

IPO Details		Company Background										
Opening Date	Oct 30, 2023	<ul style="list-style-type: none"> Transteel Seating Technologies Limited was originally incorporated in the year 1995 and has its registered office in Karnataka Bangalore. The company is a known furniture provider with over 2 decades of corporate and B2B experience. The company's aim is to develop creative and innovative designs in furniture space and to develop techniques to make all products as part of "Make in India" initiative. The company has its manufacturing facility situated at Yashwanthapur, Bangalore. As of 31st March 2023, the Company has 178 employees on its payroll 										
Closing Date	Nov 01, 2023											
Stock Exchange	NSE SME											
Lot Size	2,000 Shares											
Issue Price	₹ 67 to ₹ 70 per share											
Issue Size	Aggregating up to 49.98 Cr.											
Fresh Issue	Aggregating up to 47.49 Cr.											
Offer for Sale	Aggregating up to 2.49 Cr.	<th colspan="2">Market Capitalization (In Cr.)</th> <th colspan="2">Pre-Issue</th> <th colspan="2">Post-Issue</th>					Market Capitalization (In Cr.)		Pre-Issue		Post-Issue	
Application Amount	₹ 1,40,000						₹ 94		₹ 141			
IPO Objective		Financial Summary (In Lacs)										
Prepayment/Repayment of Certain Debt Facility availed by the company.		For the Period Ended	Mar-21	Mar-22	Mar-23	Sept-23						
Purchase of Equipment to Facilitate Manufacturing.							Total Assets	2,538.34	3,609.10	8,347.06	10,062.19	
Working Capital Requirements.		Net Assets	470.63	629.72	2,444.11	2,860.86						
General Corporate Purposes.		Total Borrowings	988.55	964.11	1,120.78	1,841.74						
Pre-Issue Shareholding		Total Revenue	2,287.74	2,806.74	5,961.43	3,133.39						
Category	No. of Shares	% of Total Shares	Profit After Tax	-0.58	159.09	909.36	417.65					
Promoter & Promoter Group	1,07,02,590	79.90%	Tentative Timeline									
Public	26,91,920	20.10%	Opening Date	Oct 30, 2023								
Promoter of the Company												
1	Shiraz Ibrahim		Closing Date	Nov 01, 2023								
2	Nasreen Shiraz		Basis of Allotment	Nov 06, 2023								
Competitive Strengths												
1	Sales, marketing, and distribution capabilities.		Initiation of Refunds	Nov 07, 2023								
2	Brand Positioning.		Credit of Shares to Demat	Nov 08, 2023								
3	Quality Assurance and Control		Listing Date	Nov 09, 2023								
4	Experienced Promoters.											

Company Background and Analysis

The Company was originally incorporated on February 08, 1995. The company has its registered office in Peenya Industrial Estate, Bangalore. The company is a furniture provider and has been catering to businesses of all sizes for over two decades. The Company's proficiency lies in understanding the specific requirements of its potential customers and based on which they take the orders, design according to the client's requirements, and deliver the final product. Customers can now browse and purchase a diverse range of furniture online.

The company has its manufacturing facility situated at No. 28, 4th Main, Industrial Suburb, Yashwanthapur, Bangalore 560022, Karnataka, India. The company outsource the mould of its products to the vendors for preparing them as per the requirements, these moulds are then given to Injection moulding vendors to mould the part of the products. Once the parts are ready, they are sourced to the factory where the company has developed assembly lines to assemble each product. Also, some of the products are manufactured at the factory. The company provides a one-year warranty to its retail customers and two years to its larger corporate customers.

The company provides after-sales services such as –

1. Inspection services – To inspect the furniture and recommend any preventative maintenance.
2. Paid Service – The company offers replacement of consumable parts of the office furniture.
3. Change of upholstery – Renewal services on office furniture by changing the fabric, foam, laminate etc.
4. Relocation Service – Dismantling, packaging, transportation, and reassembly of the furniture at the new location.

