



IPO Details	
Opening Date	Dec 27, 2023
Closing Date	Dec 29, 2023
Stock Exchange	BSE SME
Lot Size	1200 Shares
Issue Price	₹95 to ₹100 per share
Issue Size	Aggregating up to 21.60 Cr.
Fresh Issue	Aggregating up to 21.60 Cr.
Offer For Sale	-
Application Amount	₹ 1,20,000

IPO Objective	
1.	Funding Capital Expenditure towards installation of additional plant and machinery.
2.	To meet Working Capital requirement.
3.	General Corporate Expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	60,00,000	100.00%
Public	-	-

Promoter of the Company	
1.	Laxmikant Sadashiv Kole
2.	Madhuri Laxmikant Kole
3.	Shrinivas Laxmikant Kole

Competitive Strengths	
1.	Integrated manufacturing capabilities.
2.	Experienced Management team.
3.	Diversified range of products.
4.	Long Standing Relationship with key Customers & Suppliers.
5.	Quality Assurance and Standards.

Company Background	
○	Shri Balaji Valve Components Limited was originally incorporated in the year 2011 and has its registered office in Pune, Maharashtra.
○	The Company is engaged in the business of manufacturing of ready to assemble valve components catering to manufacturing of the valves which are used in different industries and in different size depending on the customer's specifications.
○	The company manufactures and supplies various types of valve components which are used in manufacturing of ball valves, butterfly valves and other valve including forging products.
○	As of 30 th June 2023, the Company had 168 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹60	₹82

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	1,758.63	3,973.45	5,023.03	5,131.99
Net Assets	-4.77	148.70	791.85	977.01
Total Borrowings	1,399.54	2,799.71	2,877.99	2,879.49
Total Revenue	1,616.48	3,906.05	6,294.10	1,654.64
Profit After Tax	-3.22	153.60	643.99	184.84

Tentative Timeline	
Opening Date	Dec 27, 2023
Closing Date	Dec 29, 2023
Basis of Allotment	Jan 01, 2023
Initiation of Refunds	Jan 02, 2023
Credit of Shares to Demat	Jan 02, 2023
Listing Date	Jan 03, 2023



Company Background and Analysis

Shri Balaji Valve Components Limited was originally incorporated on November 17, 2011. Company is engaged in the business of manufacturing of ready to assemble valve components catering to manufacturing of the valves which are used in different industries and in different size depending on the customer’s specifications. Company manufactures and supplies various types of valve components which are used in manufacturing of ball valves, butterfly valves and other valves including forging products. Company’s valve components are used to manufacture valves which serve industries which are in different sectors. Further, Company’s manufacturing system have been certified for establishment and application of the Quality management system for manufacturer of materials according to directives 2014/68/EU by PED & the products manufactured by closed die forging have been certified to comply with the requirements specified by Norsok.

Currently, company is operating from its 2 manufacturing facilities located at Pune, Maharashtra. One manufacturing facilities is located at Bhosari, Pune which is equipped with the forging capabilities and heat treatment capabilities, the second manufacturing facility is located at Chakan MIDC, Bhamboli, Pune which undertakes the machining work. Company manufactures valve components using the forging method, bar routing method and casting methods. In case of any casting products, company generally get the casts manufactured from the customers nominated vendors or outsourcing. The use of methods depends upon the manufacturing plans, customer requirements, component manufactured, material complexity etc.

The company manufacture different components like ball, stems, body of the valve, connectors, trunnion, flanges, housings, rings, shafts, bonnets, discs, sleeves etc. which are used in different types of valves like Ball Valve, Butterfly Valve, Control valve, globe, gate & check valves. Based on the above structure, company manufacture different components of the valve which are further based on the requirements of the customers. The components are designed to meet low/ high pressure application requirements in varied industries. Apart from the above-mentioned products, company also manufacture forging components which are used in valve manufacturing.

