



# Amkay Products Limited

IPO Note

Recco – **APPLY**



IPO Details	
<b>Opening Date</b>	April 30, 2024
<b>Closing Date</b>	May 03, 2024
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	2,000 Shares
<b>Issue Price</b>	₹52 to ₹55 per share
<b>Issue Size</b>	Aggregating up to 12.61 Cr.
<b>Fresh Issue</b>	Aggregating up to 12.61 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹1,10,000

IPO Objective	
1.	Funding Capital Expenditure towards the installation of additional machinery
2.	To meet working capital requirements.
3.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	63,56,510	99.89%
Public	7,130	0.11%

Promoter of the Company	
1.	Kashyap Pravin Mody
2.	Hemanshu Kantil Batavia

Competitive Strengths	
1.	Strong portfolio and diverse range of products across consumer preferences.
2.	Extensive network of dealers covering major parts of India.
3.	Quality Assurance ensuring standardized product quality.
4.	Diversified revenue from multiple geographies.
5.	Experienced Promoter with senior management team having successful track record & industry knowledge

Company Background	
○	Incorporated in 2007, Amkay Products Limited has its registered office in Thane, Maharashtra, India.
○	The company manufactures, assembles & markets a comprehensive portfolio of medical devices, disposables and other Healthcare Products like Face Mask, Alcohol Swabs, Lancet Needles, Nebulizer, Pulse Oximeter, surgeon caps etc. used by
○	healthcare centres, hospitals/clinics, nursing homes etc.
○	The company is also engaged in branding and marketing of some of the products like Diapers, Plastic Gloves, Suction Machines etc.
○	As of December 31, 2023, the company had a total of 75 employees on a consolidated basis on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 35	₹ 48

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
<b>Total Assets</b>	1,393.47	1,580.63	1,563.77	1,887.52
<b>Net Assets</b>	473.90	620.60	771.62	986.95
<b>Total Borrowing</b>	136.54	433.59	469.98	476.22
<b>Total Revenue</b>	4,071.74	3,679.45	2,825.05	2,385.57
<b>Profit After Tax</b>	312.68	146.71	151.02	215.36

Tentative Timeline	
<b>Opening Date</b>	April 30, 2024
<b>Closing Date</b>	May 03, 2024
<b>Basis of Allotment</b>	May 06, 2024
<b>Initiation of Refunds</b>	May 07, 2024
<b>Credit of Shares to Demat</b>	May 07, 2024
<b>Listing Date</b>	May 08, 2024



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## Company Background and Analysis

Amkay Products Limited was originally incorporated on October 25, 2007. The company manufactures, assembles & markets a comprehensive portfolio of medical devices, disposables and other Healthcare Products like Face Mask, Alcohol Swabs, Lancet Needles, Nebulizer, Pulse Oximeter, surgeon caps etc which are used by healthcare centres, hospitals/clinics, nursing homes etc and widely spread across India. In addition, the company is also engaged in branding and marketing of some of the products like Diapers, Plastic Gloves, Suction Machines etc.

The company's product portfolio is as follows:

- |                    |                      |                            |                         |
|--------------------|----------------------|----------------------------|-------------------------|
| 1. Nebulizer       | 6. Face Mask         | 11. Surgical Blade         | 16. Air Bed             |
| 2. Steam Vaporizer | 7. Examination Glove | 12. Biodegradable Bags     | 17. Pulse Oximeter      |
| 3. Oxygen Mask     | 8. Surgeon Cap       | 13. Blood Pressure Monitor | 18. Hot Water Bag       |
| 4. Suction Machine | 9. Medical Aprons    | 14. Adult Diaper           | 19. Blood Lancet Needle |
| 5. Ambu Bag        | 10. Shoe Cover       | 15. Digital Thermometer    | 20. Urine Bag           |
|                    |                      |                            | 21. Alcohol Swabs       |

