



Sai Swami Metals and Alloys Limited

IPO Note

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IPO Details	
Opening Date	April 30, 2024
Closing Date	May 03, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price	₹60 per share
Issue Size	Aggregating up to 15 Cr.
Fresh Issue	Aggregating up to 15 Cr.
Offer for Sale	-
Application Amount	₹1,20,000

IPO Objective	
1.	To Meet Incremental Working Capital Requirements.
2.	To Invest in Subsidiary Company.
3.	To Purchase of Machineries.
4.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	41,12,820	99.88%
Public	4,890	0.12%

Promoter of the Company	
1.	Nipun Anantlal Bhagat

Competitive Strengths	
1.	Experienced Promoter and Management Team.
2.	Consistent focus on quality.
3.	Diversified Range of kitchenware products.
4.	Established sales and distribution network.

Company Background	
○	Incorporated in 2022, Sai Swami Metals and Alloys Limited has its registered office in Ahmedabad, Daskroi, Gujarat, India.
○	The company incorporated with the object to acquire and take over the running business of sole proprietorship as a going concern carried by the promoter in the name and style as 'Steel Kraft Industries'.
○	The company is involved in the trading and marketing of a comprehensive array of stainless steel products, addressing the diverse needs of discerning customers.
○	The company is also engaged in trading of basic raw materials like S.S. Patta, S.S. Sheet, S.S. Coil, S.S. Scrap, S.S. Pipe, M.S. Round (Mild Steel Round) and M.S. beam.
○	As of March 31, 2024, the company had a total of 7 employees on a consolidated basis on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 25	₹ 40

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	945.83	1,001.36	2,583.18	2,617.31
Net Assets	144.31	189.31	35.32	664.47
Total Borrowing	325.52	324.33	610.24	743.16
Total Revenue	750.65	884.11	626.76	3,333.86
Profit After Tax	4.61	52.41	3.81	179.50

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



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Company Background and Analysis

Sai Swami Metals and Alloys Limited was originally incorporated on September 23, 2022. The company is actively involved in the trading and marketing of a comprehensive array of stainless steel products, addressing the diverse needs of discerning customers. The company is also engaged in trading of basic raw materials like S.S. Patta, S.S. Sheet, S.S. Coil, S.S. Scrap, S.S. Pipe, M.S. Round (Mild Steel Round) and M.S. beam. The company has two subsidiaries named, Bhagat Marketing Private Limited, and Dhruvish Metals LLP which specialises in the trading and marketing of stainless steel kitchenware products through the distinguished brand "DOLPHIN."

The company's product portfolio and revenue bifurcation are as follows –

1. S.S. Coil
2. S.S. Sheet
3. S.S. Scrap
4. Molly Metal Scrap
5. S.S. Patta Patti
6. S.S. Pipe
7. Nickle Metal Scrap
8. M.S. Round,
9. M.S. Beam
10. Other products – Dinner sets, Triply Stainless Steel Utensils Cookware, Masala Dabba, Stainless Steel Water Bottles, and Others.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
S.S. Scraps	750.61	100.00	884.11	100.00	626.76	100.00	2,153.97	64.61
S.S. Sheets		-		-		-	196.62	5.90
S.S. Patta Patti & Pipe		-		-		-	184.97	5.55
Molly & Nickel metal scrap		-		-		-	58.42	1.75
S.S. Utensils		-		-		-	281.73	8.45
Nickel Alloy scrap		-		-		-	134.85	4.04
S. S. Round		-		-		-	73.78	2.21
MS Channel Angle		-		-		-	49.49	1.48
MS Round		-		-		-	18.86	0.57
Steel Coils		-		-		-	18.30	0.55
S.S.Angle							15.46	0.46
Beam							9.11	0.27
MS Pipe							14.32	0.43
MS Scrap							120.35	3.61
Copper wound transformer		-		-		-	3.60	0.11
Total	750.61	100.00	884.11	100.00	626.76	100.00	3,333.83	100.00

To conclude, the company was incorporated in 2022 to acquire the business named "Steel Kraft Industries" which was incorporated in the year 2011. The company also has two subsidiaries. The company has seen a sudden hike in revenue from the trading of S.S. Scrap for the period ending December 2023. The company generates the majority of its revenue from the state of Gujarat.