The Company sells its products both in domestic as well as international market. During the last 3 years the company has exported valve components to different countries namely Dubai, Germany, Singapore, Taiwan, Italy, South Africa, USA, United Kingdom, Qatar & Pennsylvania. In domestic market company sells its products in Maharashtra, Goa, Gujarat, Tamil Nadu and Karnataka. Further, the Geographical Revenue Break up of the is given below -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Jun-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic Sales	992.24	61.46	2,583.63	66.50	3,812.52	61.22	1,106.45	66.99
Export sales	534.15	33.08	956.00	24.61	1,837.80	29.51	321.18	19.45
Other operating revenue	88.14	5.46	345.75	8.90	577.10	9.27	223.94	13.56
Total	1,614.53	100.00	3,885.38	100.00	6,227.42	100.00	1,651.57	100.00

To conclude, the company was incorporated in the year 2011 but has started its full-fledged business operations from FY 2020-21 onwards after the takeover of the assets and liabilities of the proprietorship concern of Promoters. Currently company derives most of its revenue from domestic sales and have gradually increased its export sales, but the percentage contribution of export sales towards total revenue has reduced.



Business Strategies

1. Continue to invest in manufacturing capabilities –

Going forward, Company intends to continue making investments in capacity expansions and modernization of equipment and facilities. Company also seeks to expand capabilities in a cost-efficient manner, by actively pursuing new venture, opportunities, acquisitions and strategic alliances with entities that are complementary to the business.

2. Expanding customer base and deepen key customer relationships –

The company intends to cater to the increasing demand of existing customers and to increase the existing customer base by enhancing geographical reach. Presently, company is concentrated in the state of Maharashtra, Goa, Gujarat, Tamil Nadu and Karnataka. Enhancing its presence in additional regions will enable it to reach out to a larger market and have direct access to the clients which will allow it to have better understanding of their requirement.

3. Focus on consistently meeting customer specifications' & quality standards –

The company intends to focus on adhering to the customers' specifications and quality standards of the components. Component design, specification and quality of the product are very important for the company from both customer point of view and regulatory point of view. Continuous review of products at different stages to identify and deviations from the specifications and timely corrective measures in case of quality diversion are keys for maintaining quality standards of the products. Providing the desired customer specifications and good quality products will help company in enhancing customer trust and maintaining long term relationships with customers.

4. Deepen and expand geographical presence –

The company intends to cater to the increasing demand of existing customers and to increase existing customer base by enhancing the reach of its products in different parts of the country. Company operates from Pune, Maharashtra in India. Company proposes to enter new geographies and increase marketing and sales team which can focus on different regions and maintain and establish relationship with customers. Company aims to achieve this by adding value to its customers through quality assurance, timely delivery and reliability.

5. Focus on increasing operational efficiencies to improve returns –

The company intends to use a variety of manufacturing strategies, material sourcing strategies and cost reduction strategies to Shri Balaji Valve Components Limited continue to improve operational efficiencies. For achieving the same, company has adopted several initiatives designed to improve cost efficiency such as bulk purchase of raw material, sourcing the material from nearby sources to save on transportation, increasing the research activities and improving technologies for making the components meet the customer requirements and desired quality.



Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive environment. The valve component sector sees a variety of competitors ranging from small players with specific experience to large, well-established entities. Many of its competitors have substantially large capital base and resources than company does and offers broader range products. Currently, the valve component industry remains fragmented. The demands position in the industry is further enhanced by purchasers imposing certain requirements wherein manufacturers are required to be pre-approved before being able to obtain an enquiry. There are no entry barriers in the industry which puts company to the threat of competition from new entrants as there are numerous players operating in the industry.

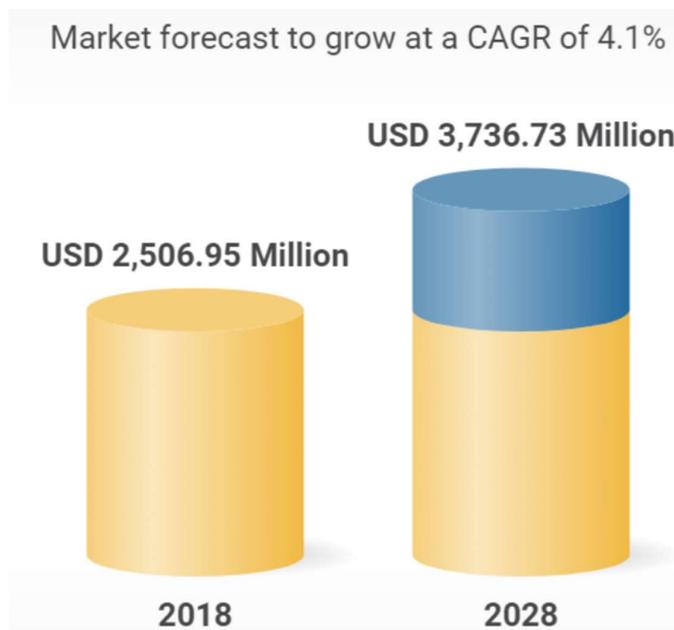
Peer Analysis

As per the offer document company does not have any listed peer.



