



Energy - Mission Machineries (India) Limited

IPO Note

Recco - **APPLY**



IPO Details	
Opening Date	May 9, 2024
Closing Date	May 13, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price	₹138 per share
Issue Size	Aggregating up to 41.15 Cr.
Fresh Issue	Aggregating up to 41.15 Cr.
Offer for Sale	-
Application Amount	₹1,38,000

IPO Objective	
1.	Funding of capital expenditure towards civil construction work at existing manufacturing unit
2.	Funding of capital expenditure towards installation of new plant & machineries
3.	Working Capital Requirements
4.	General Corporate Purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	83,44,500	100%
Public	-	-

Promoter(s) of the Company	
1.	Satishkumar Kanjibhai Parmar
2.	Dineshkumar Shankarlal Chaudhary
3.	Sanjay Shantukumar Khankar
4.	Ashokkumar Ramjibhai Panchal
5.	Snehal Narendra Mehta
6.	Sumitraben Mehta

Competitive Strengths	
1.	Well diversified customer base spread across various industries and geography
2.	Varied product range appealing to a diverse customer base
3.	In-house manufacturing facility
4.	Stringent quality control mechanism ensuring standardized product quality
5.	Experienced Promoters with strong management team having domain knowledge

Company Background	
○	Energy - Mission Machineries was incorporated in 2011.
○	The company is a major supplier of CNC, NC and conventional metal forming machines primarily used in metal fabrication solutions.
○	Along with the machinery, the company also provides machinery tools and spare parts.
○	The company does domestic as well as exports of products and equipments.
○	The company has its registered office in Sanand, Ahmedabad, Gujarat.
○	As on March 31, 2024, the company had an aggregate of 256 permanent employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 115	₹ 156

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	6,575.71	7,382.44	8,258.65	9,958.12
Net Assets	1,226.84	1,563.01	2,353.02	3,027.82
Total Borrowing	2,228.59	2,457.23	2,187.82	2,333.05
Total Revenue	4,834.07	7,906.58	10,066.12	8,399.76
Profit After Tax	95.33	336.18	790.01	674.80

Tentative Timeline	
Opening Date	May 9, 2024
Closing Date	May 13, 2024
Basis of Allotment	May 14, 2024
Initiation of Refunds	May 15, 2024
Credit of Shares to Demat	May 15, 2024
Listing Date	May 16, 2024



Company Background and Analysis

The company was incorporated in 2011 and is a major supplier of CNC, NC and conventional metal forming machines primarily used in metal fabrication solutions such as cutting, shaping, bending, punching, etc. and has its use in a wide gamut of industries such as automotive, steel, pre-engineered building, furniture, HVAC, agricultural equipment, road construction equipment, elevators, food processing machinery, metalworking workshops and many others.

In the past three years, the company has supplied to over 1,657 machineries to over 1,150 customers domestically and globally. For the period ended Dec'23, the company has sold its products majorly in the Indian market and only about 6.85% in the international market. Along with the machineries, the company also provides machinery tools and spare parts such as Die punch, Shearing Blade, Roller Set, Holding Spring, Limit Switch, Foot Switch, Seal Kit, Linear Scale etc. which also aids in addressing after-sales support and services.

Situated in a land area of 18,234 square meters, the company has its manufacturing unit in Sanand, Gujarat with a manufacturing capacity to produce 900 machines per annum. The company has been increasing its capacity utilisation over the years as can be seen in the table below –

Particulars	2020-21	2021-22	2022-23	Dec 23
Installed Capacity (in MW)	900	900	900	675
Actual Production (in MW)	310	471	490	414
% of capacity Utilisation	34%	52%	54%	61%

The manufacturing facility is used to manufacture the following products for the company –