Revenue bifurcation is given below -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Plastic Lancet	140.55	3.45	221.30	6.06	284.19	10.20	365.36	16.06
Rubber Gloves	17.90	0.44	72.74	1.99	41.04	1.47	171.44	7.54
Face Mask	1,271.22	31.23	1,171.22	32.08	324.94	11.66	146.52	6.44
Alcohol SWAB	146.11	3.59	193.19	5.29	213.40	7.66	121.76	5.35
Nebulizer	53.87	1.32	140.02	3.84	134.70	4.83	120.94	5.32
Steel Lancet	78.88	1.94	106.77	2.92	115.41	4.14	119.53	5.25
Cap - Group (Surgeon, Bouffant)	557.20	13.69	202.98	5.56	145.60	5.23	117.39	5.16
Diaper	87.72	2.16	73.29	2.01	99.14	3.56	99.09	4.36
Amka Hot Bag	26.67	0.66	44.76	1.23	62.02	2.23	86.27	3.79
Amka Air Bed	18.26	0.45	72.03	1.97	114.34	4.10	72.78	3.20
Other	1,671.57	41.07	1,352.07	37.04	1,251.65	44.92	853.53	37.52
<b>Total</b>	<b>4,069.95</b>	<b>100.00</b>	<b>3,650.37</b>	<b>100.00</b>	<b>2,786.43</b>	<b>100.00</b>	<b>2,274.61</b>	<b>100.00</b>

To conclude, since the company was incorporated in 2007 it has had good experience in the industry. The company operates in the Healthcare Industry and the Medical Device Services. The company has seen a decreasing trend in revenue generation by the company over the years majorly due to the recovery from the covid. The company generates the majority of its revenue from the state of Maharashtra and Gujarat has seen an increase in percentage hold as per revenue over the period.



## **Business Strategies**

### **1. Continue to improve quality standards -**

The company intends to focus on adhering to the quality standards of the product. Quality of the product is very important for the company from both the customer's point of view and the regulatory point of view.

### **2. Global and geographical presence -**

The company proposes to enter into new geographies within and outside India and increase the marketing and sales team which can focus on different regions and also maintain and establish relationships with customers. The company aims to achieve this by adding value to its customers through quality assurance, timely delivery and reliability.

### **3. Enhancing branding, promotional and digital activities -**

The company seeks to continue to enhance brand awareness and customer loyalty through promotional and marketing efforts substantially increasing its digital presence and engagements. The company intends to continue the marketing initiatives through regular participation in national-level exhibitions, regular visits to international trade fairs, and sales & promotional videos.

### **4. Continue to strive for cost efficiency & invest in capital expenditure -**

The company aims to continue to maintain the cost management focus, including in-house integrated manufacturing capabilities, across the business to deliver growth as well as to achieve economies of scale.

**Competitive Scenario and Peer Mapping****Competition**

The company faces competition from organized and unorganized players in the healthcare industry which have a presence across multiple regions in India. There are various companies offering products and services similar to the company. The company believe the principal elements of competition in the industry are price, durability, product quality, timely delivery and reliability and most importantly the pace in keeping up with the changing technology in the industry. The company faces increasing competition from existing and potential competitors in India and in overseas markets. The company has medium entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customer is slightly low in the industry 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	Amkay Products Limited	Hemant Surgical Industries Limited	QMS Medical Allied Services Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	5%	7%	6%
EBITDA Margin	11%	12%	12%
Return on Capital Employed	22%	45%	15%
Return on Equity	20%	32%	9%
EPS (INR)	2.37	15.81	3.88

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

Particulars	Amkay Products Limited	Hemant Surgical Industries Limited	QMS Medical Allied Services Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	4%	7%
EBITDA Margin	7%	8%	12%
Return on Capital Employed	22%	44%	51%
Return on Equity	24%	35%	34%
EPS (INR)	2.31	23.10	7.10

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

Particulars	Amkay Products Limited	Hemant Surgical Industries Limited	QMS Medical Allied Services Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	8%	2%	9%
EBITDA Margin	11%	7%	14%
Return on Capital Employed	70%	15%	76%
Return on Equity	66%	15%	54%
EPS (INR)	4.91	6.80	11.60

**Industry Overview**

Exhibit 1: Healthcare Sector Growth Trend (US\$ billion).