Industry Overview

Exhibit 1: Indian Industrial Valves Market.



(Source: researchandmarkets.com)

Exhibit 2: Global Valves Market.



(Source: mordorintelligence.com)



About Valves

A valve is a device that regulates controls or directs the flow of a fluid by opening, closing, or partially obstructing fluid flow. A valve is a device that regulates, directs or controls the flow of a fluid (gases, liquids, fluidized solids or slurries) by opening, closing or partially obstructing various passageways. Valves are technically called as valves fittings but are usually discussed as a separate category. In an open valve, fluid flows in a direction from higher to lower pressure. The word is derived from the Latin word “valva”, the moving part of a door, in turn from *volvere*, to turn, roll.

Market Potential

The global industrial valves market size was valued at USD 48.1 billion in 2020 and is projected to reach USD 85.7 billion by 2025. It is expected to grow at a Compound Annual Growth Rate (CAGR) of 12.3% during the forecast period. Increasing demand for valves from the pharmaceuticals industry due to the outbreak of the COVID-19 pandemic, growing focus on the development of smart cities globally, rising need for connected networks to maintain and monitor industrial equipment, and surging requirement for establishing new nuclear power plants and revamping existing ones are the key driving factors for the industrial valves market.

An increase in demand from the energy & power sector is also likely to drive the industrial valves market for the energy & power end use industry gradually from 2021 to 2025. Metallic valves are non-ferrous & ferrous castings depending upon applications, are fast consuming items and the area of application for these items are vast due to their certain inherent advantages of mechanical and chemical properties. The industrial valves market is segmented on the basis of type, function, material, accessories, size and application. The growth among segments helps to analyse niche pockets of growth and strategies to approach the market and determine your core application areas and the difference in your target markets.

On the basis of size, the industrial valves market is segmented into 1 inch to 6 inch, 6 inch to 12 inch, 12 inch to 24 inch, 24 inch to 48 inch and above 48 inch. On the basis of application, the industrial valves market is segmented into oil and gas, water and waste treatment, chemical, energy and utilities, food and beverages, pharmaceutical, agriculture, marine, automotive, metals and mining, paper and pulp and others.

Steel Sector Outlook

Performance of Steel sector during April-May, FY24 has been encouraging. The production of crude steel at 22.30 million tonnes (MT), finished steel at 21.48 MT and consumption of finished steel at 20.31 MT during April-May, FY24 was the highest in corresponding period of last five years. The month-wise production and consumption indicates to an overall increasing trend with month-on-month fluctuations and that the production and consumption of steel increased in May '23 over their respective levels in April '23.

(Source: Prospectus)



Key Managerial Personnel

Laxmikant Sadashiv Kole, aged 57 years, is the Promoter, Chairman and Managing Director of the company. He has been on the Board since incorporation. He holds a Diploma certificate in Mechanical Engineering from Government Polytechnic College, Solapur Maharashtra in 1984. He has a work experience of around 30 years in the valve components industry. Under his leadership and guidance Balaji Enterprises have received Best Financial Management award by TLC in 2017 and Best Supply Chain Practices award in Manufacturing Sector in 2019. He currently looks after the overall management of the Company. He is also involved in charting new growth opportunities for the Company.

Madhuri Laxmikant Kole, aged 50 years, is the Promoter and Non-Executive Director of the Company. She has been on the Board since incorporation. She possesses more than 20 years of experience in the Valve Components Industry. She has completed Bachelor of Commerce from Marathwada University, Nanded in 1992. She looks after HR and Admin department of the Company.

Shrinivas Laxmikant Kole, aged 29 years, is the Promoter and Whole Time Director of the company. He possesses 4 years of experience in the Valve Component Industry. He was originally appointed on the board w.e.f. May 15, 2023. He has completed his Bachelor of Arts (Hons.) in Business Studies with entrepreneurship from Northumbria University, Newcastle in 2019. Further, he is also pursuing Post Graduate certificate in Manufacturing management and analytics from Indian Institute of Management, Trichy. He looks after the Finance and Marketing functions of the Company. He also holds the position as Chief Financial Officer (CFO) of the Company.