The company's Product portfolio is as follows –

1. WFH (Work from Home Furniture)
2. Ergonomic Chair
3. Office Table
4. Workstation
5. Office storage and office furniture

The company's business model is as follows –

1. Digital Direct to Business – The company strives to close these digital orders through the e-commerce website, company-operated experience centres and the dedicated inside sales professionals from the digital team.
2. Business to Business – In this, the company provides solutions for space planning, office furniture, flooring, and blinds.
3. Tender and Bulk Supply – The company takes part in government and other large institutional tenders.
4. Turnkey Projects – The company provides a solution for space and utility, Air conditioning, Workstation, flooring, roofing, windows, and soundproofing.
5. Interior and supply furniture – The company supplies tailor-made furniture and installation as per the specifications and needs of clients.
6. Supply ready-to-use furniture – The company has developed the standard design and size of desk, bed, workstation, wardrobe, and various products which can be ready to use.

To conclude, the company was incorporated in the year 1997. The company is a furniture provider. The company generates its revenue through both online and offline modes. Online orders consist of 40%, Offline orders consist of 30% and 30% through omni channels of total orders for FY 2023. The company operates in Bangalore, Chennai, Hyderabad, Delhi NCR, Mumbai, Pune and Others. The company generates 30% of its revenue from the city of Bangalore.

Business Strategies

1. Leveraging the market skills and relationships -

The company believes that its business is a by-product of relationships. The company plans to increase the number of customers by meeting orders in hand on time, maintaining the customer relationship and renewing the relationship with existing buyers.

2. Enhance customer base and to establish long-term relationships -

The company intends to cater to the increasing demand of the existing customers and also to increase the existing customer base by enhancing the distribution reach of its products in different parts of the country. The company believes in maintaining long-term relationships with customers in terms of increased sales. The company aims to achieve this by adding value to the customers through innovation, quality assurance and timely delivery of its products.

3. To build up a professional organization -

The company believes in transparency and commitment to its work and to its 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 faces significant competition in this Industry. The company has fewer entry barriers such as developing an extensive distribution network through long-term relationships with dealers, significant marketing costs of a distinct brand to gain product acceptance etc. The bargaining power with the suppliers is high and the bargaining power with the customers is also high in the sector in which the company operates.

Peer Analysis

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

Particulars	Transteel Seating Technologies Limited	Seasons Furnishing Limited	Shashwat Furnishing Solutions Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	15%	3%	5%
EBITDA Margin	26%	9%	5%
Return on Capital Employed	36%	7%	3%
Return on Equity	37%	-37%	5%
EPS (INR)	30.06	0.35	0.21

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

Particulars	Transteel Seating Technologies Limited	Seasons Furnishing Limited	Shashwat Furnishing Solutions Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	6%	1%	8%
EBITDA Margin	14%	6%	12%
Return on Capital Employed	31%	2%	6%
Return on Equity	25%	-6%	6%
EPS (INR)	6.33	0.08	0.11

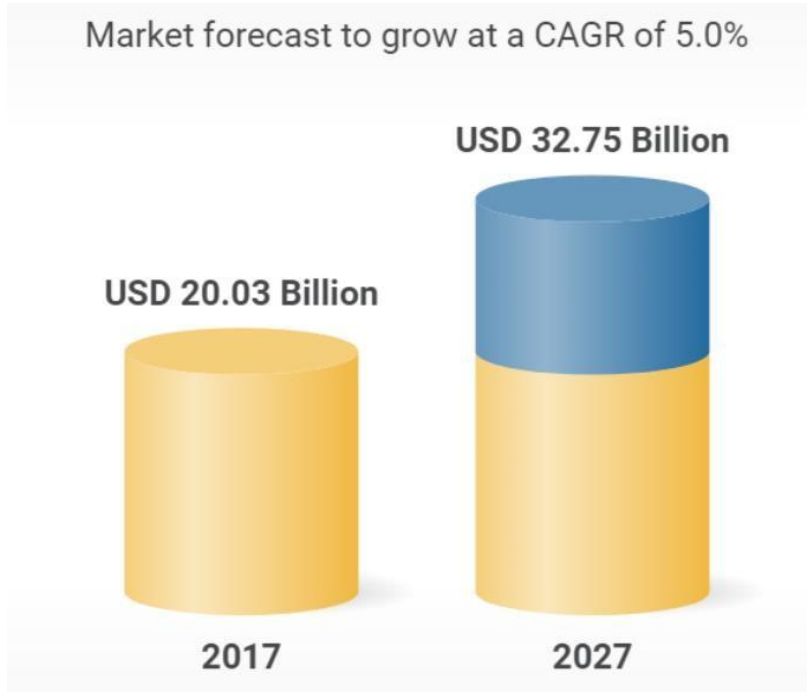
The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Transteel Seating Technologies Limited	Seasons Furnishing Limited	Shashwat Furnishing Solutions Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-0.03%	-76%	-
EBITDA Margin	6%	-68%	-
Return on Capital Employed	11%	-32%	-
Return on Equity	-0.12%	253%	-
EPS (INR)	-21.84	-3.60	-