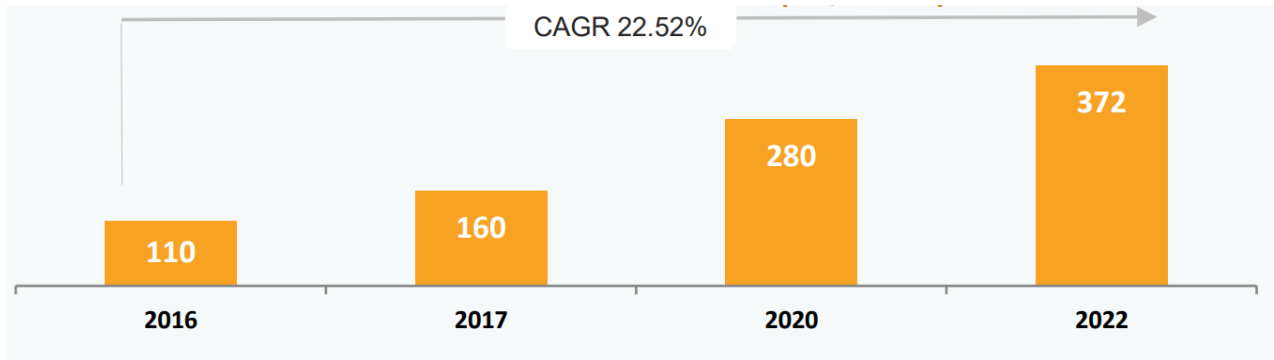
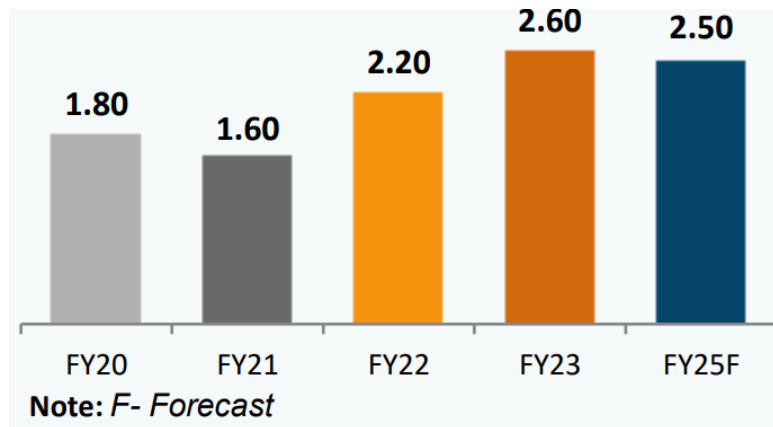


Exhibit 2: Government Healthcare Expenditure (as a percentage of GDP)



(Source: ibef.org)



### **Healthcare Industry in India -**

Healthcare has become one of India's largest sectors, both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services, and increasing expenditure by public as well as private players.

India's healthcare delivery system is categorised into two major components - public and private. The government, i.e., the public healthcare system, comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of Primary Healthcare Centers (PHCs) in rural areas. The private sector provides the majority of secondary, tertiary, and quaternary care institutions with a major concentration in metros, tier-I, and tier-II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost-competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research.

India is a land full of opportunities for players in the medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of the population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. Rising income levels, an ageing population, growing health awareness and a changing attitude towards preventive healthcare are expected to boost healthcare services demand in the future. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade.

### **Medical Devices Industry in India -**

The healthcare and medical device sectors in India have grown significantly in the last decade. A wide range of medical devices, from consumables to implantable medical devices, are produced in India. The majority of medical devices manufactured in India are disposables like catheters, perfusion sets, extension lines, cannulas, feeding tubes, needles, and syringes, as well as implants like cardiac stents, drug-eluting stents, intraocular lenses, and orthopaedic implants. The medical devices sector is highly capital intensive, and also requires continuous training of the healthcare system providers to adapt to new technologies.

However, there is still a huge gap in the current demand and supply of medical devices in India, as India has an overall 70-80% import dependency on medical devices. At present, many medical device manufacturers (domestic and international) are chasing this massive under penetration of medical devices in India as a significant growth opportunity.

The government has come up with multiple initiatives and policies to promote India's medical device sector. It was recognised as a focus sector in 2014 by the government during the Make in India campaign.

(Source: prospectus)



## Key Managerial Personnel

**Kashyap Pravin Mody**, aged 51 years, is one of the Promoters, Chairman and Managing Director of the Company. He has completed his Bachelor of Commerce. He has work experience of more than 20 years in the field of Manufacturing in the Medical and Surgical Equipment Industry. He is looking after the core management of the company and entrepreneur, active and enthusiastic in business activities. He is primarily responsible for the performance and supervision of the Marketing and Production Department of the company.

**Hemanshu Kantilal Batavia**, aged 47 years, is one of the Promoters, Whole-Time Director, and CFO of the Company. He has completed his Senior Secondary (12th) from Maharashtra State Board of Secondary and Higher Secondary Education. He has work experience of over 12 years in the Manufacturing of Medical and Surgical Equipment Industry. He is responsible for handling the general administration and Accounting, Financial, Taxation and Legal operations, statutory compliance and effective implementation of the same.

