



Shree Marutinandan Tubes Limited

IPO Note



IPO Details	
Opening Date	Jan 12, 2024
Closing Date	Jan 16, 2024
Stock Exchange	BSE SME
Lot Size	1,000 Shares
Issue Price	₹ 143 per share
Issue Size	Aggregating up to 14.30 Cr.
Fresh Issue	Aggregating up to 14.30 Cr.
Offer for Sale Application	-
Amount	₹ 1,43,000

IPO Objective	
To meet incremental working capital requirements.	
General Corporate Purpose.	
To meet Public Issue Expenses.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	20,17,200	82.00 %
Public	4,42,800	18.00%

Promoter of the Company	
1	Vikram Shivratn Sharma
2	Bharat Shivratn Sharma
3	Kusumlata Shivratn Sharma

Competitive Strengths	
1	Experienced Promoter and Management Team.
2	Quality Products.
3	Diversified Product Range.
4	Locational Advantage.
5	Established sales and distribution network in all over India.

Company Background	
<ul style="list-style-type: none"> Shree Marutinandan Tubes Limited was originally incorporated in the year 2013 and had its registered office in Bopal, Ahmedabad, India. The company is engaged in the business of trading Galvanized pipes, Electric Resistance Welding Mild Steel ("ERW MS") Pipes (round pipes, square and rectangular hollow sections) and also trading Black Pipes and Solar Structural Pipes. The company's products have wide application in varied industries like Agriculture, Oil, Public Health, Housing, Irrigation, Engineering, Infrastructural, Industrial etc. As of 25th December 2023, the Company had 14 employees on its payroll. 	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 35	₹ 49

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	1,301.03	1,284.83	1,617.60	2,234.29
Net Assets	59.98	65.98	267.74	409.73
Total Borrowings	773.59	642.70	716.90	607.28
Total Revenue	3,597.28	4,718.49	4,722.59	4,284.64
Profit After Tax	13.30	6.01	201.76	142.00

Tentative Timeline	
Opening Date	Jan 12, 2024
Closing Date	Jan 16, 2024
Basis of Allotment	Jan 17, 2024
Initiation of Refunds	Jan 18, 2024
Credit of Shares to Demat	Jan 18, 2024
Listing Date	Jan 19, 2024



Company Background and Analysis

Shree Marutinandan Tubes Limited was originally incorporated on March 12th, 2013. The company is engaged in the business of trading Galvanized Pipe, Electric Resistance Welding Mild Steel (“ERW MS”) Pipes (round pipes, square and rectangular hollow sections) in various specifications, and sizes ranging from 15NB to 1000 NB and also trading of Black Pipes and Solar Structural Pipes. The company’s products have wide application in varied industries like Agriculture, Oil, Public Health, Housing, Irrigation, Engineering, Infrastructural, Industrial etc.

The Company currently provides the widest range of steel tubes & pipes in the market, with more than 200+ SKUs. All the products are delivered to meet challenging demands, superior quality, performance and various other commercial requirements across industries. The company’s major products and products wise revenue is given below: -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
Galvanized Pipes	45.18	1.27	176.10	3.74	16.99	0.36	17.43	0.41
Solar Structural Pipe	246.09	6.91	226.53	4.81	106.62	2.26	74.22	1.74
Black pipe/MS Pipe	2,571.92	72.17	2,794.44	59.28	2,431.26	51.54	3,196.88	74.74
Structural Pipe	679.51	19.07	1,487.02	31.54	1,934.77	41.02	790.94	18.49
Other	20.91	0.59	29.98	0.64	227.33	4.82	197.83	4.63
Total Sale	3,563.61	100.00	4,714.07	100.00	4,716.97	100.00	4,277.30	100.00

The company has independent sales and distribution networks for its products. A substantial majority of steel pipes are sold to wholesalers in the domestic markets. The company procures Steel Pipes from the best manufacturers of steel pipes at the domestic level and the company believes that it has good business association with suppliers. The company has a procurement policy and generally purchases in large volumes to stock and facilitate on-time delivery of products to end customers. The company believes that by purchasing in large volumes, it can purchase inventory at lower prices than its competitors, which enables it to sell products at competitive prices.

The company takes orders from its clients for customizable agricultural equipment based on their specific needs and requirements. Instead of manufacturing the equipment in-house, the company has collaborated with Shree Kamdhenu Machinery Private Limited, a reliable and efficient manufacturing outsourcing company, to produce the products. The product portfolio of the company now includes an array of agricultural equipment such as potato digger machines, grader machines, hopper machines, groundnut de-stoner machines, pipe winder machines, and rotavators.

