



IPO Note

Visaman Global Sales Limited

Negative Operating, Thin Margins

Recommendation: **AVOID!**

Company Background -

- Incorporated in 2019, Visaman Global Sales Limited has its registered office in Rajkot, Gujarat, India.
- The Company is engaged in the business of supplying round pipes, square pipes, rectangle pipes, various specification of structural steels, BGL coils, GP(GI) coils, etc.
- The company also provides a credit facility to the existing customers as value added service.
- The company provides the facility of customization to meet the specific requirement of the customers
- As of March 15, 2024, the company has 41 employees on its payroll.

Objects of the Issue -

- Funding capital expenditure requirements of the company towards setting up of a manufacturing facility at Rajkot.
- Funding working capital requirements of the company.
- General corporate purposes.

Promoters Name -

Mitulkumar Sureshchandra Vasa, Sureshchandra Gulabchand Vasa, Avni M. Vasa, Ilaben Sureshchaandra Vasa, and Kular Brijesh N.

Rationale for recommendation -

- ✓ The company has less experience in the industry.
- ✓ The company is highly concentrated in state-wise revenue generation and Product-wise revenue generation.
- ✓ The company has high P/E of 48.28 times compared to its Industry P/E of 20.47 times.
- ✓ The company's profitability margins are very thin.
- ✓ The company has a high D/E Ratio of 5.20 times.
- ✓ The company has negative operating cashflow for all the three financial years and period ended Dec-23.

IPO Details

Opening Date	June 24, 2024
Closing Date	June 26, 2024
Allotment Date	June 27, 2024
Listing Date	July 01, 2024
Stock Exchange	NSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹43
Issue Size	16.05 Cr.
Fresh Issue	16.05 Cr.
Offer for Sale	-
Application Amt	₹ 1,29,000 (3,000 shares)

KPIs

KPI's	2022	2023	Dec-23 (In Lacs)
Revenue	32,404	37,603	20,691
EBITDA	279.30	657.83	573.35
Net Profit	94.66	113.33	101.60
RoCE	29.32%	36.15%	26.75%
ROE	14.33%	11.40%	9.28%
P/E	21.83	24.16	29.66

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100%	72.98%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	0.89	1.45
BVPS	19.55	31.48
P/E	29.66	48.18
P/BV	2.20	1.37
Mkt Cap (In Cr)	43.34	59.39

Lead Managers -

Shreni Shares Limited

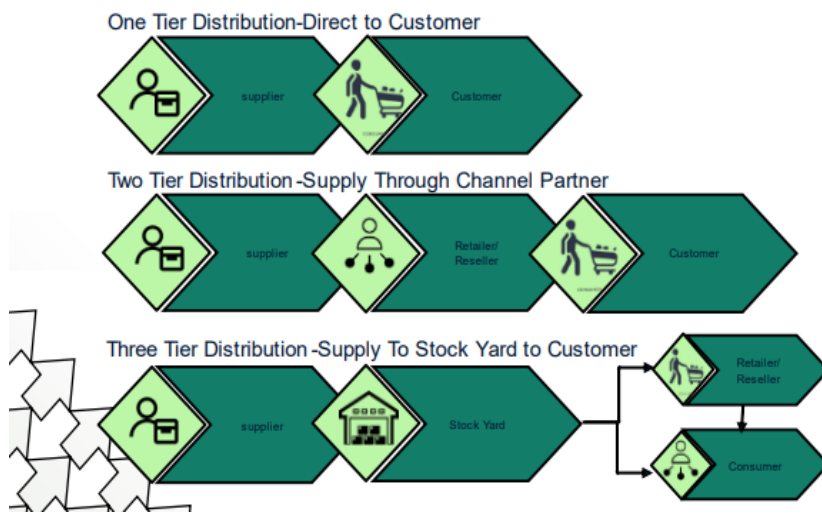
Registrar -

Link Intime India Private Limited

Business Overview -

Originally Incorporated on June 27, 2019, Visaman Global Sales Limited has its registered office in Gujarat. The company is engaged in the business of supply of round pipes, square pipes, rectangle pipes, various specification of structural steels, BGL coils, GP(GI) coils, HR coils, CR coils, colour coated coils, MS sheets, GP and GC sheets, CR sheets, HR sheets and plates, colour coated sheets, roofing PUF panel, wall PUF panel etc. The company also provide the credit facility to the existing customers as value added service.