**Ajay Somabhai Mehta**, aged 56 years, is the Non-Executive Director of the Company. He has completed his Bachelor of Commerce, and Diploma in Computer Programming and Application. He has a work experience of 25 years in the field of finance and accounts. He is responsible for handling the financial & accounting activities of the company.

**Gaurav Maheshwari**, aged 33 years, is the Independent Director of the Company. He has been a qualified member of the Institute of Chartered Accountants of India since the year 2012. He holds a post-qualification work experience of 11 years in the field of Taxation, Auditing Financial Planning & Analysis, Risk Management, Financial & Statutory Reporting, etc.

**Anamika Ajmera**, aged 31 years, is the Independent Director of the Company. She is a qualified member of the Institute of Chartered Accountants of India. She holds a post-qualification work experience of 4 years in the audit field. She is currently engaged as a partner in a CA practising firm.

To conclude, the company has 2 promoters, one of them has vast experience in the core industry and the other has good experience in the industry which helps in the growth of the business. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which helps in the overall growth of the company.





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## 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>	<b>Dec-23</b>
Revenue from Operations	4,069.95	3,650.37	2,786.42	2,274.62
Other Income	1.79	29.08	38.63	110.95
<b>Total Income</b>	<b>4,071.74</b>	<b>3,679.45</b>	<b>2,825.05</b>	<b>2,385.57</b>
<b>Expenses</b>				
Cost of Materials Consumed	2,350.85	1,750.10	1,237.28	1,347.46
Purchases of Stock in Trade	450.49	1,124.01	844.01	372.05
Changes in Inventories	-12.16	-71.97	-37.41	-102.17
Employee benefits expense	267.19	233.89	193.43	175.52
Finance costs	14.50	37.64	47.01	39.18
Depreciation and Amortization expense	28.34	53.73	71.61	50.79
Other expenses	554.92	348.53	235.39	226.76
<b>Total Expenses</b>	<b>3,654.13</b>	<b>3,475.93</b>	<b>2,591.32</b>	<b>2,109.59</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>458.66</b>	<b>265.81</b>	<b>313.72</b>	<b>255.00</b>
<b>EBITDA Margin</b>	<b>11%</b>	<b>7%</b>	<b>11%</b>	<b>11%</b>
<b>Profit/(Loss) before tax</b>	<b>417.61</b>	<b>203.52</b>	<b>233.73</b>	<b>275.98</b>
<b>Tax Expense</b>				
Current Tax	111.72	51.53	59.77	61.76
Deferred Tax	-6.79	5.28	22.94	-1.14
<b>Total Tax Expense</b>	<b>104.93</b>	<b>56.81</b>	<b>82.71</b>	<b>60.62</b>
<b>Profit/(Loss) for the year</b>	<b>312.68</b>	<b>146.71</b>	<b>151.02</b>	<b>215.36</b>
<b>Net Profit Margin</b>	<b>8%</b>	<b>4%</b>	<b>5%</b>	<b>9%</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>Dec-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	27.67	27.67	27.67	636.36
Reserves and surplus	446.23	592.93	743.95	350.59
<b>Total Equity</b>	<b>473.90</b>	<b>620.60</b>	<b>771.62</b>	<b>986.95</b>
<b>2. Non-current liabilities</b>				
Long Term Borrowings	135.01	347.00	334.99	91.53
Deferred tax liability/ (Assets) (Net)	-	-	-	-
Long term Provisions	4.18	5.02	5.20	5.63
<b>Total Non-current liabilities</b>	<b>139.19</b>	<b>352.02</b>	<b>340.19</b>	<b>97.16</b>
<b>3. Current liabilities</b>				
Short-term borrowings	1.53	86.59	134.99	384.69
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	574.31	454.64	249.27	325.88
Other current liabilities	108.61	34.40	26.89	55.08
Short-term provisions	95.93	32.38	40.81	37.76
<b>Total Current liabilities</b>	<b>780.38</b>	<b>608.01</b>	<b>451.96</b>	<b>803.41</b>
<b>Total Liabilities</b>	<b>919.57</b>	<b>960.03</b>	<b>792.15</b>	<b>900.57</b>
<b>Total Equity and Liabilities</b>	<b>1,393.47</b>	<b>1,580.63</b>	<b>1,563.77</b>	<b>1,887.52</b>
<b>ASSETS</b>				