To conclude, Shree Marutinandan Tubes Limited was incorporated in 2013 and has good experience in the industry. Currently, the company derives most of its revenue from selling Black pipe/MS Pipe. Products manufactured by the company have wide application in various industries. The company has also recently i.e., from FY 2023, ventured into supplying customizable agricultural equipment.



Business Strategies

1. Enhance customer base by entering new geographies –

The company intends to cater to the increasing demand of existing customers and to increase the existing customer base by enhancing the distribution reach of products in different parts of the country. The company operates from A-21, Second Floor, Amrapali Complex, S.P Ring Road, Bopal, Ahmedabad with having strong customer base spread across Gujarat. The company proposes to increase the marketing and sales team which can focus on different regions of the country and maintain cordial relationships with customers. Enhancing its presence in more states of India will enable it to reach out to a larger population.

2. Continue to improve operating efficiencies through technology enhancements –

Continuous innovation in process flow, technology upgrades and cost improvement are a norm at the Company. The company's qualified and technical teams try and ensure minimal wastage and extract maximum from the resources it has at its disposal, be it the raw materials, be it the energy or the premises the company operates in, optimum utilization is what will help it in innovating process improvements, thereby reducing costs.

3. Strengthen Brand Value –

Considering its current market presence with customers in diversified sectors and geographies in order to further penetrate the market, the Company intends to make consistent efforts to strengthen its brand "Shree Maruti" and enhance brand visibility to attain parity with industry peers.

4. Expanding product range to add more value-added products –

The company intends to further enhance its value proposition by dealing in value-added products, which have better margins and wider markets. Recently company has also started trading and manufacturing potato digger machines, grader machines, hopper machines, groundnut de-stoner machines, pipe winder machines, and rotavators keeping in mind global requirements in the field of Agriculture.



Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive market and there are a number of players. Competition emerges not only from small but also from regional national and international players. The industry in which the company operates has fewer barriers to entry and any expansion in capacity of existing producers would further intensify competition. The bargaining power with the customers is low in the sector in which the company operates. The bargaining power with the suppliers is medium in this sector.

Peer Analysis

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

Particulars	Shree Marutinandan Tubes Limited	Swastik Pipes Limited	Hi Tech Pipes Limited	APL Apollo Tubes Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	4%	1%	2%	4%
EBITDA Margin	7%	4%	4%	6%
Return on Capital Employed	69%	9%	15%	24%
Return on Equity	75%	4%	10%	21%
EPS (INR)	98.42	3.90	29.00	23.14

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

Particulars	Shree Marutinandan Tubes Limited	Swastik Pipes Limited	Hi Tech Pipes Limited	APL Apollo Tubes Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.13%	4.61%	1.98%	4.74%
EBITDA Margin	2%	4%	5%	7%
Return on Capital Employed	21%	12%	21%	28%
Return on Equity	9%	20%	14%	25%
EPS (INR)	2.93	16.46	30.00	24.73

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

Particulars	Shree Marutinandan Tubes Limited	Swastik Pipes Limited	Hi Tech Pipes Limited	APL Apollo Tubes Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.4%	0.2%	1.5%	4.8%
EBITDA Margin	1.8%	5.4%	5.0%	8.0%
Return on Capital Employed	17.0%	14.7%	17.1%	25.9%
Return on Equity	22.2%	1.2%	8.9%	24.1%
EPS (INR)	6.49	16.19	15.00	14.42



Industry Overview

Exhibit 1: Consumption of finished steel (million tonnes)

