company primarily aims to become the preferred supplier of moulded components and to remain aggressive and capitalize on a good market share, the company believes it will be able to offer competitive prices to the customers. This will help them sustain the competition and hold a strong position in the market.

3. Improve cost efficiency.

The company continues to invest in increasing operational efficiency throughout the organisation. The company follows the Kaizen theory and lean policy and 5S in the unit. The company has implemented this to bring efficiency to the process and minimize wastage. The company is addressing to increase in functional output through continuous process improvement, quality control activities, customer service, consistent quality and technological development.

4. To build up a professional organization.

The company believes that an organization can grow in speed if it is run by a team of experienced, professionals and new talent and would like to invest in a human resource which will act as a catalyst in the business. The company believes in transparency and commitment to the work and to the customers. The company will consistently put efforts among its group of experienced employees to transform them into an outstanding team of empowered professionals which helps in further accelerating the wheels of development of the Organization.

Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive industry. The company faces competition from both organized and unorganized sectors and from small and big players. The competition faced by the company is at a regional level. The barrier to entry in the market in which the company operates is moderate. The bargaining power with the supplier is high and the bargaining power with the consumers is relatively moderate.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given -

Particulars	Master Components Limited	Bright Brothers Limited	Shaily Engineering Plastic Limited	Mitsu Chem Plast Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	8.24%	-1.93%	5.77%	3.88%
EBITDA Margin	15.18%	0.48%	15.32%	8.74%
Return on Capital Employed	18.63%	-5.69%	12.37%	20.56%
Return on Equity	14.64%	-5.48%	8.73%	19.35%
EPS (INR)	5.17	-6.65	38.32	9.77

The comparison of the key performance indicators of the listed peers as of Mar-22 is given -

Particulars	Master Components Limited	Bright Brothers Limited	Shaily Engineering Plastic Limited	Mitsu Chem Plast Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.14%	13.91%	6.16%	4.65%
EBITDA Margin	11.67%	5.65%	14.44%	10.08%
Return on Capital Employed	11.90%	7.71%	11.25%	24.42%
Return on Equity	9.42%	40.00%	9.54%	23.53%
EPS (INR)	2.84	56.27	38.45	9.53

The comparison of the key performance indicators of the listed peers as of Mar-21 is given -

Particulars	Master Components Limited	Bright Brothers Limited	Shaily Engineering Plastic Limited	Mitsu Chem Plast Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	5.82%	2.82%	6.11%	5.62%
EBITDA Margin	16.56%	8.76%	16.52%	12.92%
Return on Capital Employed	12.12%	18.66%	12.33%	24.36%
Return on Equity	8.56%	11.47%	12.11%	25.00%
EPS (INR)	2.34	10.05	26.47	8.03

Based on the above analysis, the company's margins and ratios are relatively higher when compared to its peer companies.

Industry Overview

Exhibit 1: Electrical Equipment Market (US\$ billion)

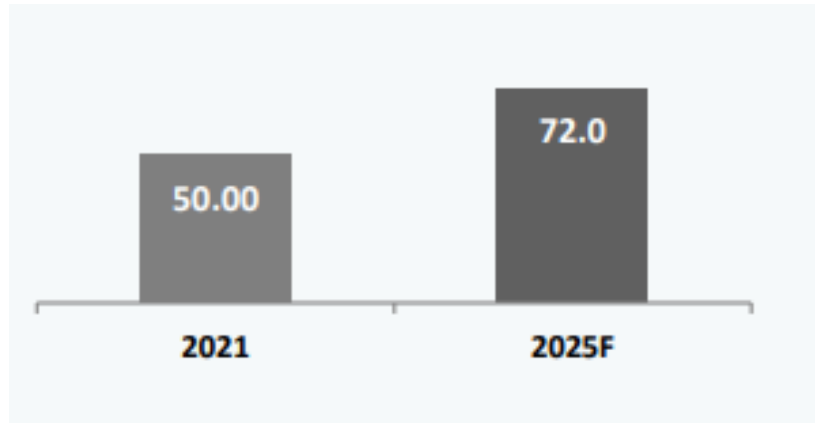


Exhibit 2: Engineering R&D* (US\$ billion)