Based on the above analysis, the company has performed better than its peer companies for the FY 2022, and 2023 in terms of profitability margins, RoCE, ROE and EPS. The peer company Seasons Furnishing has performed lower for all three years when compared with Transteel Seating Technologies Limited and the same can be said for Shashwat Furnishing Solutions Limited.

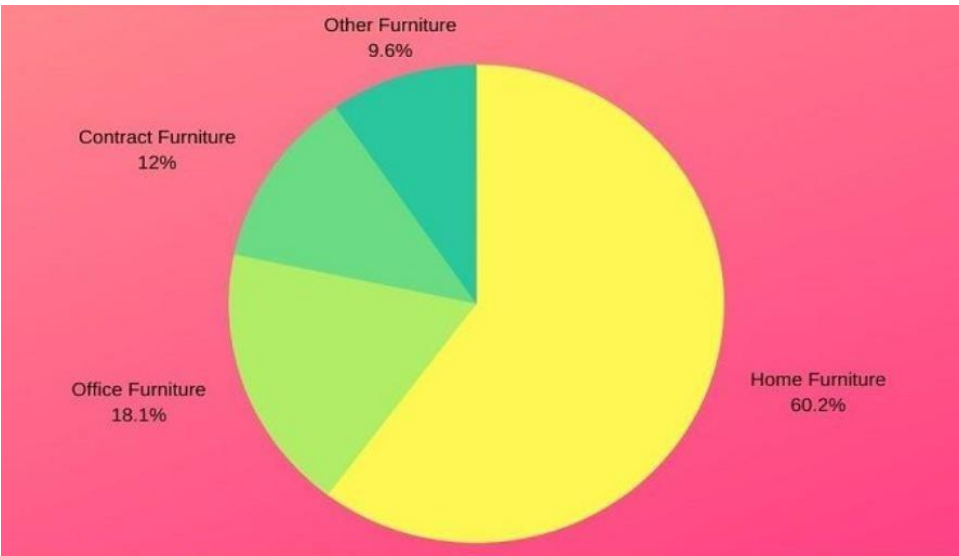
Industry Overview

Exhibit 1: India Furniture Market



(Source: globenewswire.com)

Exhibit 2: Future of Indian Furniture Market Share



(Source: startuptalky.com)

Indian Furniture Market -

The Indian furniture market has traditionally been a largely unorganised one, for long dependent on local carpenters for customised wood-based products. But this trend is changing partly due changing preferences of consumers and partly due to administrative compliance issues. The market was dominated by a large number of small and local manufacturers till recently but as a result of the changing consumers preference for quality products along with increased formalisation of the economy due to implementation of GST, organised players' market share is expanding. Meanwhile, Indian furniture industry has moved beyond living and bed rooms thanks to growing income of middle-class population and their fast-changing tastes and preferences. Also, through the decades, the Indian furniture market has progressed.

The market has expanded way beyond chairs and tables, including designed interiors such as wardrobes and sofas. With the arrival of MNCs like IKEA, the share of the organised players in the market is expected to expand further. India is also known for its rich handcraft and appealing traditional art and style which also has had its impact on furniture industry. In fact, the Indian furniture business is noted for its fine craftsmanship, traditional art, and elegance.

The growth of the real estate market coupled with co-working business spaces is also driving the development of the furniture sector. As the Indian economy recovers from the impact of COVID-19, India's furniture market is on an upward trajectory.