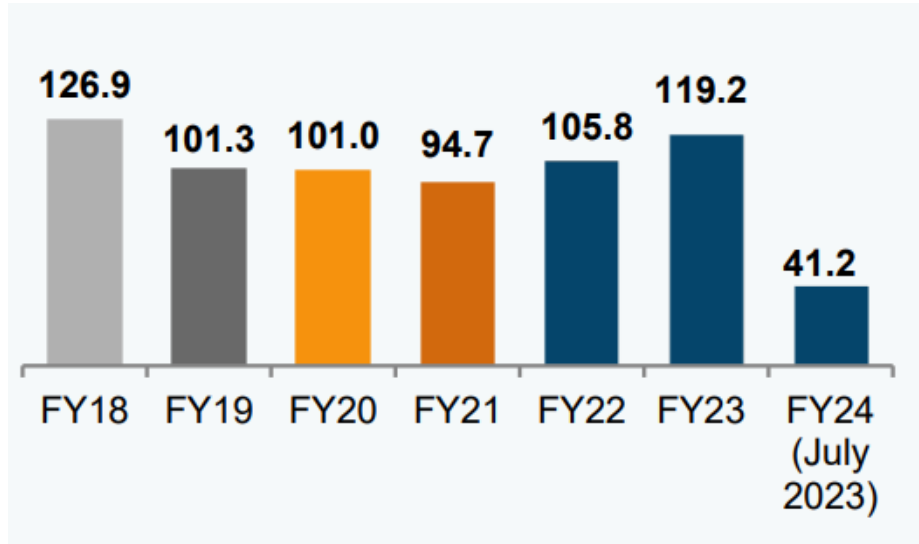
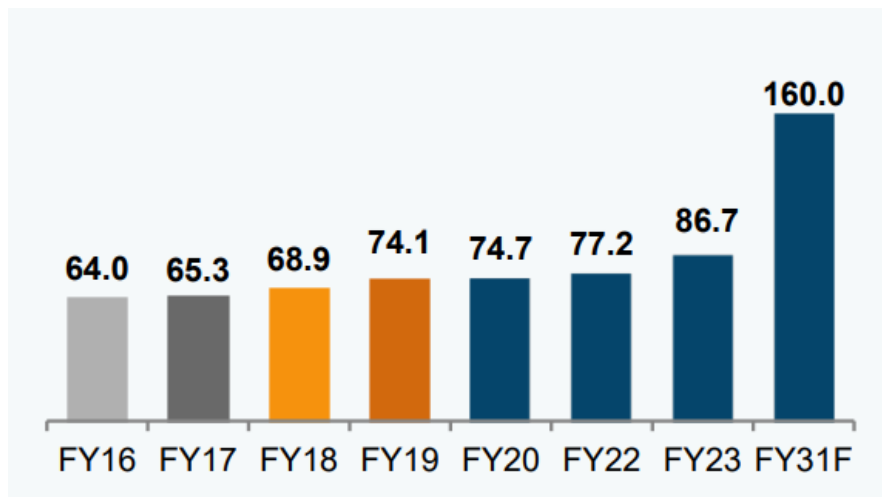


Exhibit 2: Per-capita consumption of steel (in Kgs)



(Source: ibef.org)



Indian Steel Industry

India is the second largest steel producer in the world with an installed capacity of 154.1 MT in FY22. It is also the second-largest consumer of finished steel with a consumption of 120 MT in FY23. The Indian steel sector has been able to grow over the years due to the domestic availability of raw materials such as iron ore and cost-effective labour.

The industry has been driven by domestic steel demand from sectors such as construction, real estate, and automobiles, while the vast coastline has enabled exports and imports, making India one of the leading countries in the global steel industry. In the last 10 years, finished steel production has grown at a CAGR of 2.8% to 122 MT in FY23 from 96 MT in FY14.

The growth in production has been backed by a rise in domestic steel consumption on account of growing economic activities in the country supported by an increase in infrastructure and construction spending by the government, a rise in automobile and consumer durable demand, among others. Domestic finished steel consumption in India has increased at a CAGR of 5.5% to 120 MT in FY23 from 74 MT in FY14. After witnessing an uptrend in steel production, India observed a de-growth of 20.2% y-o-y in FY19 due to lower exports. Further, the outbreak of covid-19 pandemic resulted in a decrease in steel production in FY21, a de-growth of 6.3%

Trends in Steel Trade

Steel exports from India have contributed to the total off take of steel, in addition to the domestic demand, supported by an increase in the country's overall capacity and production. Exports increased at a CAGR of 10.7% over the period of 9 years from 6 MT in FY14 to 13.5 MT in FY22. Of these 9 years mentioned, India was a net steel exporter for six years - FY14, FY17, FY18, FY20-FY22. In 2021, India's exports accounted for 4.4% of the global exports.

Exports witnessed a reversal in trend during FY23 after an upward trend of exports in 3 consecutive years i.e, FY20, FY21 & FY22 and declined to 6.7 MT compared to 13.5 MT in FY22, a sharp fall of 50.2% y-o-y. The Indian Government imposed an export duty of 15% on a range of finished steel products in May 2022 which made exports from India less competitive in global markets.