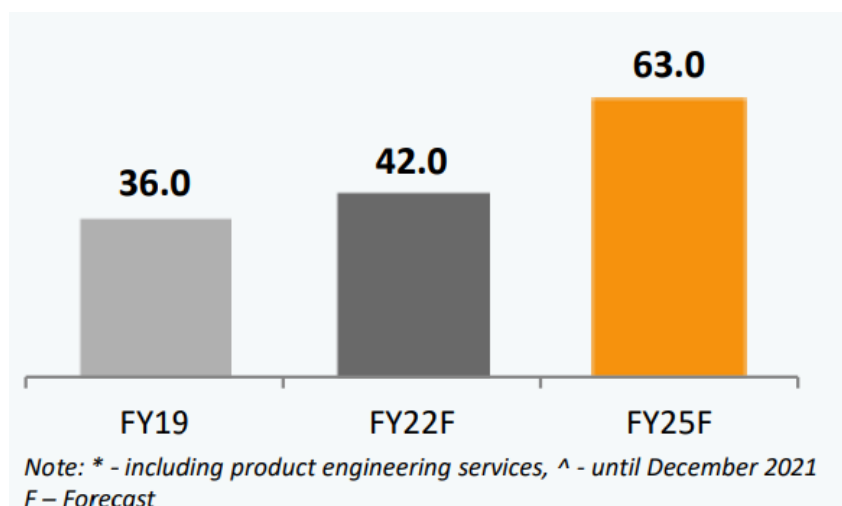
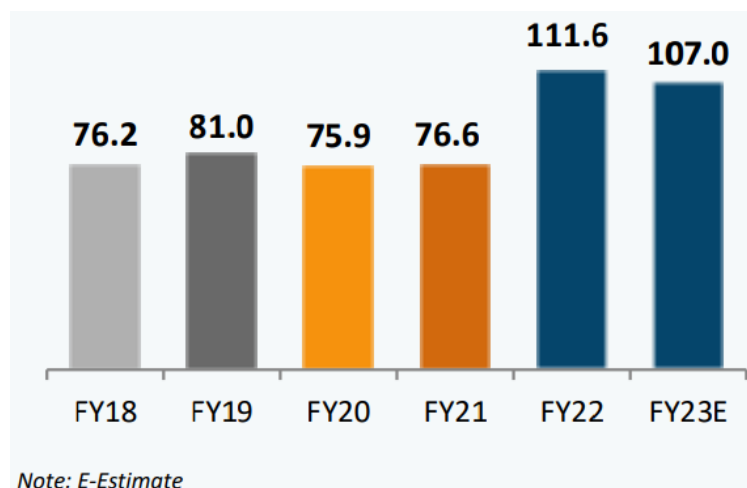


Exhibit 2: India's Engineering Exports (US\$ billion)



(Source: ibef.com)

Injection Moulding Industry Overview -

The global injection molding market size was estimated at USD 261.8 billion in 2021 and is anticipated to expand at a compounded annual growth rate (CAGR) of 4.8% from 2022 to 2030. The market growth is expected to be driven by the increasing demand for mass production of thousands of identical components at lower costs coupled with design flexibility, and precision from various end-user industries such as packaging, medical, and electronics. The global economic recovery has been jolted by the quick emergence of the omicron strain in 2021. High transmissibility and ability to infect the vaccinated may lead to the imposition of lockdown and cause supply chain disruptions.

Molded Plastic Market –

The moulded plastics market is segmented based on product, technology, application, and region. Based on product, the market is categorized into polyvinyl chloride, polypropylene, polystyrene, low-density polyethylene, high-density polyethylene, polyethylene terephthalate, and engineering plastics. Based on technology, it is divided into injection molding, blow molding, extrusion, and others. By application, it is classified into building & construction, electrical & electronics, automotive and packaging. Region-wise, the market is studied across North America, Europe, Asia-Pacific, and LAMEA.

In 2021, the polypropylene segment was the largest revenue generator and is anticipated to grow at a CAGR of 4.0% during the forecast period. Polypropylene-based molded plastics are versatile, safe, and low-cost molded plastics generally used in the packaging and automotive industry. In the automotive industry, molded polyethylene is used in the automotive dashboard, bumpers, grills, bottle caps, music systems, wire spools, storage containers, one-piece chairs, seat panels, mechanical parts, and other components. Furthermore, polypropylene molded plastics are tough, translucent, have a low coefficient of friction, and offer good chemical resistance as compared to other types of molded plastics. This factor has escalated the growth of this segment in the global market.