Business Strategies

1. Increase the geographical reach and expansion of addressable market –

The company intends to cater to the increasing demand of the existing customers and to increase the existing customer base by enhancing the distribution reach of the products in different parts of the country.

2. Invest in the new manufacturing plant and increase backward integration in the plant -

The company is investing in a new manufacturing facility and enhancing backward integration within the plant is a strategic move aimed at consolidating the manufacturing operations within a unified facility.

3. Scale up branding, promotional and digital activity –

The company intends to continue the offline marketing in activity including in-shop displays, banners and hoarding like advertisement in fix board, MFD display board, backlit board, glow sign board etc.

4. Continue to strengthen the existing product portfolio and add more products –

The company seeks to utilize its research and development capabilities to develop new products to cater to the evolving requirements of a large customer base and cover newer customer segments.

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

The Indian kitchen solutions and appliances market is highly competitive. The company faces competition from various domestic and multinational companies in India. Amongst listed players, the major competitors in the cookware, cooktops and small kitchen appliances segments include TTK Prestige Limited, Hawkins Cookers Limited, and Butterfly Gandhimati Appliances Limited. The company also faces competition from a number of regional, unorganized manufacturers and retailers. The potential escalation of competition from both established companies and local firms offering similar products poses a significant risk to sales performance. The company has very less barriers to entry. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly high 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	Sai Swami Metals & Alloys Limited	TTK Prestige Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	1%	9%
EBITDA Margin	1%	14%
Return on Capital Employed	3%	17%
Return on Equity	11%	13%
EPS (INR)	38.28	18.34

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

Particulars	Sai Swami Metals & Alloys Limited	TTK Prestige Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	6%	11%
EBITDA Margin	10%	17%
Return on Capital Employed	19%	23%
Return on Equity	28%	18%
EPS (INR)	2.77	21.99

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

Particulars	Sai Swami Metals & Alloys Limited	TTK Prestige Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	1%	11%
EBITDA Margin	3%	16%
Return on Capital Employed	4%	20%
Return on Equity	3%	16%
EPS (INR)	0.32	17.08



Industry Overview

Exhibit 1: Market Share Evolution of Exporting Countries Between 2017 & 2022 India Pressure Cooker Market.

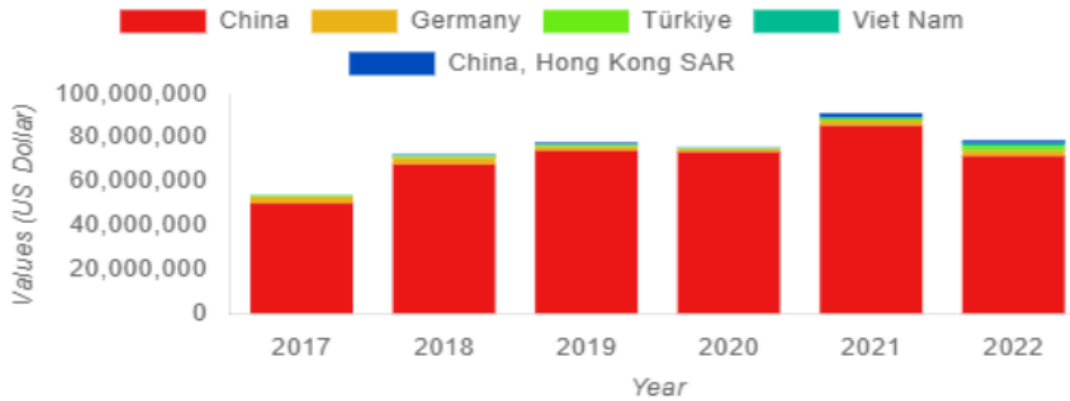
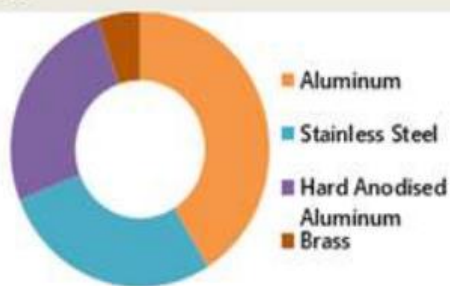
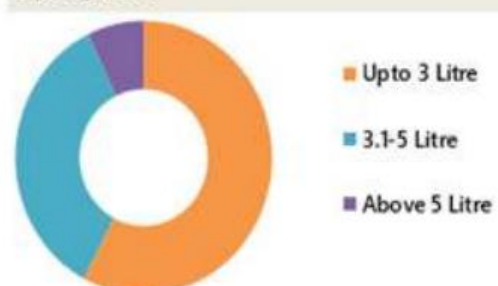