Exports were also impacted by weak international demand, continued geopolitical tensions and inflationary headwinds globally. Moreover, India became a net importer of steel for the first time in three years for the period of October 2022 to February 2023. The exports have started to pick up on a sequential basis post the reversal of export duty by Government in November 2022, however, the full impact of the duty removal is expected in export volumes by the first half of FY24.

(Source: prospectus)



Key Managerial Personnel

Vikram Shivratan Sharma, aged 36 years, is one of the Promoters and Managing Director of the Company. He is primarily involved in Developing and executing the company's business strategy of the Company. He has almost 16 years of experience. He has completed a master's in business administration in Marketing Management.

Bharat Shivratan Sharma, aged 42 years, is one of the Promoters and Whole-Time Director of the Company. He has completed his Higher Secondary education. He is involved in the acquisition of new clients and building long-standing relationships with existing clients of the Company. He has a total experience of 20 years.

Kusumlata Shivratan Sharma, aged 66 years, is one of the Promoters of the company. She has experience in the corporate realm and brings a dynamic and strategic approach to the company.

Shwetaben Arvindbhai Saparia, aged 33 years, is the Independent Director of the Company. She is fellow a member of the Institute of Company Secretaries of India and currently working as a Company Secretary and Compliance Officer. She has more than 10 years of work experience in the fields of Direct and indirect Taxation, Finance, Management, Corporate Governance, Law, and Various regulatory requirements with RBI & Stock Exchange.

Ankitkumar Surendrakumar Agarwal, aged 33 years, is the Independent Director of the Company. He is fellow a member of the Institute of Company Secretaries of India. He has more than 5 years of work experience in the field of Companies Act, Secretarial related work and Various regulatory requirements with the Companies Act.

Madhuri Niconkumar Mistry, aged 41 years, is the Independent Director of the Company. She is a fellow member of the Institute of Company Secretaries of India and currently working as a Company Secretary. She has more than 9 years of work experience in the field of Companies Act, Secretarial work and Various regulatory requirements with the Companies Act.

To conclude, the company has 3 promoters, and two of them are involved in the management and they have vast experience in the industry in which the company operates. The Directors of the company have good experience in fields which help in the growth of the company.



Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	3,563.60	4,714.07	4,716.96	4,277.30
Other Income	33.68	4.42	5.63	7.34
Total Income	3,597.28	4,718.49	4,722.59	4,284.64
Expenses				
Purchases made during the year	3,452.57	4,855.88	4,492.53	4,070.14
Change in inventories of finished goods, work in progress and stock in trade.	-2.44	-296.71	-193.42	-73.93
Employee benefits expense	28.96	28.31	28.40	30.42
Finance costs	72.20	64.61	70.20	30.71
Depreciation and Amortization expense	2.32	3.54	10.59	3.91
Other expenses	21.04	49.79	41.39	33.08
Total Expenses	3,574.65	4,705.42	4,449.69	4,094.33
Earnings Before Interest, Taxes, Depreciation & Amortization	63.47	76.80	348.06	217.59
EBITDA Margin	2%	2%	7%	5%
Profit/(Loss) before tax	22.63	13.07	272.90	190.31
Tax Expense				
Current Tax	11.21	6.18	71.58	48.72
Deferred Tax	-1.88	0.88	-0.44	-0.41
Total Tax Expense	9.33	7.06	71.14	48.31
Profit/(Loss) for the year	13.30	6.01	201.76	142.00
Net Profit Margin	0.37%	0.13%	4.27%	3%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	20.50	20.50	20.50	246.00
Reserve and Surplus	39.48	45.48	247.24	163.73
Total Equity	59.98	65.98	267.74	409.73
Minority Interest				
Total Equity	59.98	65.98	267.74	409.73
2. non-current liabilities				
Long Term Borrowings	294.02	274.78	210.02	128.13
Long Term Provisions	5.67	7.81	8.89	13.47
Total non-current liabilities	299.69	282.59	218.91	141.60
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	479.57	367.92	506.88	479.15
Trade payables	423.59	541.11	519.11	1,108.17
Other Current Liabilities	30.39	22.26	35.05	21.71
Short-term Provisions	7.81	4.97	69.91	73.93
Total Current liabilities	941.36	936.26	1,130.95	1,682.96
Total Liabilities	1,241.05	1,218.85	1,349.86	1,824.56
Total Equity and Liabilities	1,301.03	1,284.83	1,617.60	2,234.29



