

IPO Details	
Opening Date	May 13, 2024
Closing Date	May 15, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price	₹67 per share
Issue Size	Aggregating up to 25.25 Cr.
Fresh Issue	Aggregating up to 25.25 Cr.
Offer for Sale	-
Application Amount	₹1,34,000

IPO Objective	
1.	Expansion of the existing Manufacturing Facility by construction of the building on the land adjacent to the existing manufacturing unit, purchase of equipment/machineries, etc.
2.	Repayment/prepayment of certain borrowings availed by the Company
3.	Funding Working Capital Requirements
4.	General Corporate Purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	65,67,902	99.97%
Public	1,992	0.03%

Promoters of the Company	
1.	Gurpal Singh Bedi
2.	Nidhi Bedi
3.	Rajveer Bedi

Competitive Strengths	
1.	Experienced Promoters and Management Team
2.	Wide range of Products
3.	Long-standing relationship with clients and suppliers
4.	Quality standards
5.	Legacy Business Process & Management
6.	Strong & experienced R&D team

Company Background	
○	Mandeep Auto Industries was established in the year 2000 as a sole proprietorship in Faridabad, Haryana.
○	It initially started with sheet metal components and currently manufactures and sells auto parts, machined components, and various sprocket gears.
○	The company sells these products to well-known OEM Companies operating in Military, Railroads or Auto-Parts Manufacturing Industry.
○	The company operates mostly in the northern region of the country and plans to enter other regions as well.
○	As on May 06 2024, the company had 54 employees under its payroll and 15 contract labourers.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 44	₹ 69

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	1,050.14	1,297.78	1,963.10	2,424.68
Net Assets	280.41	413.61	453.53	820.79
Total Borrowing	401.81	527.55	829.83	820.84
Total Revenue	1,563.49	2,189.73	2,978.73	2,171.15
Profit After Tax	49.83	64.71	104.93	236.55

Tentative Timeline	
Opening Date	May 13, 2024
Closing Date	May 15, 2024
Basis of Allotment	May 16, 2024
Initiation of Refunds	May 17, 2024
Credit of Shares to Demat	May 17, 2024
Listing Date	May 21, 2024

Company Background and Analysis

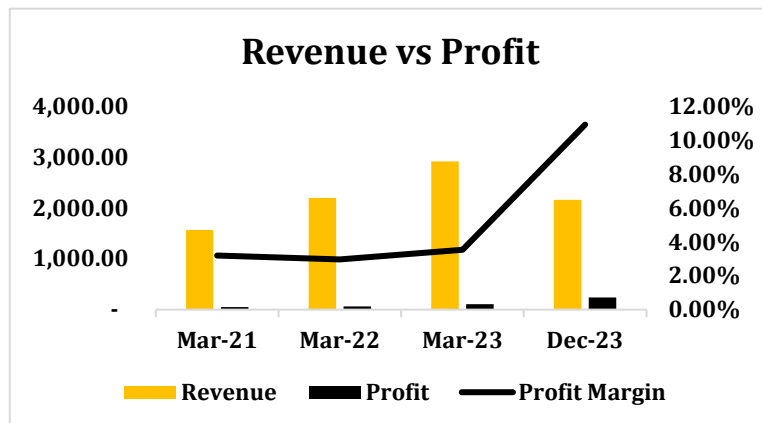
Mr. Gурpal Singh Bedi established M/s Mandeep Industries, his sole proprietorship, as the basis for a sheet metal component manufacturing facility in Faridabad, Haryana, in 2000.

The company's current operations include the production and distribution of sheet metal components, auto parts, and various sprocket gears and machined components. These products are used in a wide range of industries, including the tractor industry, autos, railroads, military, machine tools, and the do-it-yourself sector.

The company has strong and well-established relationships with several marquee domestic and global OEMs in the automobile sector such as M/s J.L Auto Parts Pvt. Ltd. (Faridabad), M/s Tube Investments of India Limited (Chennai), M/s Rockman Industries Limited (Saket), M/s Manvi Automobiles (Faridabad) and M/s Jain Industrial Products Private Limited (Hissar).