By technology, the injection molding segment dominated the global market in 2021 and is anticipated to grow at a CAGR of 4.4% during the forecast period. This is attributed to the fact that injection molding technology is the most popular technology used for producing molded plastics. In addition, it uses automated processes to reduce manufacturing costs and waste production during the manufacturing process. These factors have augmented the growth of the injection molding segment in the global molded plastics market.

Engineering and Capital Goods Industry –

The engineering sector is the largest of the industrial sectors in India. It accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations. Demand for engineering sector services is being driven by capacity expansion in industries like infrastructure, electricity, mining, oil and gas, refinery, steel, automobiles, and consumer durables. India has a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors. India's engineering sector has witnessed remarkable growth over the last few years, driven by increased investment in infrastructure and industrial production. The engineering sector, being closely associated with the manufacturing and infrastructure sectors, is of huge strategic importance to India's economy.

(Source: prospectus)

Key Managerial Personnel

Mudduraj Kulkarni, aged 56, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his Diploma in Tool and Die Making. He has an experience of over 3 decades in Tool design, Manufacturing, Vendor development, and assembly line commissioning. He is currently responsible for the overall working of the Company.

Shrikant Joshi, aged 55, is one of the Promoters, the Chief Financial Officer, and a Whole-Time Director of the company. He has completed his Diploma in Tool and Die Making. He has an experience of over 3 decades of experience in selection, commissioning, and productionisation of CAD/ CAM Centre. He looks after the overall sourcing of raw materials. He is also responsible for the efficient mobilization of funds.

Rajeshwari Kulkarni, aged 48, is one of the Promoters, and Non-Executive Director of the company. She is an undergraduate. She has an experience over a Decade and is responsible for the Production related activities of the Company.

Anagha Joshi, aged 49, is one of the Promoter, and Non-Executive Director of the Company. She is an undergraduate she is responsible for the charitable, HR Division and Administration of the Company. She has an overall experience of 19 years in the field of Human resources and admin work.

Keshav Rathi, aged 31, is the Non-Executive Independent Director of the Company. He is a practising Company Secretary from the Institute of Company Secretaries of India. He has completed a diploma course in financial management, holds a bachelor's in law degree and has completed a Master of Business Administration. He has more than six years of experience in the financial, legal and secretarial areas and advising companies on corporate restructuring transactions.

Ganapathi Joshy, aged 66, is the Non-Executive Independent Director of the company. He has completed a Bachelor of Commerce and a bachelor's degree in law. He is an associate member of the Institute of Company Secretaries of India. He has an overall experience of over 4 decades in handling Legal, Administration, HR, Secretarial, Due Diligence IPOs, and Mergers. Currently, he is working as a Corporate Law Advisor.

To conclude, the company has 4 promoters, 3 of the promoters have vast experience in the industry in which the company operates and the remaining 1 promoter have good experience in their respective field. The remaining management also has good experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	1,325.28	1,823.78	2,070.26
Other Income	3.47	18.72	19.77
Total Income	1,328.75	1,842.50	2,090.03
Expenses			
Cost of Material Consumed	973.75	1,430.62	1,569.13
Change in Inventories	-28.83	-37.52	-25.13
Employee benefits expense	130.78	162.99	171.38
Finance costs	25.77	15.77	9.14
Depreciation and Amortization expense	91.83	85.44	83.30
Other expenses	30.13	44.85	40.60
Prior Period Expenses	-	10.05	-
Total Expenses	1,223.43	1,712.20	1,848.42
Earnings Before Interest, Taxes, Depreciation & Amortization	219.45	212.79	314.28
EBITDA Margin	17%	12%	15%
Profit/(Loss) before tax	105.32	130.30	241.61
Tax Expense			
Current Tax	26.10	37.12	68.00
Deferred tax	2.08	-0.62	3.06
Short/Excess Tax provisions for earlier periods	-0.03	0.07	-
Total Tax Expense	28.15	36.57	71.06
Profit/(Loss) for the year	77.17	93.73	170.55
Net Profit Margin	5.81%	5.09%	8.16%