Shree Marutinandan Tubes Limited

IPO Note



Balance Sheet					(In Lacs)
ASSETS					
1. non-current assets					
Property, Plant and Equipment					
Tangible Assets	6.70	37.76	28.46	23.39	
Intangible Assets					
Other non-current assets	3.56	3.34	3.34	3.54	
Deferred Tax Assets	2.83	1.94	2.39	2.79	
Total non-current assets	13.09	43.04	34.19	29.72	
2. Current assets					
Current Investments					
Inventories	148.53	445.24	638.65	712.58	
Trade receivables	799.63	576.46	887.93	1,415.48	
Cash and Bank Balances	5.30	43.99	2.76	9.12	
Short-term loans and advances	334.23	140.33	11.08	27.47	
Other Current Assets	0.25	35.77	42.99	39.92	
Total Current assets	1,287.94	1,241.79	1,583.41	2,204.57	
Total Assets	1,301.03	1,284.83	1,617.60	2,234.29	

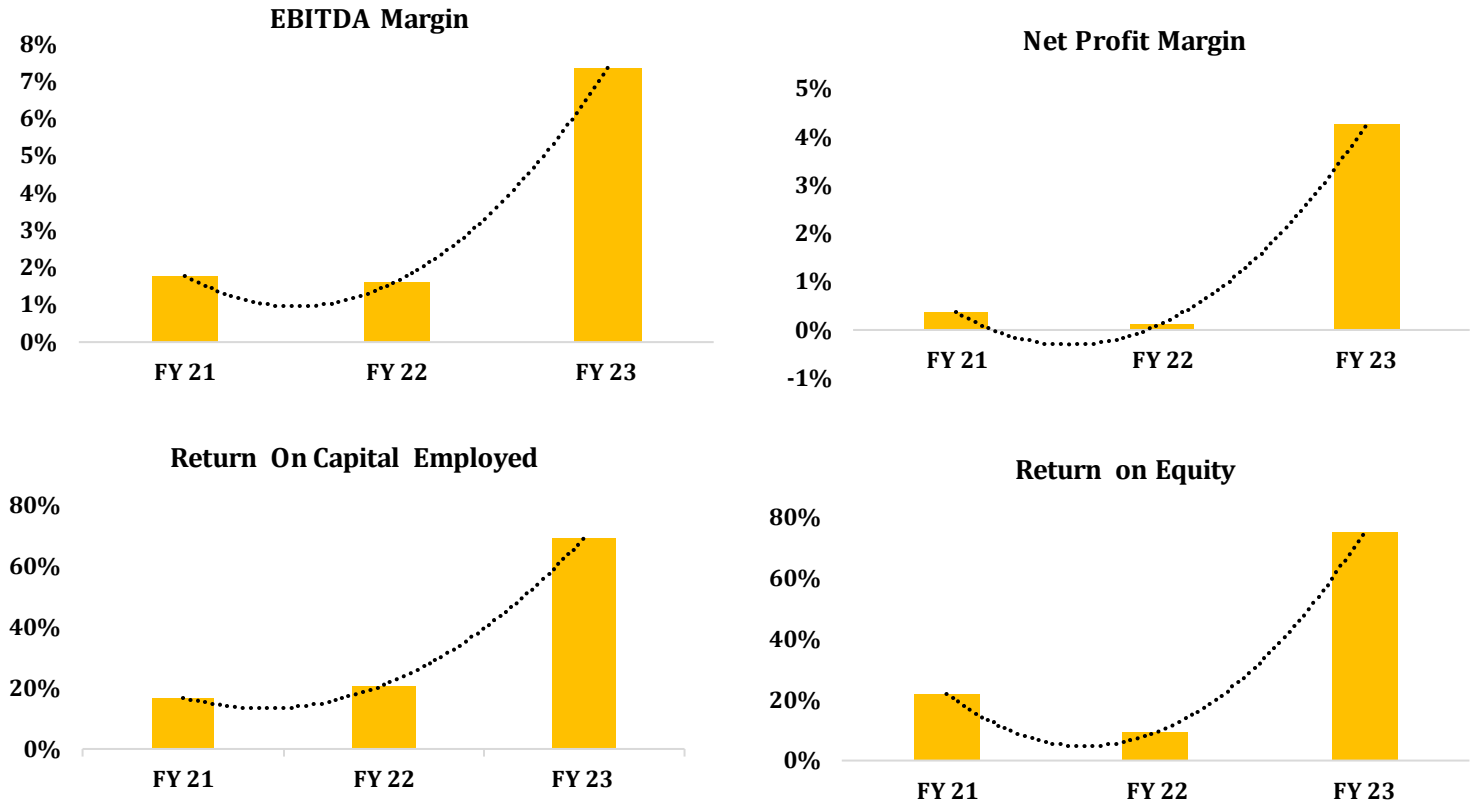
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Net Cash Flow from Operating Activities	-272.54	268.77	-43.95	145.53	
Net Cash Flow from Investing Activities	-1.45	-34.58	-1.27	1.15	
Net Cash Flow from Financing Activities	255.93	-195.50	3.99	-140.33	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
<u>Per Share Data</u>				
Diluted EPS	6.49	2.93	98.42	8.23
BV per share	1.73	1.91	7.74	57.30
<u>Operating Ratios</u>				
EBITDA Margins	1.78%	1.63%	7.38%	5.09%
PAT Margins	0.37%	0.13%	4.27%	3.32%
Inventory days	15.21	34.47	49.42	30.49
Debtor days	81.90	44.63	68.71	60.56
Creditor days	44.78	40.67	42.18	49.83
<u>Return Ratios</u>				
RoCE	17%	21%	69%	20%
RoE	22%	9%	75%	14%
<u>Valuation Ratios (x)</u>				
EV/EBITDA	13.05	8.65	2.82	5.88
Market Cap / Sales	1.39	1.05	1.05	0.58
P/E	22.03	48.81	1.45	17.37
Price to Book Value	82.49	74.99	18.48	2.50
<u>Solvency Ratios</u>				
Debt / Equity	12.90	9.74	2.68	1.48
Current Ratio	1.37	1.33	1.40	1.31
Quick Ratio	1.21	0.85	0.84	0.89
Asset Turnover	2.74	3.67	2.92	1.91
Interest Coverage Ratio	0.85	1.13	4.81	6.96

