



## IPO Note

# Sathlokhar Synergys E&C Global Limited

Recommendation: **APPLY!**

### Company Background -

- Sathlokhar Synergys E&C Global Limited originally incorporated as 'Lohats Ventures Private Limited' on September 13, 2013. The registered office is located at Madipakkam, Tamil Nadu.
- The Company is engaged in providing specialized Engineering, Procurement and Construction (EPC) services for construction of buildings, and infrastructure facilities.
- They have their presence in 4 states i.e., Tamil Nadu, Karnataka, Uttar Pradesh, West Bengal and Pondicherry.
- The company had 118 permanent employees as of March 31, 2024.

### Objects of the Issue -

- Working Capital
- General Corporate Purposes.

### Promoters Name -

G Thiyagu, Sangeethaa Thiyagu and Dinesh Sankaran

### Rationale for recommendation -

- ✓ The company has seen an increase in the top line and bottom line of its financials over the years.
- ✓ The profitability margins have also improved over the years.
- ✓ The company also has 14 on-going projects valuing to Rs. 44,931.19 lakhs.
- ✓ The company's management overview is satisfactory.
- ✓ The company's P/E is 12.89 times making it fairly priced.
- ✓ The infrastructure industry is expected to grow at a CAGR of 9.57% during the forecast period 2023-2028.

### IPO Details

Opening Date	July 30, 2024
Closing Date	Aug 01, 2024
Allotment Date	Aug 02, 2024
Listing Date	Aug 06, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹133 to ₹140
Issue Size	92.93 Cr.
Fresh Issue	92.93 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,000 (1,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
<b>Revenue</b>	5,848.68	8,710.91	24,697.37
<b>EBITDA</b>	177.91	842.99	3,557.98
<b>Net Profit</b>	87.86	545.56	2,621.43
<b>RoCE</b>	18.06%	56.71%	86.07%
<b>ROE</b>	9.92%	38.11%	64.68%
<b>P/E</b>	280.00	44.87	9.35

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.50%	62.71%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	14.98	10.86
BVPS	23.16	55.29
P/E	9.35	12.89
P/BV	6.04	2.53
Mkt Cap (In Cr)	245.00	337.93

### Lead Managers -

**GYR Capital Advisors Private Limited**

### Registrar -

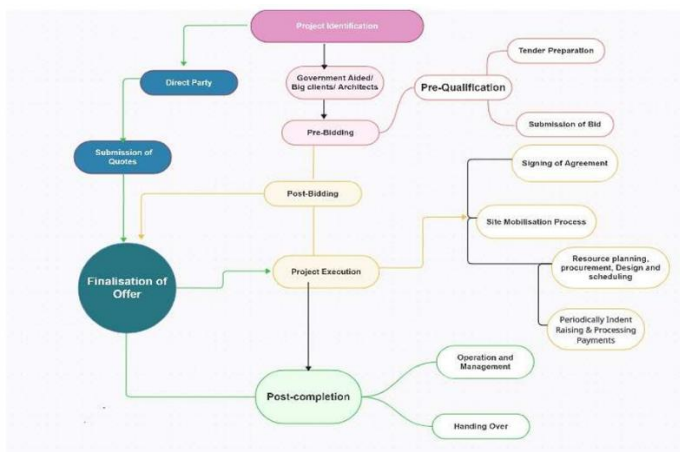
**Purva Sharegistry (India) Private Limited**

**Business Overview -**

Sathlokhar Synergys E&C Global Limited originally incorporated as ‘Lohats Ventures Private Limited’ on September 13, 2013. The registered office is located at Madipakkam, Tamil Nadu. The company had 118 permanent employees and they hire on contractual basis as well.

The Company is engaged in providing specialized Engineering, Procurement and Construction (EPC) services for construction of buildings, and infrastructure facilities for industrial, warehousing, commercial, institutional, pharmaceutical projects, solar projects, hospitals, hotels, resorts & villas etc. They have experience in design and construction of various projects across states in India i.e. Tamil Nadu, Karnataka, Uttar Pradesh, West Bengal and Pondicherry. The company also provides the installation of Mechanical, Electrical and Plumbing Networks in construction projects. Also, they are an authorised channel partner for TATA Power Solar Systems Ltd, for providing installation, sales, commissioning and maintenance services of its products as per mutually agreed terms in relation with its Solar Power Projects.