The company's product portfolio can be classified into Machining Components and All types of Joints, Plate L Bearing, and Cover Plate. Under Machining Components there are products such as Bajaj Platina Ring Sporket 43 T, Honda Twister Activa Self Gear, TVS Star City enG Cover Plate, Hero Passion Plus Sparg Clutch RE, Honda Shine Sparg Clutch, Omaha 41T, Honda Gear Kick, Hero Glamour, Omaha Gear Kick B7J, Hero Super Splendor, Omaha Gear Kick, Bajaj Pulsar, TVS Gear Kick, Hero Splendor 2K, Sporket14 teeth, Hero Unicorn Front, Sporket 14 teeth, Hero Unicorn Back, Ring Sporket 42T, Discover 14 teeth.

The following bar chart represents Revenue vs. profit for FY ended 2021, 2022, 2023 and the Period Ended December 31, 2023 -



The company's capacity and capacity utilization are as follows -

Particulars	Mar-23	Jun-23	Dec-23
Installed Capacity in Machine Hours	4,46,400	1,11,600	241200
Production in Machine Hours	331200	87050	183600
Capacity Utilization	74.19%	78.00%	76.12%

In conclusion, the business has a great deal of experience because it has been in this sector since 2000. The business is in the production of sheet metal components, auto parts, and various sprocket gears. The company is currently developing a new building to expand its current manufacturing plant, and they are also buying equipment for the new manufacturing facility. At the moment, the organization operates geographically across Punjab, Delhi, Uttar Pradesh, Haryana, and Uttarakhand in North India. The business has said that it intends to expand to more Indian states as well as outside markets.

Business Strategies

1. Increase geographical presence -

The company is currently located in Faridabad, Haryana. Going forward company plans to establish a presence in other regions.

2. Diversify the Product Portfolio -

The company intends to diversify its product portfolio using advanced electronic integration technology and add more products to its portfolio based on its own assessment of market, demand, and supply position.

3. Better Working Capital Management -

The company intends to attract new customers by offering extended credit periods to them. The company believes this strategy requires a strong working capital position. The company intends to raise funds from the IPO and ensure they have available liquidity and resources for better working capital management.

4. Leveraging the Market Skills and Relationships -

The company aims to enhance its growth by leveraging the relationships and further enhancing customer satisfaction. The company plans to increase the number of customers by meeting orders in hand on time, maintaining the customer relationship and renewing the relationship with existing buyers.

Competitive Scenario and Peer Mapping

Competition

The automotive component manufacturing industry is very competitive with multiple organized and unorganized players operating. The company faces fair competition from both organized and unorganized players in the market. Further, there are many large and well-established corporates operating in the same segment. The principal factors affecting competition in the business include client relationships, reputation, and the relative quality and price of the products. The company has moderate entry barriers. 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-21 is given below –

Particulars	Mandeep Auto Industries Limited	Kranti Industries Limited	Porwal Auto Components Limited	Lumax Auto Technologies Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3.19%	-0.23%	1.33%	4.19%
EBITDA Margin	8.04%	9.94%	12.46%	10.27%
Return on Capital Employed	24.42%	4.42%	4.09%	13.25%
Return on Equity	17.77%	-0.69%	1.56%	8.88%
EPS (INR)	-	-0.12	0.62	6.91

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

Particulars	Mandeep Auto Industries Limited	Kranti Industries Limited	Porwal Auto Components Limited	Lumax Auto Technologies Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.96%	2.38%	-0.15%	4.56%
EBITDA Margin	6.58%	9.88%	5.78%	10.65%
Return on Capital Employed	16.85%	14.01%	-1.30%	18.30%
Return on Equity	15.65%	10.53%	-0.27%	12.76%
EPS (INR)	-	2.11	-0.11	10.18

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

Particulars	Mandeep Auto Industries Limited	Kranti Industries Limited	Porwal Auto Components Limited	Lumax Auto Technologies Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3.61%	5.36%	-0.73%	4.96%
EBITDA Margin	5.19%	13.88%	5.47%	11.53%
Return on Capital Employed	17.98%	19.72%	2.94%	11.49%
Return on Equity	23.14%	19.77%	-1.75%	14.04%
EPS (INR)	-	4.94	-0.68	13.63

Industry Overview

Exhibit 1: Share of Turnover in the Auto Components Industry for FY23.