Press Brake Machines



Shearing Machines



Busbar Machines



Plate Rolling Machines





Ironworker Machines

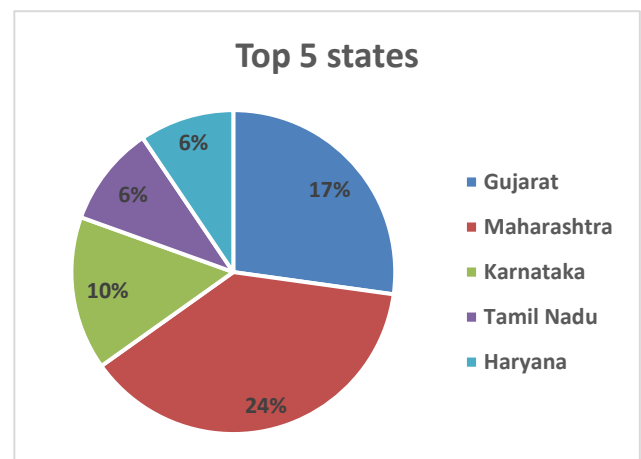
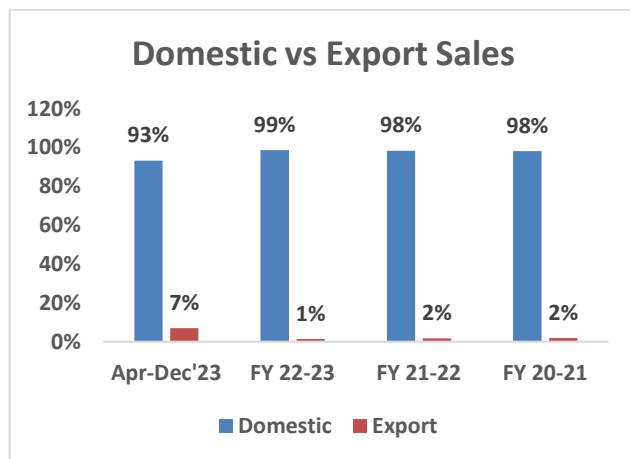


Hydraulic Press Machines



The company has been able to generate a revenue of ₹ 82.79 crores from April'23 to Dec'23. Around 70-75% of the revenue comes from Press Brake Machines followed by Shearing Machines.

As mentioned above, the company has sold these products to various states in India and also outside India. The geography-wise revenue bifurcation of the company has been given in the table below –



Maharashtra and Gujarat are the major states in India where the company supplies its products and has recently increased its export market as well.

The company is utilising the proceeds for civil work and purchasing new machines which would reduce their dependency on Job Works and in turn would add to their profitability. Overall the company is in a good segment of product where there are not many major players in India but a huge competition from the outside world.



Business Strategies

1. Continue to invest in its technological capabilities:

The company plans to upgrade its manufacturing capabilities by acquiring new machinery (Fixed Double Column Machining Centre, VMCs, Lathe machines, etc.) and expanding its production facility through additional construction. This will enhance production capacity and improve overall efficiency. Additionally, a new administration building will be constructed at the existing manufacturing unit.

2. Expand its domestic and international presence:

Currently, the company sells its products in over 20 Indian states and territories, with a focus on Maharashtra, Gujarat, and Karnataka. The strategy aims to further penetrate these key markets while leveraging existing experience to expand geographically. Brand awareness and a strengthened sales & marketing network will be crucial for achieving this goal.

3. Continue to reduce operating costs and improve operational efficiencies:

To remain competitive and maintain customer relationships, the company will focus on cost reduction and operational efficiency improvements. This includes increasing production volume to leverage economies of scale, optimizing inventory levels, implementing cost-effective ordering practices, and managing other operational expenses.

4. Focus on consistently meeting quality standards:

Maintaining strict adherence to quality standards is a key priority for the company. Continuous quality reviews and timely corrective actions will ensure products meet customer expectations, fostering trust and brand reputation.



Competitive Scenario and Peer Mapping

Competition

The industry in which Energy Mission operates is highly competitive and fragmented. The competition varies across various markets and geographical areas. They face competition from both domestic and international companies. However, the Industry has barriers to entry because it requires huge capital investment to enter. Buyers, particularly large corporations with high purchase volumes, can have significant bargaining power in this industry and hence can negotiate for lower prices, longer payment terms, and customized product features. However, the bargaining power of suppliers is on the low/moderate side as it depends on the raw materials used.