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<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>1. Non-current assets</b>					
Fixed Assets					
a) Tangible Assets	229.83	391.10	325.54	345.07	
b) Intangible Assets	-	-	-	0.47	
Non-Current Investment	40.00	166.00	323.11	244.40	
Deferred Tax Assets (Net)	29.37	24.09	1.15	2.29	
Long term Loans and Advances	66.93	47.25	29.09	31.80	
<b>Total Non-Current assets</b>	<b>366.13</b>	<b>628.44</b>	<b>678.89</b>	<b>624.03</b>	
<b>2. Current assets</b>					
Current Investments	312.10	113.40	38.81	39.81	
Inventories	28.77	198.41	260.82	521.02	
Trade receivables	409.01	363.47	370.49	401.16	
Cash and cash equivalents	92.48	20.26	4.99	106.16	
Short-term loans and advances	175.64	248.67	203.13	171.66	
Other Current Assets	9.34	8.00	6.63	23.67	
<b>Total Current assets</b>	<b>1,027.34</b>	<b>952.21</b>	<b>884.87</b>	<b>1,263.48</b>	
<b>Total Assets</b>	<b>1,393.47</b>	<b>1,580.65</b>	<b>1,563.76</b>	<b>1,887.51</b>	

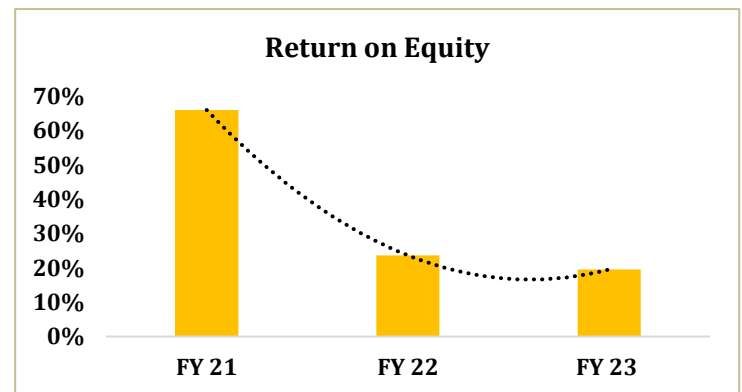
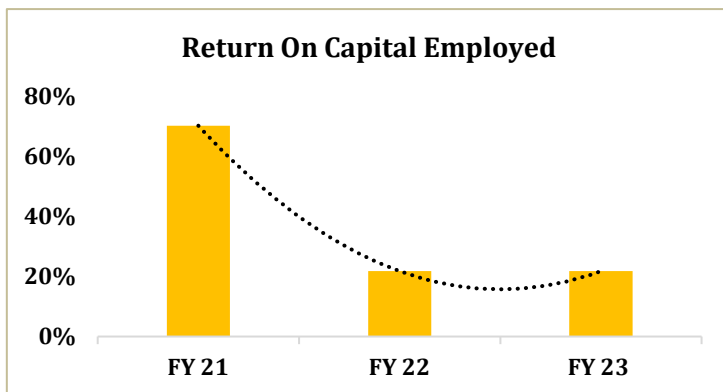
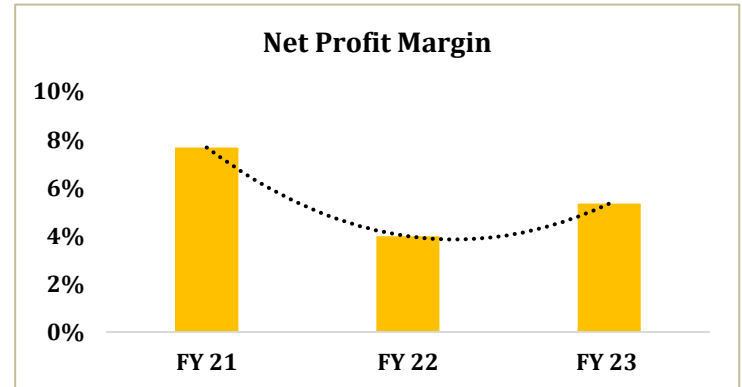
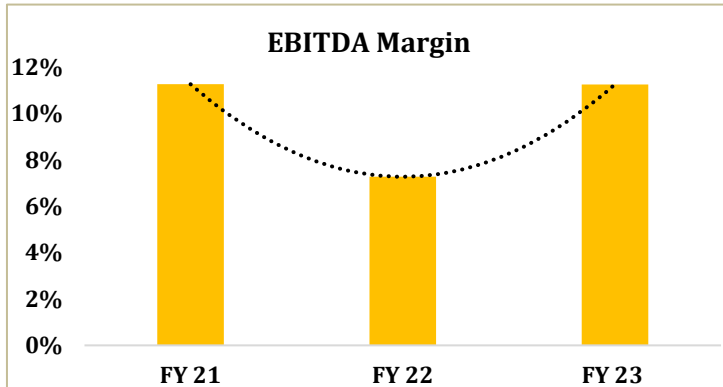
<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>	
Net Cash Flow from Operating Activities	338.09	-25.10	97.71	40.27	
Net Cash Flow from Investing Activities	-197.62	-306.54	-138.58	6.21	
Net Cash Flow from Financing Activities	-64.97	259.41	25.61	54.68	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23*</b>
<b>Per Share Data</b>				
Diluted EPS	4.91	2.31	2.37	3.18
BV per share	5.48	7.17	8.91	26.65
<b>Operating Ratios</b>				
EBITDA Margins	11.27%	7.28%	11.26%	11.21%
PAT Margins	7.68%	3.99%	5.35%	8.66%
Inventory days	2.58	19.84	34.17	62.99
Debtor days	36.68	36.34	48.53	48.50
Creditor days	82.75	60.88	49.35	53.81
<b>Return Ratios</b>				
RoCE	70%	22%	22%	12%
RoE	66%	24%	20%	12%
<b>Valuation Ratios (x)*</b>				
EV/EBITDA	1.13	3.89	3.94	7.65
Market Cap / Sales	1.17	1.30	1.71	1.57
P/E	11.20	23.81	23.21	17.32
Price to Book Value	10.05	7.67	6.17	2.06
<b>Solvency Ratios</b>				
Debt / Equity	0.29	0.70	0.61	0.48
Current Ratio	1.32	1.57	1.96	1.57
Quick Ratio	1.28	1.24	1.38	0.92
Asset Turnover	2.92	2.31	1.78	1.21
Interest Coverage Ratio	29.68	5.63	5.15	5.21