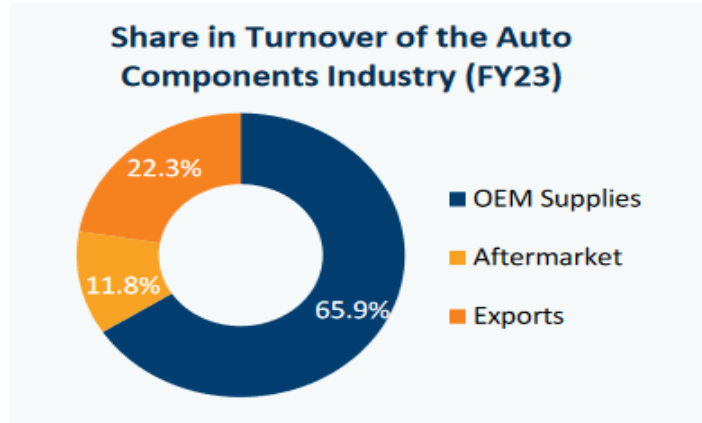
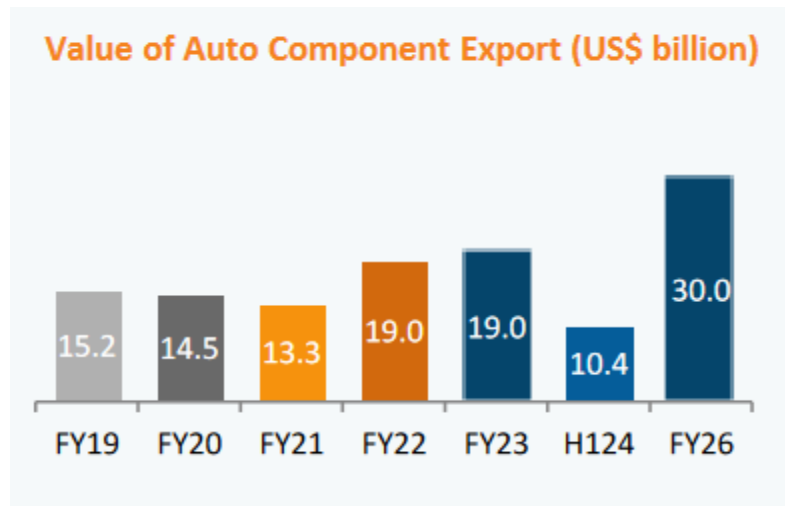


Exhibit 2: Auto Components Export by Value (US\$ billion).



(Source: ibef.org)

Automotive Industry -

Auto Sector -

The automobile industry is one of the key drivers of the Indian economy. Since the liberalization of the sector in 1991 and allowing 100 per cent FDI through automatic route, Indian automobile sector has come a long way. Today, there is a presence of major global auto manufacturer in the country.

The Indian auto component industry, with a well evolved manufacturing ecosystem, produces a wide variety of products including engine parts, drive transmission and steering parts, body and chassis, suspension and braking parts, equipment and electrical parts, besides others to service the dynamic automobile industry. The sector has also come under tremendous pressure due to lacklustre performance of the vehicle industry. The automotive industry contributes 6 per cent to India's GDP and 35 per cent to Manufacturing GDP.

Agricultural Machinery & Tractors Sector -

Agricultural Machinery mainly consists of Agricultural Tractors, Power Tillers, Combine Harvesters and other Agriculture Machineries & Implements.

Indian Tractors were exported to US and other countries like Malaysia, Turkey, etc. Indian players have aggressively started exporting to African countries by bidding for government tender requirement. As such, Indian tractors are gaining acceptance in international markets. As the cost of tractors in India is cheapest in the world, there is tremendous scope for improvement of export of tractors in future.

Electric Vehicles -

The growing prominence of electric vehicles (EVs) necessitates a revised academic curriculum to equip students with the necessary skills for this evolving industry. Collaboration between academia and industry is crucial for a successful transition towards e-mobility. Industry players like MG Motor have already initiated EV-aligned skilling programs.