**Life Cycle of Project -**



(Source: RHP)

**Past completion works -**



Jungle/ Barren Land Cleaning



Mobilization Work



Earth work Excavation



Footing Levelling and PCC Marking Work



Completion of Work and Handing Over

**Revenue Bifurcation from Government and Private entities -**  
(Amt in Lakhs)

Particulars	FY 2022	FY 2023	FY 2024
Private Sector	5,848.68	8,710.91	24,372.82
Public Sector	-	-	324.56
<b>Total</b>	<b>5,848.68</b>	<b>8,710.91</b>	<b>24,697.38</b>

**On-Going Projects -**

The company has 14 on-going projects amounting to Rs. 44,931.19 lakhs.

**Upcoming Projects -**

The company has 2 upcoming projects valuing to Rs. 43,510 lakhs.

**Revenue Bifurcation State-wise -**

(Amt in Lakhs)

State	FY 2022	FY 2023	FY 2024
Tamil Nadu	5,486.03	8,632.38	5,766.95
Karnataka	-	-	15,704.12
Uttar Pradesh	-	-	3,192.32
Pondicherry	362.66	78.53	33.98
<b>Total</b>	<b>5,848.69</b>	<b>8,710.91</b>	<b>24,697.37</b>

### Competition -

**Market Competition:** The EPC sector is highly competitive where the key factors of competition primarily comprise quality of service and price.

**Domestic Competition:** The company faces competition from organized as well as unorganized players in both domestic and international market.

**Barriers to entry:** Low barriers to entry.

**Bargaining Power of Suppliers:** The bargaining power is high with the suppliers.

**Bargaining Power of Buyers:** The bargaining power is high with the customers.

### Business Strategies -

**Geographical diversification:** The company is focusing on expanding into new markets with growth potential will enable them to effectively target growth opportunities, widen our revenue base, as well as reduce the risk of volatile market conditions.

**Design, construct warehouse & industrial buildings as EPC contractors:** The company intends to actively pursue the opportunities to expand portfolio of projects by bidding for Solar, MEP and Interior projects with strategic joint venture partners.

**Develop and maintain strong relationships with clients:** The company intends to establish relationships with new clients & Architects & PMC teams and share risks with companies whose resources, skills and strategies are complementary to their business and are likely to enhance opportunities.

### Risk Factors -

The company's top 10 customers contributed to 89.92%, 80.11% and 77.55% of the revenue from operations in FY 2024, 2023 and 2022 respectively. Loss of any of the key customers may materially and adversely affect the business and financial performance.

The company during FY 2024, derived 64% from Karnataka and 23% from Tamil Nadu of its total revenue.

The company has 2 outstanding cases against it for taxation matters amounting to Rs. 6.07 lakhs.

The promoters and directors are involved in certain legal proceedings amounting to Rs. 374.03 lakhs, an adverse outcome in any such proceedings may adversely affect the business and financial condition.

The company has contingent liabilities amounting to Rs. 2.93 lakhs.

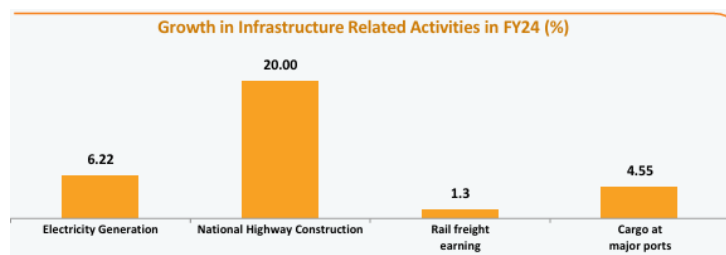
The company has had negative operating cash flow for FY 2022.