\*Annualized Figures

\*Valuation Ratios are calculated using the current Issue Price.

## Financial Charts



## Key Risk Factors

1. The company generates major domestic sales from the State of Maharashtra. For the period and financial year ended December 31, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, the company derived a major portion of the revenue from the state of Maharashtra i.e. 25.04%, 37.63%, 35.09% and 54.94% respectively.
2. The company have been experiencing a decline in the revenue of operations for the past two financial years.
3. The company is involved in certain legal proceedings amounting to Rs. 34.84 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
4. The company has had negative operating cash flow for FY 2022.
5. The company has contingent liabilities amounting to Rs. 55.44 lakhs.



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## 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.	Blue Pebble Limited	18.14	168.00	April 03, 2024	300.00
2.	Aspire & Innovative Advertising Limited	21.97	54.00	April 03, 2024	101.00
3.	Enfuse Solutions Limited	22.44	96.00	March 22, 2024	120.00
4.	Sona Machinery Limited	51.82	143.00	March 13, 2024	141.00
5.	Harshdeep Hortico Limited	19.09	45.00	February 05, 2024	62.00
6.	Megatherm Induction Limited	53.91	108.00	February 05, 2024	328.00
7.	New Swan Multitech Limited	33.11	66.00	January 18, 2024	73.5
8.	Shri Balaji Valve Components Limited	21.60	100.00	January 03, 2024	227.00
9.	Shanti Spintex Limited	31.25	70.00	December 27, 2023	67.00
10.	Siyaram Recycling Industries Limited	22.96	46.00	December 21, 2023	83.00

The company has had 44 mandates in the past three years including the current Year.

\*CMP for the above-mentioned companies is taken as of 27<sup>th</sup> April 2023.

As per the offer document, from the above-mentioned mandates, Sona Machinery Limited has opened at a discount and the remaining mandates have opened at premiums on the listing date.



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### Recommendation

The company has been in the industry since 2007 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO and annualised basis is around 17.32 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 35.5 times.

The company operates in a competitive environment. The company has performed almost at par with its peer companies. The company's promoter's experience is not directly related to the business which raises slight concern. The company has a good financial overview. Thus at the current P/E, we recommend **APPLY** to this IPO.



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Recco – **APPLY**



## Disclaimer

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