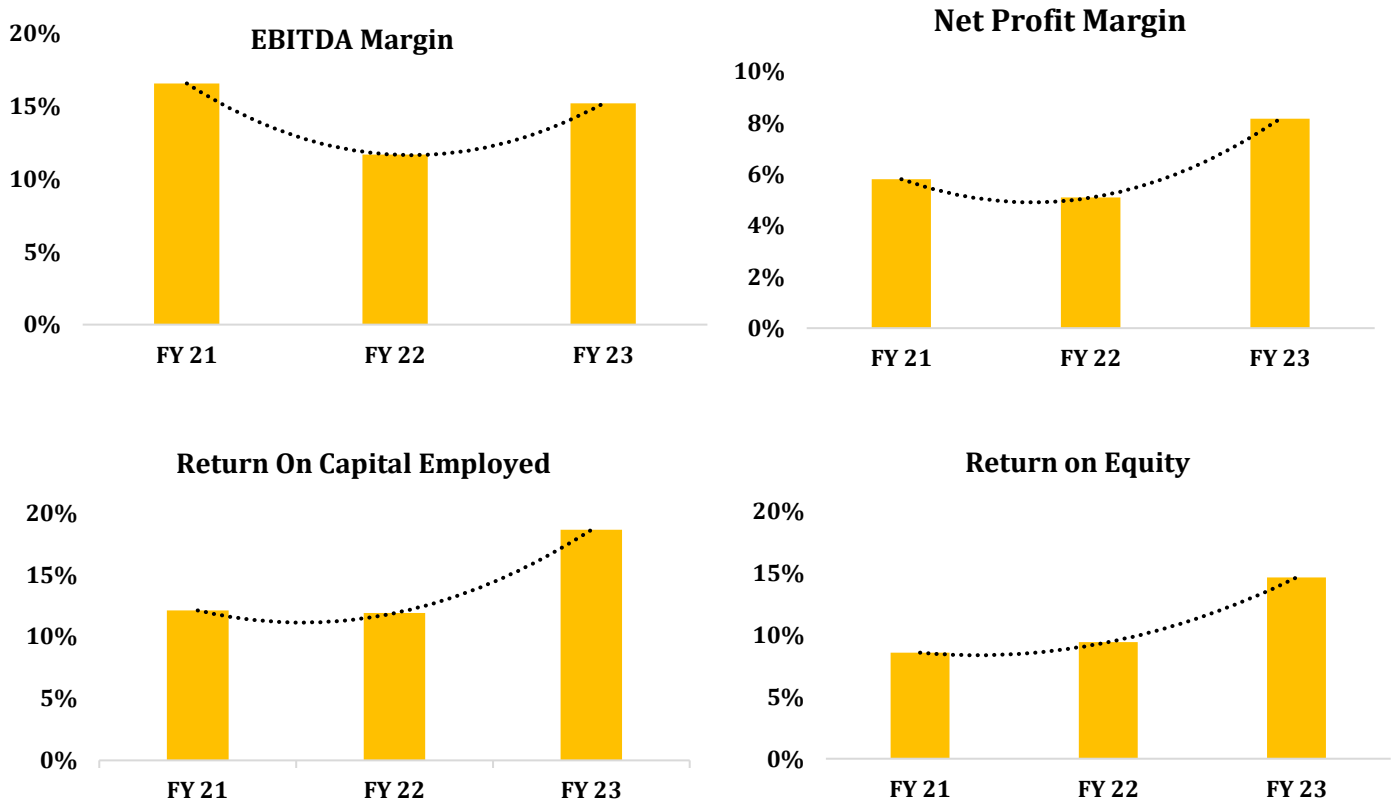
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
EQUITY AND LIABILITIES			
Equity			
Share Capital (Partner's Capital)	30.00	30.00	330.00
Reserves and Surplus	871.04	964.77	835.31
Total Equity	901.04	994.77	1,165.31
Liabilities			
Non-current liabilities			
Borrowings	109.95	33.75	30.00
Deferred Tax Liabilities (Net)	42.07	41.45	44.51
Total Non-current liabilities	152.02	75.20	74.51
Current liabilities			
(i) Short Term Borrowings	106.34	139.58	63.96
(ii) Trade Payables			
Total Outstanding dues of micro-enterprises and small enterprises	45.05	27.85	18.70
Total Outstanding dues of creditors other than micro-enterprises and small enterprises	156.86	167.93	241.60
Other Current Liabilities	42.83	58.32	10.09
Short-Term Provisions	14.95	21.59	84.99
Total Current liabilities	366.03	415.27	419.34
Total Liabilities	518.05	490.47	493.85
Total Equity and Liabilities	1,419.09	1,485.24	1,659.16