❖ DISTRIBUTION CHANNELS



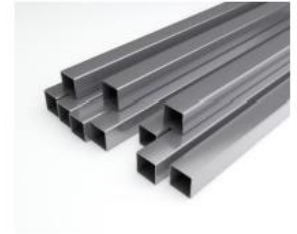
Business Products -

Pipes – Round Tubes, Square Pipe, Rectangle Pipe.
Structural Steel – MS Angle, MS Channel, MS Beam, MS Plate, MS Chequered Plate, MS Flats, MS Round Bar, MS TMT Bar, MS Square Bar, MS Rails, MS T Bar.
Coils – BGL Coils, GP Coils, HR Coils, CR Coils, Colour Coated Coils
Sheets – MS Sheet, CR Sheets, Roofing PUF Panel, Wall PUF Panel, GP & GC Sheets, HR Sheets & Plates, Colour Coated Sheets.

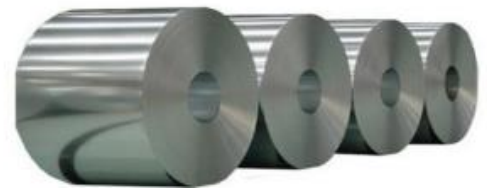
Round Tubes (MS/GI)



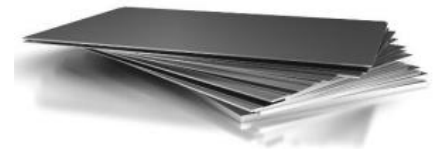
Rectangle Pipe (MS)



BGL Coils (Bare Galvalume Coils)



CR Sheets



To conclude, the company has been in this industry since 2019 and thus has good experience in the industry. The company has seen a concentration state wise from generating revenue majorly from Gujarat. The company is also generating almost 77% of its revenue from its main revenue generating product being pipes. The company is raising total gross proceeds of Rs. 1,443.9 lakhs out of which Rs. 721.89 lakhs are to be utilized for Capital expenditure and Rs. 700 lakhs are to be utilized for working capital requirement, and remaining Rs. 22.02 lakhs are to be utilized for general corporate purposes.

End Use Industries



Competition -

The steel industry is highly competitive and is fragmented.

While product quality, brand value, distribution network, etc are key factors in client decisions among competitors, however, reliability and competitive pricing are the deciding factors in most cases.

The company faces fair competition from organized and unorganized players in the market.

The company has slightly moderate barriers to entry.

The bargaining power is slightly higher with the suppliers and is also slightly higher with customers.

Business Strategies -

Operational Efficiency and Cost Reduction: Implement process improvements across operations, focusing on inventory management and logistics optimization. Utilize strategically located facilities in Gujarat and Madhya Pradesh to minimize operational costs linked with transportation.

Strengthening Stakeholder Relationships: Cultivate sustainable relationships with suppliers, customers, and employees to enhance organizational goals and market penetration. Maintain a dedicated approach to timely product delivery and efficient customer service to bolster long-term partnerships.

Expansion through Manufacturing: Venture into manufacturing activities such as HR coils slitting and cutting to improve efficiency, reduce lead times, and ensure product quality. Achieve backward integration benefits to enhance operational margins and diversify product offerings effectively.

Risk Factors -

The company has a few legal proceedings pending which amount up to roughly Rs. 31 Lakhs.

The company has negative operating cash flow from operations for all of its last 3 financial years and stub period.

The company generate almost 90.33%, 83.50%, 82.04% and 91.94% of the total revenue from operation generated for the stub period ended December 31, 2023 and for the financial year ended March 31, 2023, 2022 and 2021 respectively.