Huge Exports Potential -

India's share in global furniture exports is meagre in size as the sector was never considered for forex generation. However, things are changing globally and if we play our cards well the sector can become major forex earner for the economy. The global demand for furniture is growing while there are capacity bottlenecks in key furniture exporting countries such as Vietnam. Globally, there is an increased thrust to reduce dependency on China which is also another key furniture exporting country. All of these factors could help the Indian furniture industry in gaining significant share within the furniture exports market. Currently, India's top furniture export destination includes US, Germany, France, UK, Netherlands, and Australia. In addition, the government's emphasis on making India an export hub will create significant export growth potential.

Online Space -

The advent of e-commerce platforms has led to the Indian furniture market broadening its reach. The market players are now capable of providing 3D image options of furniture using the online sales channel and exploit internet to showcase their designs. This is helping consumers to choose the best furniture for their needs. The growing popularity of online and mobile shopping in India is expected to boost online furniture demand. The category has witnessed massive growth over the past few years, with the pandemic accelerating this shift.

While the Indian online furniture market currently constitutes only 3% of the overall organised furniture sector, it has been growing at a strong pace for the past few years. According to some estimates, the online furniture spend is expected to touch US\$ 2.2 billion with 5 million unique shoppers by FY 2025-26 vis-à-vis 1.8 million shoppers in FY 2020-21. The industry is further fuelled by the increasing trend of work- from home and learning-from-home, brought about by the pandemic.

(Source: prospectus)

Key Managerial Personnel

Shiraz Ibrahim, aged 54, is one of the Promoters and Managing Director of the company. He is the Founding member of the company. He has a bachelor's in mechanical engineering. He is a visionary entrepreneur and has played a pivotal role in setting up business of the Company.

Nasreen Shiraz, aged 48, is one of the Promoters, and Executive Director of the company. She holds a bachelor's degree in commerce. She has been associated with the company since its incorporation. She has more than 26 years of experience.

Karan Atul Bora, aged 30, is the Non-Executive Director of the company. He has around 4 years of experience across sectors in Operations, Finance, Project Management and Business Development.

Mukesh Singh, aged 47, is the Independent Director of the company. He has completed his Bachelor of Technology. He has experience in the area of keeping the company up to date with the latest business trends and developing better business techniques and practices.

Rina Sharma, aged 58, is the Independent Director of the company. She has completed his Degree of Bachelor of Arts (Hons). She is a specialist in designing and delivering sensitisation workshops.

To conclude, the company has 2 promoters, and they have vast experience in the industry. The Directors of the company have good knowledge and experience in the fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	2,281.15	2,798.86	5,947.95	3,125.67
Other Income	6.59	7.88	13.48	7.72
Total Income	2,287.74	2,806.74	5,961.43	3,133.39
Expenses				
Cost of Materials Consumed	1,185.77	1,456.38	2,888.85	1,594.88
Changes in inventories	-103.43	-150.28	-361.20	-329.12
Employee benefits expense	492.18	583.67	1,084.84	570.36
Finance costs	65.28	116.65	233.02	192.17
Depreciation and Amortization expense	60.62	61.09	70.45	60.12
Other expenses	566.94	521.02	781.90	468.34
Total Expenses	2,267.36	2,588.53	4,697.86	2,556.75
Earnings Before Interest, Taxes, Depreciation & Amortization	139.69	388.07	1,553.56	821.21
EBITDA Margin	6%	14%	26%	26%
Profit/(Loss) before exceptional items and tax	20.38	218.21	1,263.57	576.64
Less: Exceptional Items	2.46	-	10.03	13.86
Profit/(Loss) before tax	17.92	218.21	1,253.54	562.78
Tax Expense				
Current Tax	7.08	60.26	347.05	155.26
MAT Credit	-0.73	-	-	-
Deferred tax	12.15	-1.14	-2.87	-10.13
Total Tax Expense	18.50	59.12	344.18	145.13
Profit/(Loss) for the year	-0.58	159.09	909.36	417.65
Net Profit Margin	-0.03%	5.67%	15.25%	13.33%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
(a) Share Capital	23.81	23.81	58.24	1,339.45
(b) Reserves and surplus	446.82	605.91	2,385.87	1,521.41
Total Equity	470.63	629.72	2,444.11	2,860.86
2. non-current liabilities				
(a) Long-Term Borrowings	176.09	362.63	1,570.32	2,011.41
(b) Long-Term Provisions	58.21	59.32	67.95	79.15
Total Non-current liabilities	234.30	421.95	1,638.27	2,090.56
3. Current liabilities				
(a) Short-term borrowings	812.46	964.11	1,120.78	1,841.74
(b) Trade payables				
Due to MSME	8.45	-	12.58	8.65
Due to Others	742.07	1,144.32	1,767.65	1,822.25
(c) Other Current Liabilities	265.86	379.35	999.68	903.50
(d) Short-term provisions	4.56	69.65	363.99	534.62
Total Current liabilities	1,833.40	2,557.43	4,264.68	5,110.76
Total Liabilities	2,067.70	2,979.38	5,902.95	7,201.32
Total Equity and Liabilities	2,538.33	3,609.10	8,347.06	10,062.18
ASSETS				
1. non-current assets				
(a) Property, Plant and Equipment				
(i) Tangible Assets	419.81	400.01	434.20	400.83
(ii) Intangible assets	5.44	5.56	12.73	16.41
(b) Non-Current Investments	-	-	640.47	640.47
(c) Deferred tax assets (net)	3.83	4.96	7.83	17.96