Exhibit 2: India Pressure Cooker Market.

India Pressure Cooker Market Revenue Share, By Material Types, 2020



India Pressure Cooker Market Revenue Share, By Capacity, 2020



(Source: prospectus)



Stainless steel Utensils in India -

Stainless steel, which has now become a very common material from which utensils are made. Stainless steel is made up of an alloy of chromium and nickel, which not just makes it stainless but also prevents any reaction with acids or alkalis and thus does not lead to any change in the color, smell, or taste of the food being cooked or stored in the utensil. This is the primary reason why stainless steel equipment has become very common these days. The use of stainless steel in utensils itself extends to various equipment including tableware like hot pots, bowls, plates, pans and saucepans, and many more; and many cookware like frying pans, baking pan, pressure-cooker, and many other tri-ply cookware.

The Indian Cookware and Serveware Market witnessed moderate growth during the period 2017-2020 underpinned by rapid growth in population and rising urbanization in the country. The government of India has placed strong emphasis on the availability of LPG gas in every household in the country, henceforth driving the growth of the cookware market in the country. However, the COVID-19 pandemic brought slower growth in market revenues during the year 2020 as the movement restrictions imposed during the pandemic period disrupted the supply chain leading to a fall in market demand and hence the market revenues.

India Cookware Market is projected to grow at a CAGR of 6.0% during 2021-2027F. The rising population in the country and faster urbanization are the two major factors driving the Indian Cookware Market growth at a faster pace. In addition, rising disposable incomes and the rising economy of the country also play an essential role in boosting market growth.

India's Serveware Market is projected to grow at a CAGR of 6.1% during 2021-2027F. The key reasons for such rapid growth of this sector are the growth in population, growing urbanization, and rising income levels of people in the country. These factors have been aiding the growth of the market in the nation.

The growing hospitality and tourism sector of India is anticipated to further propel the demand for cookware and serveware products during the forecast period owing to rising tourism in the country. Moreover, cookware and serveware style and fashion are becoming highly important for the people who are at the higher end of the market. Consumers who are shifting to a new house or are renovating their home often look for the latest collection of cookware and serveware which can match the interiors of their kitchen and dining area augmenting the cookware and serveware market in India. These factors have been boosting the India Cookware and Serveware Market share.

Indian Pressure Cooker Market -

It has witnessed an upward growth trajectory and there have been several recent developments in the market. For instance, with the rising popularity of electric cookers driven by increasing urbanization and changing lifestyles, consumers are opting for electric pressure cookers, which offer greater convenience and a safe cooking experience. Pressure cookers are mainly used for cooking healthy food as they preserve nutrients while reducing cooking time. The expansion of online sales channels such as e-commerce websites and mobile apps are becoming popular for purchasing pressure cookers, driven by convenience and a wider product range. Moreover, companies are launching pressure cookers with cutting-edge features such as multiple cooking programs, autolocking lids, and materials like stainless steel and hard-anodized aluminum. Furthermore, companies are focused on expanding their market presence through product innovation while increasing their distribution networks.