Balance Sheet			(In Lacs)
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	778.12	717.90	713.19
Capital work-in-progress	-	-	85.90
Long-term loans and advances	5.20	5.21	10.41
Total Non-Current assets	783.32	723.11	809.50
Current Assets			
Inventories	196.45	314.06	272.00
Trade Receivables	404.07	410.48	456.15
Cash and Cash Equivalents	1.89	0.96	12.32
Short-Term Loans and Advances	5.31	5.49	5.76
Other current assets	28.05	31.14	103.44
Total Current assets	635.77	762.13	849.67
Total Assets	1,419.09	1,485.24	1,659.17

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	202.86	79.51	263.91
Net Cash Flow from Investing Activities	-70.84	-21.71	164.04
Net Cash Flow from Financing Activities	-186.01	-58.72	-88.52

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.34	2.84	5.17
BV per share	22.52	24.86	29.13
Operating Ratios (%)			
EBITDA Margins	17%	12%	15%
PAT Margins	6%	5%	8%
Inventory days	54.10	62.85	47.96
Debtor days	111.29	82.15	80.42
Creditor days	87.57	54.33	74.81
Return Ratios (%)			
RoCE	12%	12%	19%
RoE	9%	9%	15%
Valuation Ratios (x)			
EV/EBITDA	5.08	5.48	3.97
Market Cap / Sales	4.23	3.07	2.71
P/E	59.83	49.30	27.08
Price to Book Value	6.22	5.63	4.81
Solvency Ratios			
Debt / Equity	0.24	0.17	0.08
Current Ratio	1.74	1.84	2.03
Quick Ratio	1.20	1.08	1.38
Asset Turnover	0.93	1.23	1.25
Interest Coverage Ratio	4.95	8.08	25.27

Financial Charts



Key Risk Factors

1. The Company has certain legal proceedings in 1 case against material civil litigation. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
2. The income generated from the top 10 customers contributed to 77.14% of the total revenues for the financial year 2023.

Track Record of Lead Manager

The lead manager to the issue is Aryaman Financial Services Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Aryaman Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rex Sealing and Packing Industries Limited	8.09	135.00	January 12, 2023	104.00
2.	Abans Holdings Limited	345.60	270.00	December 23, 2022	309.00
3.	EP Biocomposites Limited	6.35	126.00	September 13, 2022	212.00
4.	Rhetan TMT Limited	56.00	70.00	September 05, 2022	9.13
5.	Modi's Navnirman Limited	22.68	180.00	July 06, 2022	176.00
6.	SP Refractories Limited	4.92	90.00	March 22, 2022	100.00
7.	Fabino Life Sciences Limited	3.24	36.00	January 13, 2022	29.5
8.	Suyog Gurbaxani Funicular Ropeways Limited	29.50	45.00	November 16, 2021	66.6
9.	CWD Limited	18.01	180.00	October 13, 2021	706.00
10.	Gretex Corporate Services Limited	5.13	170.00	August 09, 2021	225

*CMP for all the above-mentioned companies is taken as of 15th September 2023.

Suyog Gurbaxani Funicular Ropeways Limited CMP Taken as of 11th September.

SP Refractories Limited CMP taken as of 8th September.

As per the offer document, Aryaman Financial Services Limited has had 16 mandates in the last three fiscal years. Aryaman Financial Services Limited's above-mentioned mandates 2 have opened at par and the remaining all have opened at premiums on the listing day.

Recommendation

The company has been in the industry since 1999 and has vast experience in the industry. The company has seen consistency in its increase in the top line of its finances but the margins for the bottom line have seen a sudden surge for the financial year 2023.

The PE on an annualised and post-IPO basis is around 32.84 times which seems to be overpriced by looking at the performance of the company and the peer company. The average P/E of the peer company is 19.86 times.

The company operates in a competitive segment. The management outlook of the company is satisfactory, and the company has been in the industry for a very long time. The financial outlook of the company is decent. But the company is overpriced looking at the performance and when compared to its peers. Thus, we recommend **Risk Averse Investors should wait, and Risk Seekers should apply.**

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