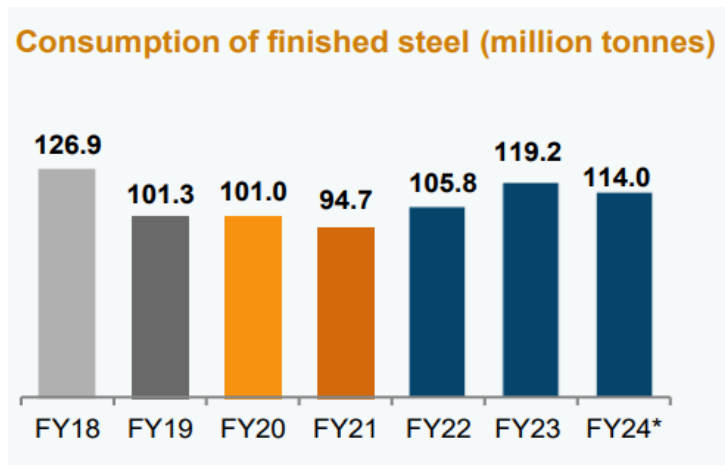
PEER ANALYSIS

Particulars	Visaman Global Sales Limited			Shree Marutinandan Tubes Limited			Swastik Pipe Limited			Hi-Tech Pipes Limited		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	0.25%	0.29%	0.30%	0.39%	0.11%	4.23%	0.28%	4.45%	1.26%	1.7%	2.15%	1.58%
EBITDA	1.12%	0.86%	1.75%	2.70%	1.72%	7.47%	5.61%	7.15%	4.62%	5.3%	5.40%	4.14%
RoCE	24.27%	29.32%	36.15%	26.46%	22.13%	70.37%	15.42%	22.68%	11.08%	18.7%	21.56%	15.85%
ROE	5.92%	14.33%	16.19%	23.33%	7.58%	74.63%	1.83%	19.71%	4.35%	11.4%	15.60%	11.38%
EPS (INR)	0.70	1.97	1.78	0.57	0.20	8.13	1.35	19.94	4.51	0.21	0.34	0.56
P/E	61.43	21.83	24.16	-	-	-	-	-	17.58	191.52	151.74	142.59

Indian Steel Industry -

Introduction and Market Size -

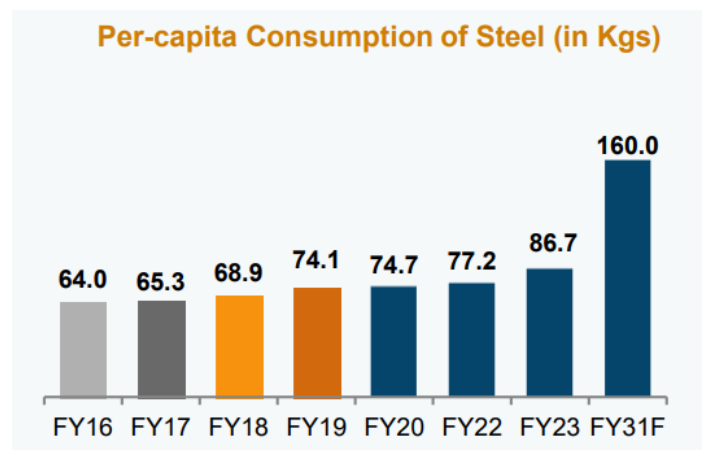
One of the primary forces behind industrialization has been the use of metals. Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers. India is the world's second-largest producer of crude steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23. India's steel production is estimated to grow 4-7% to 123-127 MT in FY24.