Sanker Parameswaran, aged 60 years, is the Independent Director of the company. He has completed his Master of law in commercial law in the year 1985 and he is also a member of the Institute of Company Secretaries of India. He possesses around 31 years of experience in the commercial law and regulations.

Vasudeo Ganpatdas Gujrathi, aged 75, is the Independent Director of the company. He has completed his Bachelor of Engineering in electronics and telecom. He possesses around 37 years of experience in the electronics and engineering field.

To conclude, the company has 3 promoters, out of which two promoters has good knowledge and experience in the field in which the company operates and one has decent experience industry. The remaining directors of the company has vast knowledge and experience in their respective fields which will help in the growth of the company.



Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Revenue from Operations	1,614.52	3,885.38	6,227.42	1,651.56
Other Income	1.96	20.67	66.68	3.08
Total Income	1,616.48	3,906.05	6,294.10	1,654.64
Expenses				
Cost of Material Consumed	1,145.59	2,607.97	3,883.19	879.81
Change in inventories of finished goods, work in progress and stock in trade.	-170.72	-200.03	-186.67	67.82
Employee benefits expense	373.99	827.25	1,010.04	271.39
Finance costs	25.56	41.96	136.01	35.95
Depreciation and Amortization expense	27.80	53.08	191.35	49.57
Other expenses	215.43	366.34	398.15	102.44
Total Expenses	1,617.65	3,696.57	5,432.07	1,406.98
Earnings Before Interest, Taxes, Depreciation & Amortization	50.23	283.85	1,122.71	330.10
EBITDA Margin	3.11%	7.31%	18.03%	19.99%
Profit/(Loss) before exceptional items and tax	-1.17	209.48	862.03	247.66
Exceptional Items	-	-	-	-
Profit/(Loss) before tax	-1.17	209.48	862.03	247.66
Tax Expense				
Current Tax	-	65.25	222.47	65.74
Deferred Tax	2.05	-9.37	-4.43	-2.92
Total Tax Expense	2.05	55.88	218.04	62.82
Profit/(Loss) for the year	-3.22	153.60	643.99	184.84
Net Profit Margin	-0.20%	3.93%	10.23%	11.17%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.00	1.00	1.00	600.00
Reserve and Surplus	-5.77	147.70	790.85	377.01
Total Equity	-4.77	148.70	791.85	977.01
2. Non-current liabilities				
Long Term Borrowings	948.52	1,666.64	1,690.18	1,960.42
Deferred Tax Liabilities (Net)	2.05	-	-	-
Other Long-Term Liabilities	-	24.47	-	-
Long-Term Provisions	2.00	8.70	15.01	16.74
Total Non-current liabilities	952.57	1,699.81	1,705.19	1,977.16
3. Current liabilities				
Short-term borrowings	451.02	1,133.07	1,187.81	919.07
Trade payables				
-Due to MSME	198.70	359.38	465.92	392.87
-Due to Others	81.19	458.66	481.69	605.48
Other Current Liabilities	12.09	15.58	65.23	58.17
Short-term Provisions	67.83	158.28	325.34	202.23
Total Current liabilities	810.83	2,124.97	2,525.99	2,177.82
Total Liabilities	1,763.40	3,824.78	4,231.18	4,154.98
Total Equity and Liabilities	1,758.63	3,973.48	5,023.03	5,131.99



Balance Sheet					(In Lacs)
ASSETS					
1. Non-current assets					
Property, Plant and Equipment					
Tangible Assets	442.99	525.31	1,560.77	1,682.98	
Intangible Assets	0.81	0.44	0.24	0.22	
Capital Work in Progress	78.94	857.87	170.11	296.56	
Deferred Tax Assets (Net)	-	7.32	11.76	14.67	
Long term Loans and Advances	-	-	-	57.72	
Other Non-current assets	10.09	22.91	23.24	23.24	
Total Non-Current assets	532.83	1,413.85	1,766.12	2,075.39	
2. Current assets					
Inventories	333.24	624.81	838.43	964.78	
Trade receivables	722.83	1,483.77	1,792.53	1,675.39	
Cash and Bank Balances	1.17	134.41	159.32	149.48	
Short-term loans and advances	100.34	294.08	459.45	252.73	
Other Current Assets	68.22	22.53	7.18	14.22	
Total Current assets	1,225.80	2,559.60	3,256.91	3,056.60	
Total Assets	1,758.63	3,973.45	5,023.03	5,131.99	