Balance Sheet				(In Lacs)
(d) Other Non-Current Assets	501.01	1,289.18	2,157.53	2,372.57
Total Non-Current assets	930.09	1,699.71	3,252.76	3,448.24
2. Current assets				
(a) Inventories	1,185.56	1,300.11	2,403.94	2,402.60
(b) Trade receivables	239.96	426.90	1,030.87	1,203.98
(c) Cash and cash equivalents	114.86	116.79	143.41	83.88
(d) Current Tax Assets (Net)	27.22	26.44	665.95	809.51
(e) Other Current Assets	40.65	39.15	850.13	2,113.98
Total Current assets	1,608.25	1,909.39	5,094.30	6,613.95
Total Assets	2,538.34	3,609.10	8,347.06	10,062.19

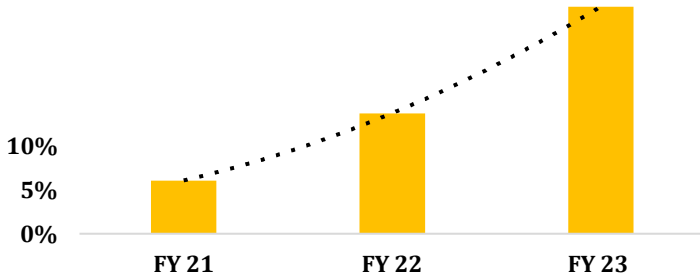
Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Net Cash Flow from Operating Activities	184.66	602.56	-395.63	-784.20
Net Cash Flow from Investing Activities	-516.97	-822.17	-1,614.12	-244.31
Net Cash Flow from Financing Activities	328.77	221.54	2,036.37	968.99

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23
Per Share Data				
Diluted EPS	-21.84	6.33	30.06	4.60
BV per share	2.33	3.12	12.11	46.59
Operating Ratios				
EBITDA Margins	6.12%	13.87%	26.12%	26.27%
PAT Margins	-0.03%	5.67%	15.25%	13.33%
Inventory days	189.70	169.55	147.52	140.67
Debtor days	38.40	55.67	63.26	70.49
Creditor days	238.21	332.39	200.71	300.33
Return Ratios				
RoCE	11%	31%	36%	14%
RoE	0%	25%	37%	10%
Valuation Ratios (x)				
EV/EBITDA	9.62	3.81	2.20	6.55
Market Cap / Sales	6.19	5.05	2.37	2.26
P/E	-3.21	11.06	2.33	15.23
Price to Book Value	30.01	22.43	5.78	1.50
Solvency Ratios				
Debt / Equity	2.10	1.53	0.46	0.15
Current Ratio	0.88	0.75	1.19	1.29
Quick Ratio	0.23	0.24	0.63	0.82
Asset Turnover	0.90	0.78	0.71	0.62
Interest Coverage Ratio	1.21	2.80	6.36	7.92

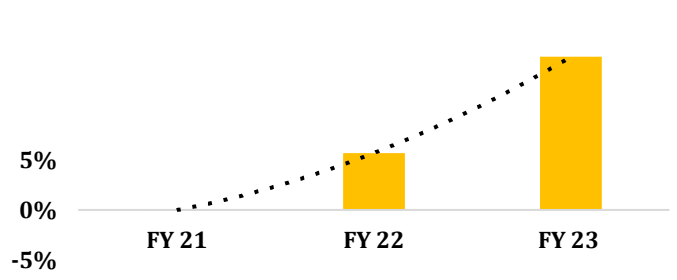
*Ratio sheet for Sept-23 is annualized.