Peer Analysis:

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

Particulars	ENERGY-MISSION MACHINERIES	Macpower CNC Machines Limited	Jyoti CNC Automation Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	8%	9%	2%
EBITDA Margin	14%	10%	16%
Return on Capital Employed	35%	19%	48%
Return on Equity	34%	10%	18%
EPS (INR)	9.47	12.89	1.02

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

Particulars	ENERGY-MISSION MACHINERIES	Macpower CNC Machines Limited	Jyoti CNC Automation Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	7%	-6%
EBITDA Margin	10%	11%	10%
Return on Capital Employed	21%	22%	19%
Return on Equity	22%	8%	-117%
EPS (INR)	4.03	12.84	-3.28

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

Particulars	ENERGY-MISSION MACHINERIES	Macpower CNC Machines Limited	Jyoti CNC Automation Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	2%	11%	-12%
EBITDA Margin	9%	8%	7%
Return on Capital Employed	11%	8%	1%
Return on Equity	8%	10%	-62%
EPS (INR)	1.14	6.04	-4.75



Industry Overview

Exhibit 1: India's Exports of Engineering Goods up till 2022.

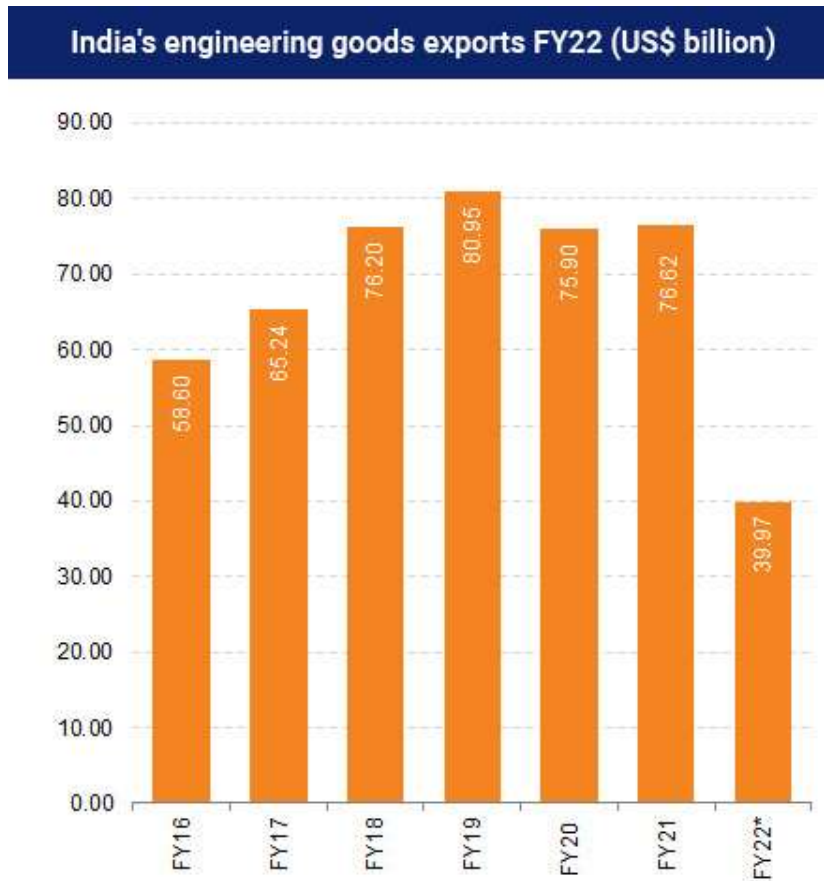
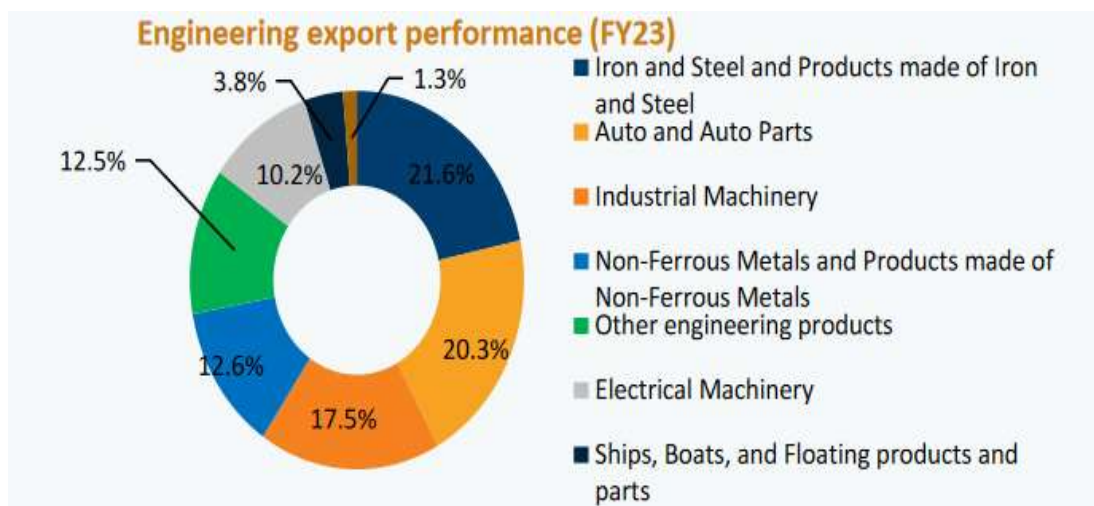