*Ratio sheet for Sep-23 is annualized.



Financial Charts



Key Risk Factors

1. The company from the state of Gujarat generated almost 97.86%, 96.69%, 97.19% and 98.30% of the Total Revenue generated for the period ended 30th September 2023 and for the FY ended 31st March 2023, 2022, and 2021 respectively. Any adverse developments affecting the operations in the Gujarat Region could have an adverse impact on the revenue and results of operations.
2. The company's top 4 suppliers contributed 91.67%, 84.87%, 91.56% and 91.69% of the Total Purchase for the period ended 30th September 2023 and for the FY ended March 31, 2023, 2022 and 2021. The loss of any of the suppliers or a failure by the suppliers to deliver the products may have an adverse impact on the ability to continue the operations without interruption.
3. The company has had negative operating cash flows for the FY ended 2021, and 2023.



Track Record of Lead Manager

The lead manager to the issue is Swastika Investmart Limited. A table has been set below highlighting the details of the IPO of the last 7 companies handled by the Lead Manager in recent times –

Swastika Investmart Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Saroja Pharma Industries India Limited	9.11	84.00	September 13, 2023	53.00
2.	Service Care Limited	20.68	67.00	July 26, 2023	56.04
3.	Infinium Pharmachem Limited	25.26	135.00	April 17, 2023	224.95
4.	CyberMedia Research & Services Limited	14.04	180.00	October 10, 2022	170.55
5.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	60.50
6.	Evoq Remedies Limited	9.72	27.00	March 30, 2022	16.20
7.	Richa Info Systems Limited	10.00	125.00	February 21, 2022	96.90

*CMP for the above-mentioned companies is taken as of 10th January 2024.

As per the offer document, Swastika Investmart Limited has had 7 mandates in the last three fiscal years. For Swastika Investmart Limited out of the 6 mentioned above, 1 opened at par, 2 opened at a discount and the rest all opened at premiums on the listing day.



Recommendation

The company has been in the industry since 2013 and has good experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 17.37 times which seems to be fairly priced by looking at the performance of the company and the sector. The Sector P/E is 22.9 times.

The company has seen an increase in the top line over the years but has seen a substantial growth in the bottom line of its financials which will be difficult to sustain going forward. The company is in the trading business and do not provide any unique service. The company operates in a very concentrated market, facing competition from both organized and unorganized market and has had negative cashflows details of which are provided in the Risk Factor of this report. Thus, we believe there is no harm in missing this IPO. One can **AVOID** this IPO.



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