Financial Charts

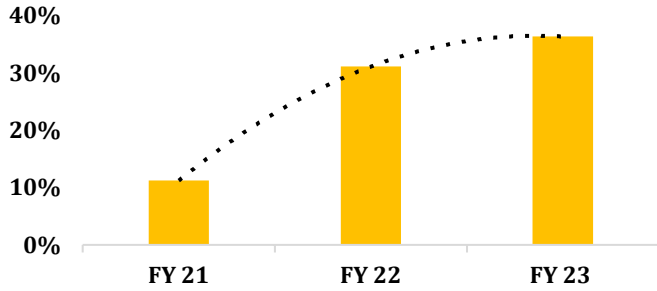
EBITDA Margin



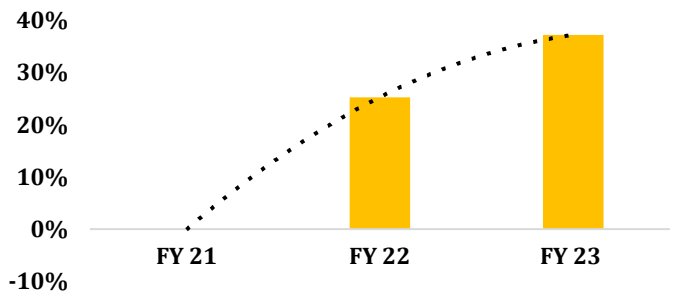
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. There are certain outstanding legal proceedings involving the Company, Promoters, and Directors amounting to Rs. 4.0 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
2. The company has negative operating cash flow for the financial year ended 2023 and the period ended September 2023. Sustained negative cash flow could impact the growth and business.

Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate Services Limited and Pantomath Capital Advisors Private 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 –

Gretex Corporate Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shelter Pharma Limited	16.03	42.00	August 23, 2023	39.5
2.	Comrade Appliances Limited	12.30	54.00	June 13, 2023	142.0
3.	Innokaiz India Limited	21.17	78.00	May 11, 2023	124.0
4.	Retina Paints Limited	11.10	30.00	May 03, 2023	59.2
5.	Sudarshan Pharma Industries Limited	50.10	73.00	March 2, 2023	81.2

Pantomath Capital Advisors Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Plaza Wires Limited	71.28	54.00	October 12, 2023	137.0
2.	Vishnu Prakash R Punglia Limited	308.88	99.00	September 05, 2023	198.0
3.	Aeroflex Industries Limited	351.00	108.00	August 31, 2023	152.0
4.	Urban Enviro Waste Management Limited	11.42	100.00	June 22, 2023	205.0
5.	Sah Polymers Limited	66.30	65.00	January 12, 2023	89.2

*CMP for the above-mentioned companies is taken as of 28th October 2023.

As per the offer document, from the above-mentioned mandates for Gretex Corporate Services Limited, 2 opened at discounts and the remaining opened at premiums on the listing date. For Pantomath Capital Advisors Private Limited from the above-mentioned mandates, all of them have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 1995 and has vast experience in the industry. The company has seen a sudden surge in its top line and bottom line for FY 2023 which does not seem sustainable. The company operates in a competitive segment. The management outlook of the company is decent.

The P/E on an annualized and post-IPO basis is 15.53 times which seems to be fairly priced by looking at the performance of the company. The Sector P/E is 28.2 times.

The company has received and delivered order for big corporates in the past and have a good business model, yet the company has seen a sudden surge in the financials which may not be sustainable going forward. The company has more than doubled its revenue and the impact on the bottom line for FY 2023 raises concerns and has also seen negative operating cashflows which if continued will affect the operations of the company. The financial outlook of the company is not satisfactory. Thus, we recommend **Risk-Averse investors should Avoid and Risk-Seekers should Invest** to this IPO.

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