Widespread EV adoption is essential for achieving India's 2030 Sustainable Development Goals (SDGs) for reduced carbon emissions. To address this skilling gap, The Automotive Skill Development Council (ASDC) has partnered with various stakeholders including car manufacturers and training providers to develop certification programs. Over 2000 candidates have already been certified through these programs, and a free e-learning course offered by ASDC and Toyota Kirloskar has seen over 25,000 registrations.

(Source: Prospectus)

Key Managerial Personnel

Gurpal Singh Bedi, aged about 53 years, is one of the Promoters and Managing Director of the Company. He has been in the business since 2000. He has a vast and rich experience of over 25 years in the field of marketing, sales, and manufacturing of Auto components and Industrial products relevant to varying segments.

Nidhi Bedi, aged about 45 years, is one of the Promoters and Director of the Company. She has been appointed on the Board of the Company as a Non-Executive Director. She is a graduate and has 21 years of experience in leading teams and managing finances. She provides financial advice and guidance to the Company's Management Team.

Rajveer Singh Bedi, aged about 22 years, is one of the Promoters and Director of the Company. He has pursued Bachelors in Technology Mechanical Engineering with specialization in Smart Manufacturing & Automation. He has been appointed on the Board of the Company as an Executive Director. He has experience more than 3 years in the field of marketing and management. He looks after the comprehensive management of the company's manufacturing operations.

Chanu Rajput, aged about 25 years, is a Non-Executive Independent Director of the Company. She has three years of experience in finance and taxation. She holds a Master's Degree in Commerce.

Manish Sharma, aged about 49 years, is a Non-Executive Independent Director of the Company. He has 13 years of experience in the manufacturing industry. He holds a Bachelor's Degree in Commerce.

Rajat Verma, aged about 52 years, is the Chief Financial Officer of the company. He is a Graduate and possesses more than 23 years of experience in the field of Finance & Accountancy.

Ritu Rani, aged about 26 years, is graduate in Commerce and is a member of the Institute of Company Secretaries of India, she possesses more than 1 years of experience in compliance and secretarial field.

Amar Nayak, aged about 45 years, is a Production Head and possesses more than 15 years of experience in auto components manufacturing field.

Syed Zafer Hussain, aged about 61 years, is a Marketing Head and possesses more than 8 years of experience in Sales and Marketing.

To conclude, the company has 3 promoters, but only one of them has a vast experience which is in line with the Industry, as well as with the company. Apart from them, the rest of Key Managerial Personnel also have decent knowledge and experience in their respective fields which would contribute in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	1,563.49	2,189.73	2,908.91	2,152.97
Other Income	-	-	69.82	18.18
Total Income	1,563.49	2,189.73	2,978.73	2,171.15
Expenses				
Purchases of Materials	1,400.59	2,129.48	2,686.20	2,086.46
Changes in Inventories	-205.79	-419.83	-305.40	-496.90
Employee benefits expense	74.57	122.21	106.39	87.20
Finance costs	38.93	34.73	55.30	59.90
Depreciation and Amortization expense	19.52	21.96	23.85	17.68
Other expenses	168.35	213.75	270.61	98.96
Total Expenses	1,496.17	2,102.30	2,836.95	1,853.30
Earnings Before Interest, Taxes, Depreciation & Amortization	125.77	144.12	151.11	377.25
EBITDA Margin	8%	7%	5%	18%
Profit/(Loss) before tax	67.32	87.43	141.78	317.85
Tax Expense				
Provision for Taxation	14.08	19.20	35.24	80.62
Provision for Deferred Tax	3.41	3.52	1.61	0.68
Total Tax Expense	17.49	22.72	36.85	81.30
Profit/(Loss) for the year	49.83	64.71	104.93	236.55
Net Profit Margin	3.19%	2.96%	3.52%	10.90%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	280.41	413.61	453.53	656.98
Reserves and surplus	-	-	-	163.81
Total Equity	280.41	413.61	453.53	820.79
2. Non-current liabilities				
Long Term Borrowings	151.25	304.26	245.76	353.62
Deferred tax liability/ (Assets) (Net)	3.41	6.94	8.55	9.23
Long term Provisions	-	-	-	1.28
Total Non-current liabilities	154.66	311.20	254.31	364.13
3. Current liabilities				
Short-term borrowings	250.56	223.29	584.07	467.22
Trade payables	297.88	298.53	568.98	606.00
Other current liabilities	52.55	17.87	33.68	17.38
Short-term provisions	14.08	33.28	68.53	149.16
Total Current liabilities	615.07	572.97	1,255.26	1,239.76
Total Liabilities	769.73	884.17	1,509.57	1,603.89
Total Equity and Liabilities	1,050.16	1,297.78	1,963.10	2,424.68
ASSETS				
1. Non-current assets				