Road Ahead -

The steel industry has emerged as a major focus area given the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India. With the industry accounting for about 2% of the nation's GDP, India ranks as the world's second-largest producer of steel and is poised to overtake China as the world's second-largest consumer of steel. Both the industry and the nation's export manufacturing capacity have the potential to help India regain its favourable steel trade balance. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

In FY23, the production of crude steel and finished steel stood at 125.32 MT and 121.29 MT respectively. In FY24 (until November 2023), the production of crude steel and finished steel stood at 94.01 MT and 88.81 MT respectively. In FY23, crude and finished steel production stood at 125.32 MT and 121.29 MT respectively. In July 2023, crude steel production in India stood at 11.52 MT. In July 2023, finished steel production stood at 10.53 MT. In FY24 (until November 2023), the consumption of finished steel stood at 86.97 MT. The per-capita consumption of steel stood at 86.7 kgs in FY23. In FY22, the production of crude steel and finished steel stood at 133.596 MT and 120.01 MT, respectively.



Government Initiatives -

- In June 2021, Minister of Steel & Petroleum & Natural Gas, Mr. Dharmendra Pradhan addressed the webinar on 'Making Eastern India a manufacturing hub with respect to metallurgical industries', organised by the Indian Institute of Metals.
- In July 2021, the Union Cabinet approved the production-linked incentive (PLI) scheme for specialty steel. The scheme is expected to attract investment worth ~Rs. 400 billion (US\$ 5.37 billion) and expand specialty steel capacity by 25 million tonnes (MT), to 42 MT in FY27, from 18 MT in FY21.
- Under the Union Budget 2023-24, the government allocated Rs. 70.15 crore (US\$ 8.6 million) to the Ministry of Steel.

Key Management -

Key Management Persons Name -	Mitulkumar Sureshchandra Vasa
Age	43
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 6+ Years of experience in steel and steel products.
Qualification	Bachelor of Business Administration (BBA), Doctor of Philosophy (Ph.D.h.c.) in Business Management
Roles and Responsibility	Expansion and overall management of the business of the Company
Other Ventures	Director of Devika Fincap Private Limited

Key Management Persons Name -	Avni M Vasa
Age	41
Designation and No. of years of experience	Promoter, and Non-Executive Non-Independent Director, with more than 4 years of experience.
Qualification	B. Com Degree
Roles and Responsibility	Overall administration of the Company
Other Ventures	-

Key Management Persons Name -	Kular Brijesh N
Age	43
Designation and No. of years of experience	Promoters and Wholetime Director and Chief Financial Officer, 10+ years of experience
Qualification	B.Com Degree and Bachelor of Law
Roles and Responsibility	Overseeing company's accounting and finance affairs of the Company
Other Ventures	-

Key Management Persons Name -	Thumar Bharat Maganlal
Age	48
Designation and No. of years of experience	Non-Executive Independent Director, 3+ years of experience
Qualification	Undergraduate
Roles and Responsibility	-
Other Ventures	-

Key Management Persons Name -	Mr. Paras Fulabhai Shingala
Age	41
Designation and No. of years of experience	Non-Executive Independent Director
Qualification	Diploma Degree in Mechanical Engineering, 12+ years of experience
Roles and Responsibility	-
Other Ventures	Director on board of Fabtech Cables Private Limited since 2011

Key Management Persons Name -	Mr. Rathod Abhishek Ranjitbhai
Age	36
Designation and No. of years of experience	Non-Executive Independent Director
Qualification	B.Com Degree, CA, Associate member of ICAI, 7+ years of experience
Roles and Responsibility	-
Other Ventures	-

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	Dec-23
Revenue from Operations	32,403.96	37,603.46	20,690.95
Other Income	3.33	1.55	0.42
Total Income	32,407.29	37,605.01	20,691.37
Cost of Material Consumed	31,923.13	37,418.97	20,506.81
Operating Expenses	-	-	-
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-407.73	-1,103.39	-795.54
Employee benefits	250.87	241.79	175.14
Finance costs	143.32	451.41	420.38
Depreciation and Amortization expense	11.65	49.22	29.62
Other expenses	358.39	388.26	231.19
Total Expenses	32,279.63	37,446.26	20,567.60
EBITDA	279.30	657.83	573.35
Profit/(Loss) before tax	127.66	158.75	123.77
Tax Expense	33.00	45.42	22.17
Profit/(Loss) for the year	94.66	113.33	101.60

Statement of Assets and Liabilities

Amt in Lakhs.