Exhibit 2: Breakdown of Engineering Export for FY23.



(Source: Ibef.org)



Indian Engineering and Capital Goods Industry –

India's Capital Goods manufacturing industry serves as a strong base for its engagement across sectors such as Engineering, Construction, Infrastructure and Consumer goods, amongst others.

It accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations. Capital Goods sector contributes to 12% of India's manufacturing output and 1.8% to GDP.

Market valuation of the capital goods industry was US\$ 43.2 billion in FY22.

The development of the engineering sector of the economy is also significantly aided by the policies and initiatives of the Indian government. The engineering industry has been de-licensed and allows 100% foreign direct investment (FDI).

Additionally, it has grown to be the biggest contributor to the nation's overall merchandise exports. India became a permanent member of the Washington Accord (WA) in June 2014. It is now part of an exclusive group of 17 countries that are permanent signatories of the WA, an elite international agreement on engineering studies and the mobility of engineers.

The Capital Goods sector contributes to 12% of India's manufacturing output and 1.8% of GDP. Market valuation of the capital goods industry was US\$ 43.2 billion in FY22.

India's automotive industry is worth more than US\$ 222 billion, contributes 8% of the country's total export, accounts for 7.1% of India's GDP and is set to become the 3rd largest in the world by 2030.

Indian auto components industry, which accounts for 2.3% of India's GDP currently, is set to become the 3rd largest globally by 2025. According to the Automotive Component Manufacturers Association of India, the auto-components industry of India is expected to grow by 10-15% in FY24, which would be driven by both domestic and export market demand.

Some of the recent major Government initiatives in the sector are as follows:

1. The Ministry of Heavy Industries (MHI) launched two Production Linked Incentive (PLI) Schemes, namely PLI Scheme for Automobile and Auto Component Industry, and PLI Scheme for National Programme on Advanced Chemistry Cell (ACC) Battery Storage.

The PLI Scheme for the automobile and auto components industry has been launched with a total budgetary outlay of Rs. 25,938 crores (US\$ 3.17 billion) for a period of five years (FY23 to FY27).

Indian auto components industry, which accounts for 2.3% of India's GDP currently, is set to become the 3rd largest globally by 2025. Export of engineering goods is expected to reach US\$ 200 billion by 2030.

(Source: Prospectus)



Key Managerial Personnel

Satishkumar Kanjibhai Parmar, aged 54 years, is one of the Promoters, the Chairman, Executive Director & CFO of the Company. He has a work experience of around 30 years in the production of capital machineries and has completed his Diploma in Production Technology. He currently looks after the overall administration and finance operations of the Company.

Dineshkumar Shankarlal Chaudhary, aged 50 years, is one of the Promoters and the Managing Director of the Company. He has completed his B.E. Mechanical. He has an experience of around 28 years in the production of capital machineries. He is currently looking after the production and marketing function of the Company.

Ashokkumar Ramjibhai Panchal, aged 59 years, is one of the Promoters and the Whole-Time Director of the Company. He has completed his Diploma in Mechanical Engineering. He has an experience of 30 years in the production of capital machineries. He is currently looking after the production and marketing function of the Company.

Sumitraben Mehta, aged 51 years, is one of the Promoters and the Non-Executive Director of the Company. She has an experience of around 12 years in the administration field. She has completed her B.Sc. in chemistry.

Himanshu Jayantilal Trivedi, aged 52 years, is the Independent Director of the Company. He has a work experience of around 27 years in the marketing field. He has completed B.E. (Mechanical) and MBA.

Vipul Mehta, aged 56 years, is the Independent Director of the Company. He has a work experience of around 33 years in structural engineering and has completed B.E. (Civil).

Sanjay Shantukumar Khankar, aged 50 years, is one of the Promoters of the Company. He has around 30 years of experience is a Chartered Engineer by qualification.

Snehal Narendra Mehta, aged 50 years, is one of the Promoters of the Company. He has 30 years of experience and has completed his education in B.E. (Mechanical).

To conclude, the company has 6 Individual promoters and all of them have vast experience related to the Industry. The Remaining Directors of the company also have remarkable knowledge and experience in their respective fields which can help 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	4,761.27	7,835.27	9,956.34	8,328.48	
Other Income	72.80	71.31	109.78	71.28	
Total Income	4,834.07	7,906.58	10,066.12	8,399.76	
Expenses					
Cost of Material Consumed	3,165.87	4,844.17	6,224.62	5,051.89	
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-135.10	96.81	-396.73	-622.98	
Employee benefits expense	518.12	690.90	924.43	1,068.29	
Finance costs	251.46	237.84	264.23	225.16	
Depreciation and Amortization expense	173.71	177.72	195.22	148.74	
Other expenses	761.72	1,407.48	1,843.37	1560.02	
Total Expenses	4,735.78	7,454.92	9,055.14	7,431.12	
Earnings Before Interest, Taxes, Depreciation & Amortization	450.66	795.91	1,360.65	1,271.26	
EBITDA Margin	9%	10%	14%	15%	
Profit/(Loss) before exceptional items and tax	98.29	451.66	1,010.98	968.64	
Exceptional items	-	-	-	-	
Profit/(Loss) before tax	98.29	451.66	1,010.98	968.64	
Tax Expense					
Current Tax	22.14	107.54	260.79	235.38	
Deferred Tax	-19.18	7.94	-39.82	58.46	
Total Tax Expense	2.96	115.48	220.97	293.84	
Profit/(Loss) for the year	95.33	336.18	790.01	674.80	
Net Profit Margin	2%	4%	8%	8%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital	278.15	278.15	278.15	834.45	
Reserves and surplus	948.69	1,284.86	2,074.87	2,193.37	
Total Equity	1,226.84	1,563.01	2,353.02	3,027.82	
2. Non-current liabilities					
Long Term Borrowings	1,280.93	1,332.78	923.33	697.33	
Deferred tax liability/ (Assets) (Net)	-	-	-	-	
Long term Provisions	52.22	55.12	75.85	91.61	
Total Non-current liabilities	1,333.15	1,387.90	999.18	788.94	
3. Current liabilities					
Short-term borrowings	947.66	1,124.45	1,264.49	1,635.72	
Trade payables					
(i) MSME	-	160.52	144.79	405.05	
(ii) Other than MSME	2,060.86	2,040.56	2,289.77	2,858.19	
Other current liabilities	955.81	982.65	1,025.85	1028.72	



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Balance Sheet				(In Lacs)
Short-term provisions	51.39	123.35	181.55	213.68
Total Current liabilities	4,015.72	4,431.53	4,906.45	6,141.36
Total Liabilities	5,348.87	5,819.43	5,905.63	6,930.30
Total Equity and Liabilities	6,575.71	7,382.44	8,258.65	9,958.12
ASSETS				
1. Non-current assets				
(a) Plant, Property & Equipment and Intangible Assets				
(i) Plant, Property & Equipment	2,545.30	2,554.72	2,555.21	2,525.42
(ii) Intangible Assets	7.25	4.40	9.07	10.13
(iii) Capital work-in-progress	-	95.03	-	-
Deferred Tax Asset (Net)	6.70	-1.24	38.58	-19.88
Long-term Loans and Advances	139.97	123.32	119.11	113.12
Other Non-Current Assets	38.54	48.21	49.62	35.76
Total Non-Current assets	2,737.76	2,824.44	2,771.59	2,664.55
2. Current assets				
Current Investments	-	-	-	-
Inventories	3,134.23	3,675.16	4,965.65	6,213.46
Trade receivables	322.60	414.68	359.18	660.24
Cash and cash equivalents	96.55	123.66	3.63	3.25
Short-term loans and advances	208.49	289.07	124.63	237.49
Other Current Assets	76.08	55.43	33.97	179.13
Total Current assets	3,837.95	4,558.00	5,487.06	7,293.57
Total Assets	6,575.71	7,382.44	8,258.65	9,958.12

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Net Cash Flow from Operating Activities	202.52	294.17	550.92	121.24
Net Cash Flow from Investing Activities	-179.90	-265.81	-97.47	-100.14
Net Cash Flow from Financing Activities	-38.30	-1.26	-573.46	-21.47



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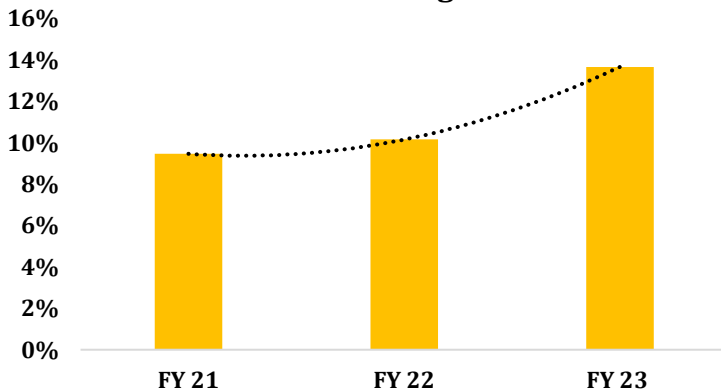
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	1.14	4.03	9.47	8.09
BV per share	10.83	13.80	20.77	65.62
Operating Ratios				
EBITDA Margins	9.47%	10.16%	13.67%	15.26%
PAT Margins	1.97%	4.25%	7.85%	8.63%
Inventory days	240.27	171.20	182.04	205.16
Debtor days	24.73	19.32	13.17	21.80
Creditor days	215.15	146.55	124.83	158.08
Return Ratios				
RoCE	11%	21%	35%	20%
RoE	8%	22%	34%	13%
Valuation Ratios (x)**				
EV/EBITDA	7.45	4.90	3.33	5.73
Market Cap / Sales	3.28	1.99	1.57	1.41
P/E	121.05	34.24	14.57	17.06
Price to Book Value	12.74	10.00	6.64	2.10
Solvency Ratios				
Debt / Equity	1.82	1.57	0.93	0.77
Current Ratio	0.96	1.03	1.12	1.19
Quick Ratio	0.18	0.20	0.11	0.18
Asset Turnover	0.72	1.06	1.21	0.84
Interest Coverage Ratio	1.10	2.60	4.41	4.99

*Annualized Figures

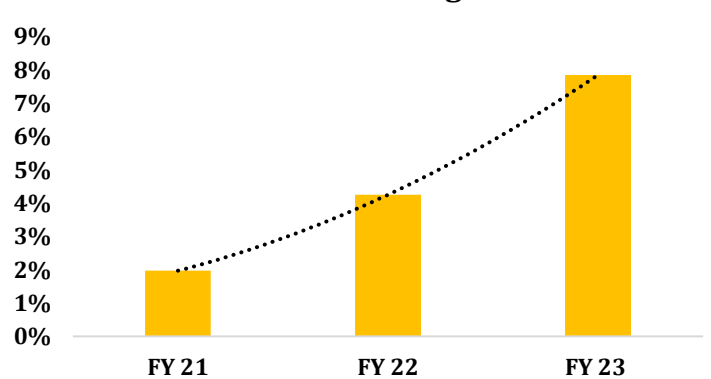
**Valuation Ratios are calculated using the current Issue Price.