Balance Sheet					(In Lacs)
Fixed Assets					
a) Tangible Assets	318.40	319.40	308.21	245.80	
Long term Loans and Advances	110.25	105.25	105.25	15.24	
Total Non-Current assets	428.65	424.65	413.46	261.04	
2. Current assets					
Inventories	250.05	669.89	975.30	1,472.20	
Trade receivables	353.43	176.22	504.85	567.99	
Cash and cash equivalents	2.20	4.62	2.96	20.30	
Short-term loans and advances	15.83	22.40	51.56	103.17	
Other Current Assets	-	-	15.00	-	
Total Current assets	621.51	873.13	1,549.67	2,163.66	
Total Assets	1,050.16	1,297.78	1,963.13	2,424.70	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	-352.99	-134.12	-171.00	-89.20	
Net Cash Flow from Investing Activities	-42.27	-22.96	-12.66	-18.85	
Net Cash Flow from Financing Activities	359.68	159.50	182.00	125.40	

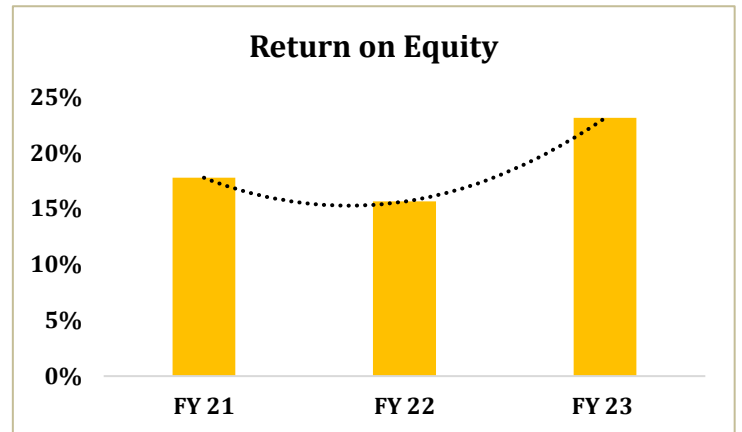
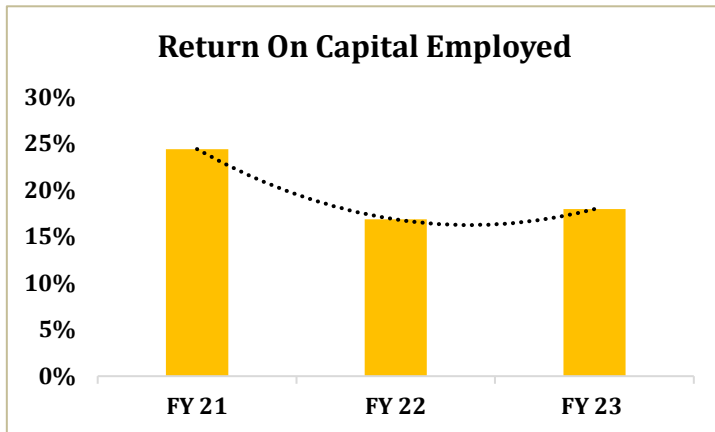
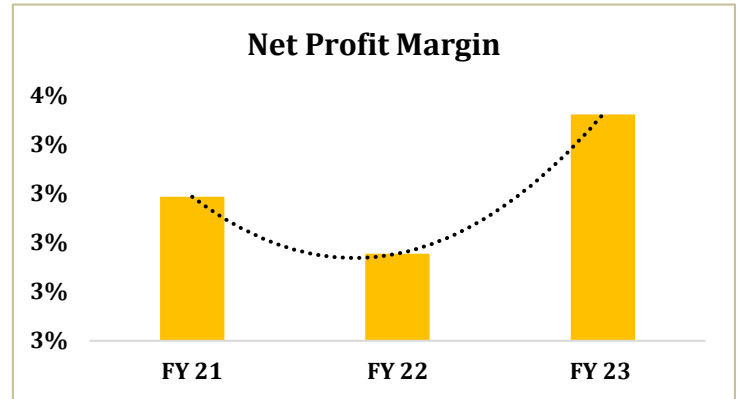
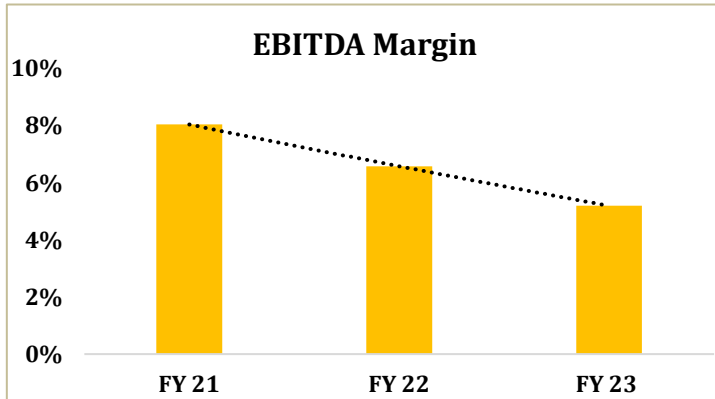
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS**	-	-	-	3.06
BV per share	2.71	4.00	4.39	33.13
Operating Ratios				
EBITDA Margins	8.04%	6.58%	5.19%	17.52%
PAT Margins	3.19%	2.96%	3.52%	10.95%
Inventory days	58.37	111.66	122.38	188.04
Debtor days	82.51	29.37	63.35	72.55
Creditor days	77.63	51.17	77.31	79.87
Return Ratios				
RoCE	24%	17%	18%	14%
RoE	18%	16%	23%	9%
Valuation Ratios***				
EV/EBITDA	5.41	6.50	8.47	8.49
Market Cap / Sales	4.43	3.16	2.38	2.42
P/E	-	-	-	21.88
Price to Book Value	24.70	16.75	15.27	2.02
Solvency Ratios				
Debt / Equity	1.43	1.28	1.83	0.24
Current Ratio	1.01	1.52	1.23	1.75
Quick Ratio	0.60	0.35	0.46	0.56
Asset Turnover	1.49	1.69	1.48	0.89
Interest Coverage Ratio	2.73	3.52	2.30	6.00