Equity	FY 22	FY 23	Dec-23	Assets	FY 22	FY 23	Dec-23
Share Capital	480.00	700.00	700.00	Tangible Assets	141.53	104.72	135.44
Other Equity	180.38	293.70	395.31	Intangible	5.77	5.06	4.53
Total Equity	660.38	993.70	1,095.31	Long-Term Loans and Advances	6.04	7.59	8.59
Liabilities				Deferred tax assets (net)	1.66	3.03	10.86
Long Term Borrowings	244.89	678.61	922.38	Inventories	934.72	2,038.11	2,833.65
Deferred tax liability/ (Assets) (Net)	-	-	-	Trade receivables	2,576.65	2,964.07	3,695.81
Long Term Provisions	7.56	11.39	14.57	Cash and cash equivalents	28.18	17.06	17.08
Short Term Borrowings	1,141.21	3,667.08	4,768.47	Short-Term Loans and Advances	287.87	724.31	1,295.73
Trade Payables	1,782.73	283.48	1,102.00	Other Current Assets	-	-	-
Other Current Liabilities	144.22	226.70	91.77	Total Assets	3,982.42	5,863.95	8,001.69
Short Term Provisions	1.43	2.99	7.19				
Total Equity and Liabilities	3,982.42	5,863.95	8,001.69				

Key Ratios

Per Share Data	FY 22	FY 23	Dec-23	Valuation Ratios (x)	FY 22	FY 23	Dec-23
Diluted EPS	1.97	1.78	1.45	EV/EBITDA	7.23	8.09	11.81
BV per share	16.40	18.81	19.55	Market Cap / Sales	0.18	0.16	0.29
Operating Ratios				P/E	21.83	24.16	29.66
EBITDA Margins	0.86%	1.75%	2.77%	Price to Book Value	2.62	2.29	2.20
PAT Margins	0.29%	0.30%	0.49%	Solvency Ratios			
Inventory days	10.53	19.78	37.66	Debt / Equity	2.10	4.37	5.20
Debtor days	29.02	28.77	49.12	Current Ratio	1.25	1.37	1.31
Creditor days	20.38	2.77	14.78	Quick Ratio	0.94	0.89	0.84
Return Ratios				Asset Turnover	8.14	6.41	2.59
RoCE	29.32%	36.15%	26.75%	Interest Coverage Ratio	1.87	1.35	1.29
RoE	14.33%	11.40%	9.28%				

LEAD MANAGER TRACK RECORD -

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

Shreni Shares Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	GSM Foils Limited	11.01	32.00	May 31, 2024	48.8
2.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	157.00
3.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	66.6
4.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	246.00
5.	Yash Optics & Lens Limited	53.15	81.00	Apr 08, 2024	94.1
6.	Gabriel Pet Straps Limited	8.06	101.00	Feb 07, 2024	146.00
7.	DelaPlex Limited	46.08	192.00	Feb 02, 2024	228.00
8.	AIK Pipes And Polymers Limited	15.02	89.00	Jan 02, 2024	126.00
9.	Net Avenue Technologies Limited	10.25	18.00	Dec 08, 2023	16.8
10.	Swashthik Plascon Limited	40.76	86.00	Dec 05, 2023	74.2

The company has had 31 mandates in the past three years.

*CMP for the above-mentioned companies is taken as of 24th June 2024.

As per the offer document, from the above-mentioned mandates, all of them opened at a premium on the listing date.

Recommendation -

The company has been in the industry since 2019 and is relatively new to the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO and annualised basis is around 48.18 times which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E is 20.47 times.

The company operates in a competitive industry. The company has seen a very low profitability margins. The company has had negative operating cashflows for three financial years and period ended December 2023. The company also has a high D/E ratio of 5.20 times. Thus, due to the above-mentioned points we recommend **AVOID** applying to this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR APP AVAILABLE ON:



CONNECT WITH US ON:

