



DCG Cables & Wires Limited

IPO Note

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IPO Details		Company Background	
Opening Date	April 08, 2024	<ul style="list-style-type: none"> ○ Founded in 2017, DCG Cables and Wires Limited has its registered office in Ahmedabad, Gujarat, India. ○ The company is a manufacturer of copper cables and wires. The company's primary focus is on manufacturing different types of copper cables which find application in Transformers. ○ The company's product portfolio consists of Copper Strips, Paper Covered Copper Strips and Wires (Kraft/Crepe/Nomex/Mica) Bare Copper Wires and Strips, Copper Tapes and Fiber Glass Copper. ○ As of February 29th, 2024, the company had a total of 69 employees on its payroll. 	
Closing Date	April 10, 2024		
Stock Exchange	NSE SME		
Lot Size	1,200 Shares		
Issue Price	₹100 per share		
Issue Size	Aggregating up to 49.99 Cr.		
Fresh Issue	Aggregating up to 49.99 Cr.		
Offer for Sale	-		
Application Amount	₹1,20,000		
IPO Objective		Market Capitalization (In Cr.)	
1. Capital Expenditure for building construction.		Pre-Issue	Post-Issue
2. Working capital requirements.		₹ 132	₹ 181
3. General corporate purposes.		Financial Summary (In Lacs.)	
4. Meeting Public Issue Expenses.		For the Period Ended	Mar-23
			Feb-24
		Total	3,564.12
		Assets	6,152.14
		Net Assets	1,532.99
		Total	2,366.82
		Borrowing	1,872.58
		Total	2,630.14
		Revenue	5,455.18
		Profit After Tax	7,639.08
			172.07
			847.09
Pre-Issue Shareholding		Tentative Timeline	
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	1,31,50,200	100.00%	Opening Date
Public	200	-	Apr 08, 2024
Promoter of the Company			Closing Date
1. Devang Patel			Apr 10, 2024
2. Harshadbhai Patel			Basis of Allotment
3. Ushaben Patel			Apr 12, 2024
Competitive Strengths			Initiation of Refunds
1. Exceptional Product Quality.			Apr 15, 2024
2. Customization Expertise.			Credit of Shares to Demat
3. Competitive Pricing.			Apr 15, 2024
4. Long-standing Reputation for Reliability and Consistency.			Listing Date
5. Vast Experience of Promoters.			Apr 16, 2024



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Company Background and Analysis

DCG Cables and Wires Limited was incorporated on September 29, 2017. The company is a manufacturer of copper cables and wires. The company's primary focus is on manufacturing different types of copper cables which find application in Transformers. The product portfolio consists of Copper Strips, Paper Covered Copper Strips and Wires (Kraft/Crepe/Nomex/Mica) Bare Copper Wires and Strips, Copper Tapes and Fiber Glass Copper.

The company mainly supply the products to the transformer manufacturing companies in India and the main marketing strategy is to develop and maintain good relationships with the customers. The company has three manufacturing facilities – 1. Odhav, Ahmedabad, 2. Kubadthal, Ahmedabad, 3. Waghodia, Vadodara. The company is currently in the process of setting up a new manufacturing plant at Bhayala, Bavla, Gujarat, in order to increase its manufacturing capabilities.

The company's product portfolio is as follows –

1. Bare Copper Strips /Bare Copper Flats
2. Paper Covered Copper Conductors (Rectangular & Round)
3. Multi Paper Covered Connection Cables / Lead Wires for Transformers
4. Copper Wire Rod
5. Fiber Glass Covered Copper Strip /Wire
6. Twin, Triple Bunched Paper Covered Copper Strips
7. Copper Submersible Wire
8. Copper Round Bar

Future product lines are as follows – Single-Core Cable Wire, Multi-Core Cables, 3-Core Flat Cable, Twin Twisted Flexible Wires, FEP Insulated Wires, PFA Insulated Wires, ETFE Insulated Wires, Thermocouple Wires, and RTD Wires.

Revenue bifurcation as per the manufacturing facilities are as follows -

(Amt in Lakhs)

Particulars	Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%
Odhav, Ahmedabad	2,769.16	100.00	3,839.26	70.41	3,893.35	51.01
Kubadthal, Ahmedabad		-	-	-	354.99	4.65
Waghodia, Vadodara		-	1,613.20	29.59	3,384.88	44.34
Total	2,769.16	100.00	5,452.46	100.00	7,633.22	100.00

To conclude, the company has decent experience in the industry in which the company operates. The majority of the company's revenue is from Odhav Ahmedabad manufacturing unit. The company is planning to consolidate all its manufacturing units by establishing one manufacturing unit for all.



Business Strategies

1. Consolidation of manufacturing facilities –

The company is currently in the process of setting up a new manufacturing plant at Bhayala, Bavla, Gujarat, in order to increase its manufacturing capabilities and also to consolidate all manufacturing facilities in one place.

2. Focus on consistently meeting quality standards –

The company intends to focus on adhering to the quality standards of the products. The company believes providing the desired and good quality products helps them enhance the client's trust and maintain long-term relationships with them.

3. Maintaining cordial relationships with the Suppliers, Customers and employees –

The company believes in maintaining good relationships with the suppliers, customers and employees which are the most important factors to keep the company growing. The company believes that establishing strong, mutually beneficial long-term relationships with strategic suppliers is a critical step in improving performance across the supply chain, generating greater cost efficiency and enabling the business to grow and develop.

4. Expanding Product Range and Up-selling and Cross-selling –

The company believes Expanding the product range will help position the company as a market leader capable of meeting a wide spectrum of cable and wire demands. The company believes that introducing new cable and wire solutions can help differentiate itself in the market.



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Competitive Scenario and Peer Mapping

Competition

The company operate in a highly competitive business environment. The Cables and Wires Industry is extremely competitive where the key factors of competition primarily comprise product quality, cost, delivery, development and management. There are no entry barriers in this industry further intensifying the competition. The bargaining power with the suppliers is high and the bargaining power with the consumers is also slightly higher in the industry in which the company operates.

Peer Analysis

Due to the insufficient financial information the peer analysis is conducted only for FY 2023.

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

Particulars	DCG Wires and Cables Limited	Cords Cable Industries Limited	Universal Cables Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3%	1%	5%
EBITDA Margin	6%	8%	12%
Return on Capital Employed	17%	18%	12%
Return on Equity	11%	5%	8%
EPS (INR)	3.71	5.58	34.05



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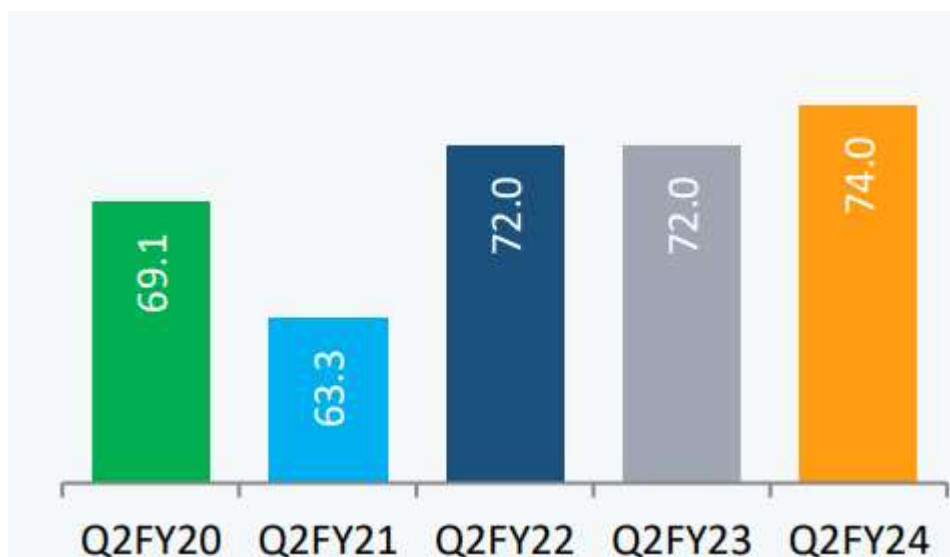


Industry Overview

Exhibit 1: Quarterly estimates of GVA at current prices (US\$ Billion)



Exhibit 2: Capacity Utilization in Manufacturing Sector (%)



(Source: ibef.org)



Indian Manufacturing Industry -

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest growing sectors. The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market. Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

India has the capacity to export goods worth US\$ 1 trillion by 2030 and is on the road to becoming a major global manufacturing hub. With 17% of the nation's GDP and over 27.3 million workers, the manufacturing sector plays a significant role in the Indian economy. Through the implementation of different programmes and policies, the Indian government hopes to have 25% of the economy's output come from manufacturing by 2025. India now has the physical and digital infrastructure to raise the share of the manufacturing sector in the economy and make a realistic bid to be an important player in global supply chains. A globally competitive manufacturing sector is India's greatest potential to drive economic growth and job creation this decade. Due to factors like power growth, long-term employment prospects, and skill routes for millions of people, India has a significant potential to engage in international markets. Several factors contribute to their potential.

First off, these value chains are well positioned to benefit from India's advantages in terms of raw materials, industrial expertise, and entrepreneurship. India is gradually progressing on the road to Industry 4.0 through the Government of India's initiatives like the National Manufacturing Policy which aims to increase the share of manufacturing in GDP to 25 percent by 2025 and the PLI scheme for manufacturing which was launched in 2022 to develop the core manufacturing sector at par with global manufacturing standards. India is planning to offer incentives of up to Rs. 18,000 crore (US\$ 2.2 billion) to spur local manufacturing in six new sectors including chemicals, shipping containers, and inputs for vaccines. Manufacturing has emerged as one of the high growth sectors in India. Prime Minister of India, Mr Narendra Modi, launched the 'Make in India' program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy. Government aimed to create 100 million new jobs in the sector by 2022.

Indian Copper Industry -

India has very limited known reserves of copper ore exploitable for copper production. The total resources of copper ore in the country as on 1.4.2015 are estimated at 1511.50 million tonnes with about 12.16 million tonnes of copper metal. Of these 207.77 million tonnes (13.74%) fall under Reserve category containing 2.73 million tonnes of copper metal and the balance 1303.73 million tonnes (86.25%) are 'Remaining Resources' containing 9.42 million tonnes of copper metal.

The domestic price of copper is linked to London Metal Exchange (LME) price. The price of MIC is derived based on the LME price after adjustment of ruling TC/RC (Treatment & Refining Charge). The TC/RC is market driven dynamic parameter which depends on supply and demand of copper in the international market.

(Source: ibef.org)



Key Managerial Personnel

Devangbhai Patel, aged 33 years, is one of the Promoters and Managing Director of the Company. He completed his HSC examination in the year 2005. He has gained the experience of more than a decade in the field of copper, cable, and wire industry. He is presently in charge of finance, macro management, and strategic matters for the company.

Harshadbhai Patel, aged 71 years, is one of the Promoters and Non-Executive Director of the Company. He has completed his Diploma in Automobile Engineering. He possesses more than two decades of vast experience in the copper industry. He provides his professional guidance and expertise for the furtherance of the business of the company.

Ushaben Patel, aged 66 years, is one of the Promoters and Non-Executive Director of the Company. She completed her SSC Examination in the year 1975. She has not worked in any other organization. She is also responsible for objectively looking at the plans framed by the executive team.

Utkarsh Shah, aged 30 years, is the Non-Executive and Independent Director of the Company. He has completed his Bachelor of Commerce and Bachelor of Law. He has more than seven years of experience in the field of Finance, Legal and corporate secretarial. His major role in the company is as an advisor to the Board and assists in bringing an independent judgment to bear on the Board's deliberation.

Dhruvi Patel, aged 29 years, is the Non-Executive and Independent Director of the Company. She has been an associate member of the Institute of Company Secretaries of India since December 2015. She has completed her Bachelor of Commerce. She has seven years of experience as a Company Secretary and has expertise in the field of Corporate Laws, listing Compliances and conducting Due diligence Audit.

Aayush Shah, aged 32 years, is the Non-Executive and Independent Director of the Company. He has completed his Bachelor of Commerce and Bachelor of Law from Gujarat University. He has an overall Experience of 8 years as a Company Secretary and has relevant experience in the area of Corporate Laws, Security Laws, Capital Market, and Corporate Governance. His major role in the company is as an advisor to the Board and assists in bringing an independent judgment.

To conclude, the company has three promoters, and they have vast experience in the industry the company operates and in the fields which help in the growth of the business. The Remaining Directors of the company also have good knowledge and experience in their respective fields which helps in the overall growth of the company.



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Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 23	Feb-24	
Revenue from Operations	5,452.47	7,633.22	
Other Income	2.71	5.86	
Total Income	5,455.18	7,639.08	
Expenses			
Cost of Material Consumed	5,095.06	6686.61	
Changes in inventories of finished goods	-147.42	-762.97	
Employee benefits expense	74.5	109.6	
Finance costs	97.66	266.9	
Depreciation and Amortization expense	27.58	91.84	
Other expenses	77.86	115.07	
Total Expenses	5,225.24	6,507.05	
Earnings Before Interest, Taxes, Depreciation & Amortization	352.47	1,484.91	
EBITDA Margin	6%	19%	
Profit/(Loss) before tax	229.94	1,132.03	
Tax Expense			
Current Tax	58.03	287.5	
Deferred Tax	-0.16	-2.56	
Total Tax Expense	57.87	284.94	
Profit/(Loss) for the year	172.07	847.09	
Net Profit Margin	3%	11%	

Balance Sheet			(In Lacs)
Particulars	FY 23	Feb-24	
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1,315.00	1,315.04	
Reserves and surplus	217.99	1051.78	
Total Equity	1,532.99	2,366.82	
2. Non-current liabilities			
Long Term Borrowings	324.1	554.73	
Long Term Provisions	3.5	5.48	
Total Non-current liabilities	327.60	560.21	
3. Current liabilities			
Short-term borrowings	1,548.48	2,075.41	
Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises;			
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises.	67.06	747.68	
Other current liabilities	13.91	95.58	
Short-term provisions	74.08	306.44	
Total Current liabilities	1,703.53	3,225.11	
Total Liabilities	2,031.13	3,785.32	
Total Equity and Liabilities	3,564.12	6,152.14	
ASSETS			
1. Non-current assets			
Property, plant & equipment			
Capital Work-In-Progress	557.82	1,102.82	
Deferred Tax Assets (Net)	0.49	3.08	
Other Non-Current Assets	21.34	17.8	
Total Non-Current assets	579.65	1,123.70	
2. Current assets			



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Balance Sheet			(In Lacs)
Current Investments			
Inventories	642.63	1,606.29	
Trade receivables	1,379.14	2,795.18	
Cash and cash equivalents	53.91	221.08	
Short-term loans and advances	908.79	405.88	
Total Current assets	2,984.47	5,028.43	
Total Assets	3,564.12	6,152.13	

Cash Flow Statement			(In Lacs)
Particulars	FY 23	Feb-24	
Net Cash Flow from Operating Activities	-1,554.09	328.62	
Net Cash Flow from Investing Activities	-530.72	-643.03	
Net Cash Flow from Financing Activities	1960.48	481.58	

Ratio Sheet			
Particulars	FY 23	Feb-24*	
Per Share Data			
Diluted EPS	3.71	5.10	
BV per share	8.45	41.02	
Operating Ratios			
EBITDA Margins	6.46%	19.45%	
PAT Margins	3.15%	11.09%	
Inventory days	43.02	76.81	
Debtor days	92.32	122.67	
Creditor days	4.49	35.75	
Return Ratios			
RoCE	17%	20%	
RoE	11%	12%	
Valuation Ratios (x)			
EV/EBITDA	9.51	5.59	
Market Cap / Sales	3.33	2.18	
P/E	26.95	19.61	
Price to Book Value	11.84	2.44	
Solvency Ratios			
Debt / Equity	1.22	1.11	
Current Ratio	1.75	1.56	
Quick Ratio	1.37	1.06	
Asset Turnover	1.53	1.24	
Interest Coverage Ratio	3.33	5.22	

*Annualized Figures



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Key Risk Factors

1. The company's top 10 suppliers contributed to 98.81%, 48.58%, 77.13%, and 89.19% for the period ended February 2024, FY 2021, 2022, and 2023 respectively.
2. The company's top 10 buyers contributed to 75.79%, 41.21%, 47.91%, and 81.92% for the period ended February 2024, FY 2021, 2022, and 2023 respectively.
3. There is one outstanding litigation against the Company amounting to Rs. 58.58 lakhs which if determined against them, could adversely impact financial conditions.
4. The company has had negative operating cash flow for the FY 2022, and 2023. Any operating losses or negative cash flows in the future could adversely affect the results of operations, liquidity and financial condition.

Track Record of Lead Manager

The lead manager to the issue is Interactive Financial Services 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 –

Interactive Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kalahridhaan Trendz Limited	22.49	45.00	February 23, 2023	53.00
2.	Vrundavan Plantation Limited	15.30	108.00	November 06, 2023	45.00
3.	Vivaa Tradecom Limited	7.99	51.00	October 12, 2023	29.5
4.	Crop Life Science Limited	26.73	52.00	August 30, 2023	43.00
5.	Tridhya Tech Limited	26.41	42.00	July 13, 2023	31.00
6.	Bizotic Commercial Limited	42.21	175.00	June 23, 2023	50.01
7.	Sahana System Limited	32.74	135.00	June 12, 2023	860.00
8.	Prospectus Commodities Limited	7.48	61.00	March 20, 2023	86.00
9.	Patron Exim Limited	16.69	27.00	March 06, 2023	8.56
10.	Pace E-Commerce Ventures Limited	66.53	103.00	October 20, 2022	19.02

The company has had 14 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 4th April 2023.

As per the offer document, from the above-mentioned mandates, 5 mandates have opened at a discount and the remaining mandates have opened at a premium on the listing date.



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Recommendation

The company has been in the industry since 2017 and thus has decent experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 19.61 times which makes it fully priced by looking at the performance of the company.

The company operates in a very competitive environment. Proper analysis and definitive conclusions are hindered by the absence of adequate financial data. As per the business model, the company has a good product portfolio and is increasing its products. The company is also planning to consolidate their warehouses further enhancing smooth production and resulting in good growth. However, due to the above-mentioned point regarding the insufficient financial data we recommend **AVOID** to this IPO.



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