*Annualized Figures

**EPS is not provided for the FY21-23 because it was a sole proprietorship before

***Valuation Ratios are calculated considering the Issue Price

Financial Charts



Key Risk Factors

1. The company doesn't have a Factory License for their present manufacturing unit, where they are planning for an expansion.
2. Top 5 Clients contribute towards 82.47% of the company's revenue for December 2023. Failing to retain them could have a huge impact on the company's financials.
3. The Top 3 Suppliers account for more than 71.58% of raw material purchases of the company.
4. The Company has a Negative Cash Flow from Operating Activities for all its Restated Standalone Financial Statement which is prepared till 31st December 2023.

Track Record of Lead Manager

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

Jawa Capital Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Slone Infosystems Limited	11.06	79.00	May 10, 2024	113.00

The company has had only 1 mandate till now.

*CMP for the above-mentioned companies is taken as of May 11th, 2024.

As per the offer document, from the above-mentioned mandate, the mandate has opened at a premium, on the listing date.

Recommendation

The company has been in the industry since 2000 and has very good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 21.88 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 48.95 times.

The company is investing its net proceeds in manufacturing facility development as well as the acquisition of equipment and machinery for the same, which we believe will result in strong future growth.

The industry in which the company operates is very capital intensive as well as fragmented, making local players a huge part of competition. There is a steady growth but is very slow paced, in both the Top Line and the Bottom-Line Financials of the company, the sudden increase in Margin for December 2023 raises slight concerns. The company has had negative operating cash flow for all the three years. The management overview of the company is condensed. Thus, we recommend **Risk Averse - Should Wait Risk Seekers - Should Apply** to this IPO.



Mandeep Auto Industries Limited

IPO Note

Recco – **RISK**



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