(Source: prospectus)



Key Managerial Personnel

Nipun Anantlal Bhagat, aged 59 years, is one of the Promoters, Chairman and Managing Director of the Company. He has 40 years of experience. His occupation is Business. He has expertise in overseeing manufacturing processes, ensuring product quality, and navigating the intricate dynamics of the industry. His qualification is not mentioned in the offer document.

Kashmira Dhirajbhai Mehta, aged 61 years, is the Whole-Time Director of the Company. She has 42 years of experience. She holds a degree in Bachelors of Commerce. She has been actively involved in various responsibilities encompassing excise, sales tax, accounting, and diverse operational tasks.

Nilesh Pravinkumar Kapadia, aged 59 years, is the Independent Director of the Company. He has 35 years of experience. He has completed his Senior Secondary Education and S.Y. Bachelors of Commerce. He is currently serving as a Marketing Manager at Vapi.

Devang Kishor Buddhdev, aged 46 years, is the Independent Director of the Company. He holds a degree in Bachelor of Commerce, and has completed Chartered Accountants Intermediate. He has experience and insights into accounting and taxation practices, showcasing proficiency in handling complex financial matters with precision and astuteness.

Himansu Bhanubhai Chalishazar, aged 59 years, is the Independent Director of the Company. He has 17 years of experience. He holds a degree in Bachelor of Arts. He is also a Managing Director at Himneel Overseas Pvt. Ltd. He operates as the proprietor of M/S Himneel Management Consultancy, specializing in diverse ventures such as Real Estate, facilitating Loan Projections from Banks or NFBC.

To conclude, the company has 1 promoter and he has good experience, but the industry in which the experience is gained is not provided. 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

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	750.61	884.11	626.76	3,333.86
Other Income	0.04	-	-	-
Total Income	750.65	884.11	626.76	3,333.86
Expenses				
Cost of Material Consumed	699.33	812.53	606.66	3,308.45
Changes in Inventories of WIP	-1.77	-38.96	12.80	-340.88
Employee benefits expense	11.83	7.60	0.95	33.01
Finance costs	11.90	15.01	1.30	33.14
Depreciation and Amortization expense	2.95	2.80	0.46	5.49
Other expenses	20.48	15.25	2.08	52.27
Total Expenses	744.72	814.23	624.25	3,091.48
Earnings Before Interest, Taxes, Depreciation & Amortization	20.74	87.69	4.27	281.01
EBITDA Margin	3%	10%	1%	8%
Profit/(Loss) before tax	5.93	69.88	2.51	242.38
Tax Expense				
Current Tax	1.54	18.17	0.64	63.02
Deferred Tax	-0.22	-0.70	-1.94	-0.14
Total Tax Expense	1.32	17.47	-1.30	62.88
Profit/(Loss) for the year	4.61	52.41	3.81	179.50
Net Profit Margin	1%	6%	1%	5%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	144.31	189.31	1.00	411.77
Reserves and surplus	-	-	34.32	252.70
Total Equity	144.31	189.31	35.32	664.47
2. Non-current liabilities				
Long Term Borrowings	255.79	255.04	102.10	101.17
Total Non-current liabilities	255.79	255.04	102.10	101.17
3. Current liabilities				
Short-term borrowings	69.73	69.29	508.14	641.99
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	460.75	444.74	1,433.96	948.70
Other current liabilities	13.71	24.81	495.45	189.31
Short-term provisions	1.54	18.17	8.21	71.67
Total Current liabilities	545.73	557.01	2,445.76	1,851.67
Total Liabilities	801.52	812.05	2,547.86	1,952.84
Total Equity and Liabilities	945.83	1,001.36	2,583.18	2,617.31



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Balance Sheet					(In Lacs)
ASSETS					
1. Non-current assets					
Fixed Assets					
a) Tangible Assets	11.04	8.61	37.44	31.96	
b) Intangible Assets	-	-	0.18	0.18	
Non-Current Investment	-	-	14.64	51.23	
Deferred Tax Assets (Net)	0.22	0.47	1.94	2.09	
Long term Loans and Advances	2.55	1.05	67.56	41.99	
Total Non-Current assets	13.81	10.13	121.76	127.45	
2. Current assets					
Inventories	518.11	622.81	894.04	1,234.92	
Trade receivables	378.45	324.13	1,342.74	1,098.49	
Cash and cash equivalents	21.30	9.68	15.92	78.91	
Short-term loans and advances	-	4.17	66.65	0.05	
Other Current Assets	14.16	30.42	142.08	77.49	
Total Current assets	932.02	991.21	2,461.43	2,489.86	
Total Assets	945.83	1,001.34	2,583.19	2,617.31	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	-1.32	-17.47	-477.41	-654.52	
Net Cash Flow from Investing Activities	-8.23	1.12	-120.28	-11.02	
Net Cash Flow from Financing Activities	226.61	-23.86	609.93	510.56	

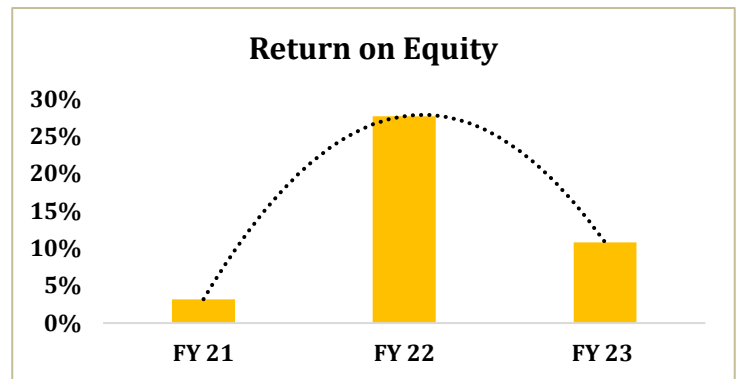
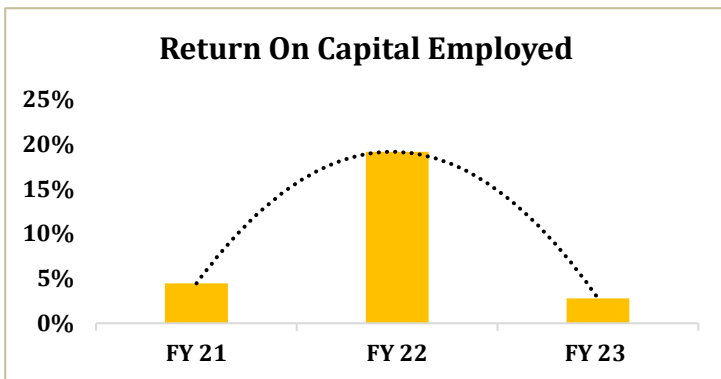
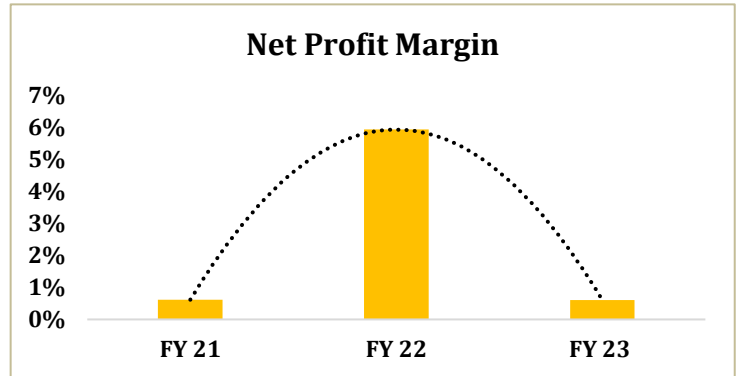
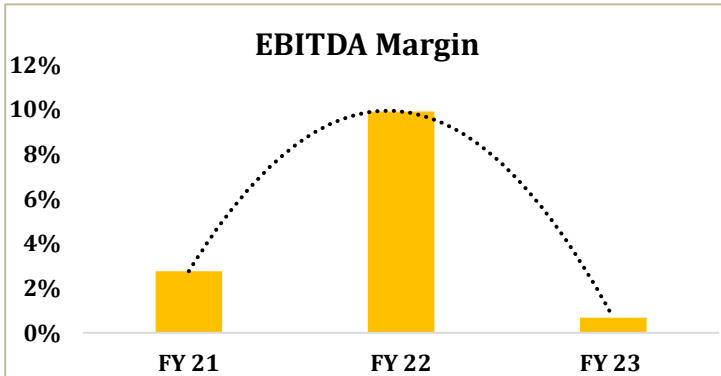
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	0.32	2.77	38.28	3.65
BV per share	2.18	2.86	0.53	33.64
Operating Ratios				
EBITDA Margins	2.76%	9.92%	0.68%	8.43%
PAT Margins	0.61%	5.93%	0.61%	5.44%
Inventory days	251.94	257.12	520.65	101.86
Debtor days	184.03	133.82	781.96	90.61
Creditor days	238.72	184.83	862.75	78.86
Return Ratios				
RoCE	4%	19%	3%	16%
RoE	3%	28%	11%	11%
Valuation Ratios (x)				
EV/EBITDA	21.63	5.75	147.46	7.73
Market Cap / Sales	5.29	4.49	6.34	0.89
P/E	187.50	21.66	1.57	16.45
Price to Book Value	27.51	20.97	112.42	1.78
Solvency Ratios				
Debt / Equity	2.26	1.71	17.28	1.12
Current Ratio	1.71	1.78	1.01	1.34
Quick Ratio	0.76	0.66	0.64	0.68
Asset Turnover	0.79	0.88	0.24	1.27
Interest Coverage Ratio	1.49	5.66	2.93	8.31

*Annualized Figures

*Valuation Ratios are calculated using the current Issue Price.



Financial Charts



Key Risk Factors

1. The company's majority of the current revenue is dependent on one product i.e., S.S. Scraps inability to anticipate or adapt to evolving upgradation of products or inability to ensure product quality or reduction in the demand of such products.
2. There are certain outstanding legal proceedings against the Promoter and the Group Companies amounting to Rs. 10 lakhs, which may adversely affect the business, financial condition and results of operations.
3. The company generated almost 98.33% and 100.00% of the Total Revenue generated for the period ended December, 31st, 2023 and for the financial year ended 31st March, 2023 respectively and any adverse developments affecting the operations in the Gujarat Region could have an adverse impact on the revenue and results of operations.
4. The company's top 10 suppliers contributed 77.77% of the Total Purchase for the period ended December, 31st, 2023. 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.



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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 8 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.	Shree Marutinandan Tubes Limited	14.30	143.00	January 19, 2024	272.00
1.	Saroja Pharma Industries India Limited	9.11	84.00	September 13, 2023	43.00
2.	Service Care Limited	20.68	67.00	July 26, 2023	55.00
3.	Infinium Pharmachem Limited	25.26	135.00	April 17, 2023	218.00
4.	CyberMedia Research & Services Limited	14.04	180.00	October 10, 2022	148.00
5.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	54.6
6.	Evoq Remedies Limited	9.72	27.00	March 30, 2022	10.3
7.	Richa Info Systems Limited	10.00	125.00	February 21, 2022	92.2

The company has had 8 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 29th April 2024.

As per the offer document, from the above-mentioned mandates, Saroja Pharma Industries India Limited, Evoq Remedies Limited, and Richa Info Systems Limited have 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 2022 and has relatively very little experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO and annualised basis is around 16.45 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 60.06 times.

The company operates in a competitive environment. The company is in the business of trading stainless steel products. The company was incorporated with the objective of acquiring the steel kraft company. The company has seen exponential growth in the top line and bottom line of its financials which does not look sustainable going forward. The company has had negative operating cash flow for all three financial years. Thus, we recommend **AVOID** to this IPO.



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