Financial Charts

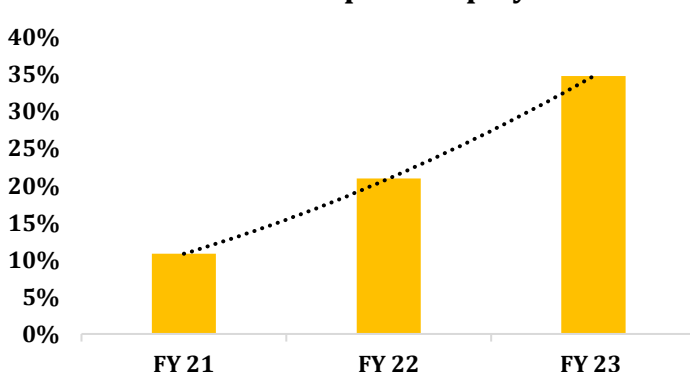
EBITDA Margin



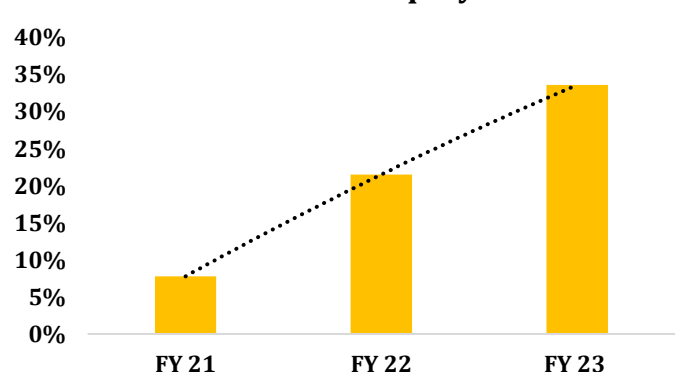
Net Profit Margin



Return On Capital Employed



Return on Equity





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Key Risk Factors

1. The company and its promoters have certain outstanding litigations regarding taxation which are totalling upto Rs. 1.84 Cr.
2. Around 65% of Revenue, in FY23 and Dec-23, for the company came through only 1 Product, i.e. Hydraulic CNC Press Brake Machine.
3. Trade receivables and Inventory form a major part of the company's current assets (Between 90% to 95%, for all the FY's). Failure to manage them could have an adverse effect on the net sales, profitability, cash flow and liquidity.
4. Gujarat and Maharashtra states alone contributed to around 40% (Dec-23) and 37% (FY23) of Revenue from Operations.



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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	Apr 03, 2024	315.00
2.	Aspire & Innovative Advertising Limited	21.97	54.00	Apr 03, 2024	74.10
3.	Enfuse Solutions Limited	22.44	96.00	Mar 22, 2024	118.00
4.	Sona Machinery Limited	51.82	143.00	Mar 13, 2024	162.00
5.	Megatherm Induction Limited	53.91	108.00	Feb 05, 2024	323.00
6.	Harshdeep Hortico Limited	19.09	45.00	Feb 05, 2024	60.00
7.	New Swan Multitech Limited	33.11	66.00	Jan 18, 2024	82.50
8.	Shri Balaji Valve Components Limited	21.60	100.00	Jan 03, 2024	225.00
9.	Shanti Spintex Limited	31.25	70.00	Dec 27, 2023	71.10
10.	Siyaram Recycling Industries Limited	22.96	46.00	Dec 21, 2023	86.00

The company has had 20 mandates in the past year (2023) and has 8 Mandates till now in the current Year.

*CMP for the above-mentioned companies is taken as of 8th May 2024.

As per the offer document, from the above-mentioned mandates, only Sona Machinery Limited 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 2011 and thus has good experience in the industry. The management overview of the company is satisfactory with as all of its promoters having vast experience in the core industry.

The Post IPO P/E on the annualized basis of the company is 17.06. Which makes the issue Fully Priced. The Industry P/E is 46.2 times. This makes the issue undervalued, which means that the market is conscious and uncertain about Energy - Mission Machineries Growth.

The company has shown good growth in the Top Line Financials. However, The Bottom Line Financials have increased slightly at a higher rate which is a little concerning. The reach of the Company, within and outside the country, is well diversified. Thus, we recommend to **APPLY** this IPO.



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