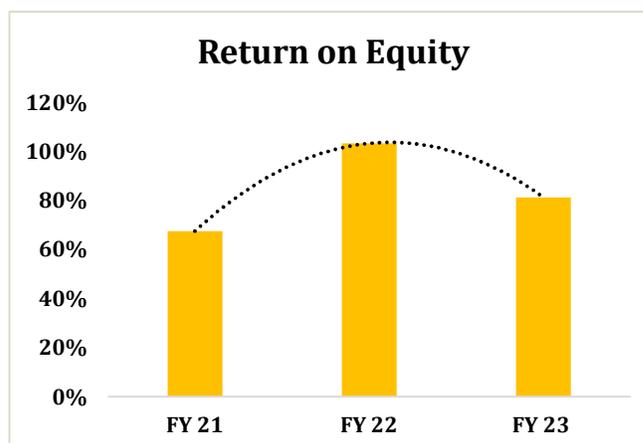
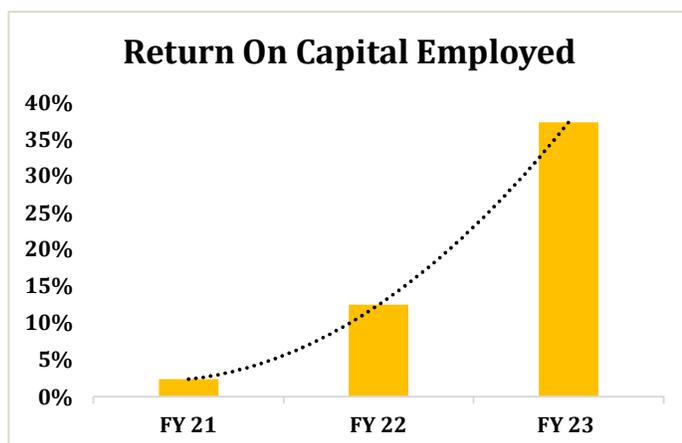
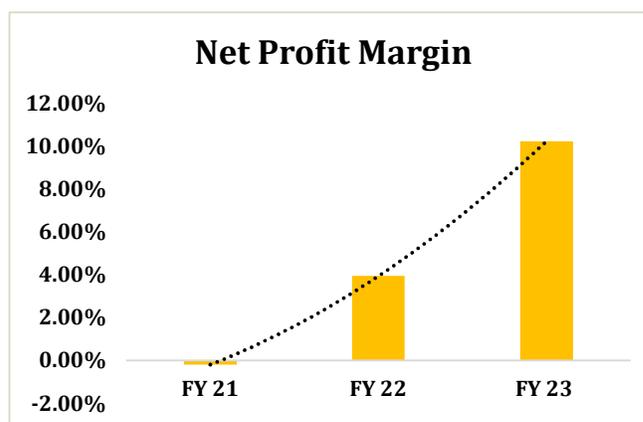
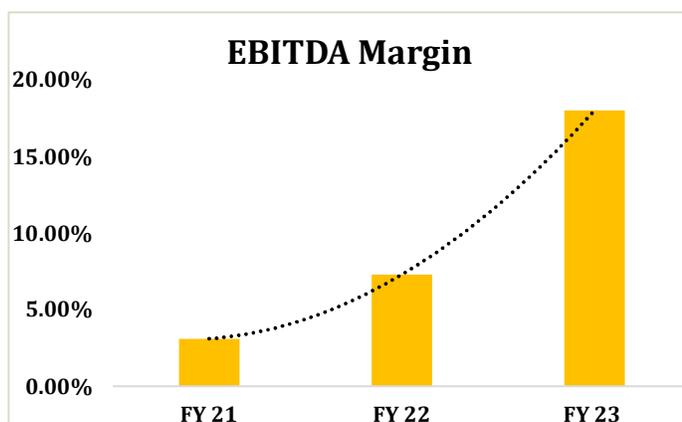
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23	
Net Cash Flow from Operating Activities	-759.85	-332.17	561.84	376.10	
Net Cash Flow from Investing Activities	-277.92	-911.81	-535.53	-354.22	
Net Cash Flow from Financing Activities	1,036.68	1,358.20	-57.72	-34.44	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23*
<u>Per Share Data</u>				
Diluted EPS	-0.05	2.56	10.72	9.23
BV per share	-0.06	1.82	9.70	45.41
<u>Operating Ratios</u>				
EBITDA Margins	3.11%	7.31%	18.03%	19.99%
PAT Margins	-0.20%	3.93%	10.23%	11.38%
Inventory days	75.34	58.70	49.14	53.74
Debtor days	163.41	139.39	105.06	93.33
Creditor days	78.10	110.61	88.46	85.52
<u>Return Ratios</u>				
RoCE	2%	12%	37%	19%
RoE	68%	103%	81%	20%
<u>Valuation Ratios (x)</u>				
EV/EBITDA	27.74	9.91	3.13	4.83
Market Cap / Sales	5.05	2.10	1.31	1.24
P/E	-	39.06	9.33	10.84
Price to Book Value	-	54.88	10.30	2.20
<u>Solvency Ratios</u>				
Debt / Equity	-	18.83	3.63	2.95
Current Ratio	1.51	1.20	1.29	1.40
Quick Ratio	1.10	0.91	0.96	0.96
Asset Turnover	0.92	0.98	1.24	0.32
Interest Coverage Ratio	0.88	5.50	6.85	7.80

*Annualized Figures



Financial Charts



Key Risk Factors

1. Directors and Promoters are involved in 6 legal proceedings amounting to ₹ 73.19 Lacs and also has few Unascertainable amount involved. Any adverse decision in such proceedings may render them liable to liabilities/penalties and may adversely affect company's business and results of operations.
2. The company have had a history of net losses in one of the years out of the last 3 financial years and any losses or inability to achieve profitability may have an adverse effect on company's operations.
3. A substantial portion of company's revenues has been dependent upon limited number of customers i.e., company's top five customers have constituted 42.3%, 43.02%, 44.89% and 52.59% of revenue from operations for the period ended June 30, 2023, March 31, 2023, March 31, 2022 & March 31, 2021, respectively. The loss of any significant client would have a material effect on company's financial results.
4. The company is dependent upon few suppliers for procurement of materials i.e., top five suppliers contributed approximately 65.14%, 49.97%, 46.23% and 61.35% of total purchases for the period June 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, respectively. In an eventuality where suppliers are unable to deliver the required materials in a time-bound manner it may have a material adverse effect on the business operations and profitability.
5. Company have had negative operating cash flows in the past and may continue to have negative cash flows in the future.



Track Record of Lead Manager

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

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	SJ Logistics (India) Limited	48.00	125.00	December 19, 2023	174.10
2.	Deepak Chemtex Limited	23.04	80.00	December 06, 2023	111.51
3.	Paragon Fine and Speciality Chemicals Limited	51.66	100.00	November 03, 2023	145.00
4.	E Factor Experiences Limited	25.92	75.00	October 09, 2023	154.70
5.	Arabian Petroleum Limited	20.24	70.00	October 09, 2023	95.00
6.	Saakshi Medtech and Panels Limited	45.16	97.00	October 03, 2023	221.00
7.	Madhusudan Masala Limited	23.80	70.00	September 26, 2023	118.95
8.	Kahan Packaging Limited	5.76	80.00	September 15, 2023	86.00
9.	Asarfi Hospital Limited	26.94	52.00	July 26, 2023	85.29
10.	Kaka Industries Limited	21.23	58.00	July 19, 2023	173.65

*CMP for the above-mentioned companies is taken as of 26th December 2023.

As per the offer document, Hem Securities Limited has had 19 mandates in the last three years (including the current year). For Hem Securities Limited, all the mandates have opened at premiums on the listing date.



Recommendation

The company was incorporated in the year 2011 but has started its full-fledged business operations from FY 2020-21 onwards after the takeover of the assets and liabilities of the proprietorship concern of Promoters. The company has shown an exponential increase in its top and bottom line of its financials. The company's management overview is good. The company also faces significant competition in the industry.

The P/E on Post IPO basis is around 12.67 times which seems to be fairly priced looking at the performance and size of the company.

The Company has shown exponential growth in its revenue and profits and its margin which will be difficult to sustain going forward. The business segment in which the company operates is not unique and it is highly fragmented and faces competition from both organized and unorganised players. Even though the company was incorporated in the year 2011, the company only started its full-fledged business operations from FY 2020-21 onwards i.e., company has only 3 years of experience in the business. Therefore, the company has limited operating history as a company from which one can evaluate its business, future prospects and viability. Thus, one can **Avoid** applying for this IPO.



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