### PEER ANALYSIS

Particulars	Sathlokhar Synergys E&C Global Limited			K2 Infragen Limited			Suraj Estate Developers Limited			SRM Contractors Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.5%	6.3%	10.6%	-8.4%	15.1%	11.5%	9.7%	10.4%	16.2%	6.6%	6.2%	7.9%
EBITDA Margin	3%	10%	14%	1%	26%	19%	49%	50%	57%	12.1%	12.9%	12.2%
RoCE	18%	57%	86%	-10%	101%	39%	29%	36%	30%	41.2%	34.1%	1.4%
ROE	10%	38%	65%	108%	132%	28%	76%	48%	26%	39.6%	29.7%	29.8%
EPS (INR)	0.50	3.12	14.98	-4.26	13.32	13.76	8.35	10.13	19.39	10.50	11.19	16.10
P/E	280.00	44.87	9.35	-	-	10.82	-	-	13.45	-	-	14.18

### Indian Infrastructure Industry -

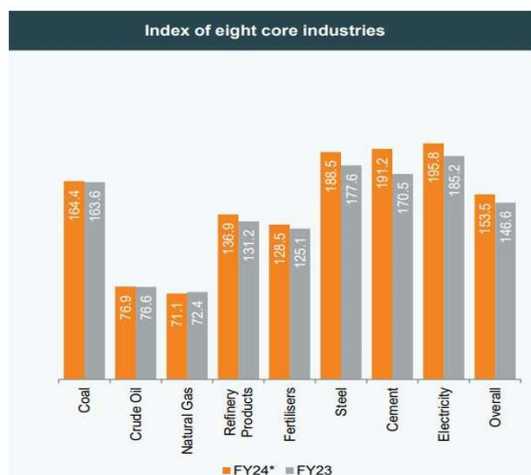
India’s high growth imperative in 2023 and beyond will significantly be driven by major strides in key sectors with infrastructure development being a critical force aiding the progress. Infrastructure is a key enabler in helping India become a US \$26 trillion economy. To meet India’s aim of reaching a US\$ 5 trillion economy by 2025, infrastructure development is the need of the hour. The government has launched the National Infrastructure Pipeline (NIP) combined with other initiatives such as ‘Make in India’ and the production-linked incentives (PLI) scheme to augment the growth of the infrastructure sector.



(source: [www.ibef.org](http://www.ibef.org))

### Market Size –

In Budget 2023-24, capital investment outlay for infrastructure is being increased by 33% to Rs.10 lakh crore (US\$ 122 billion), which would be 3.3 per cent of GDP. As per the Union Budget 2023-24, a capital outlay of Rs. 2.40 lakh crore (US\$ 29 billion) has been provided for the Railways, which is the highest ever outlay and about 9 times the outlay made in 2013-14. Starting with 6,835 projects, the NIP project count now stands at 9,142 covering 34 sub-sectors, as per news reports. Under the initiative, 2476 projects are under the development phase with an estimated investment of US\$ 1.9 trillion. Nearly half of the under-development projects are in the transportation sector, and 3,906 are in the roads and bridges sub-sector.



(source: RHP)

### Investments in the Indian Infrastructure sector -

- FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.42 billion and US\$ 32.08 billion, respectively, between April 2000-September 2023.

- In January 2023, the Construction arm of Larsen & Toubro has secured orders for its power transmission & distribution and buildings & factories businesses to establish a 112.5MW Solar Power Plant in West Bengal and to construct a 600-bed super specialty hospital at Mumbai, respectively.

- Larsen & Toubro (L&T) to form L&T Green Energy Council, a think-tank comprising of eminent thought leaders, in a significant step towards building a global green energy business.

- In August 2023, Bharat Heavy Electricals Ltd. (BHEL) and Greenstat Hydrogen India Pvt. Ltd. (GHIPL) signed an MoU for ‘Potential Collaboration Opportunities in Green Hydrogen and Derivatives in the Hydrogen Value Chain’. This MoU will help in contributing towards the country's 'National Hydrogen Mission' aimed at making India 'Aatma Nirbhar' in this area.

### Road Ahead –

The government has suggested an investment of \$750 billion to strengthen railway infrastructure and envisioned the Maritime India Vision 2030 which estimates massive investments in world-class infrastructure development at Indian ports. Global investment and partnerships in infrastructure, such as the India-Japan forum for development in the Northeast are also indicative of more investments. India, it is estimated, needs to invest \$840 billion over the next 15 years into urban infrastructure to meet the needs of its fast-growing population. This investment will only be rational as well as sustainable, if additional focus is given on long-term maintenance and strength of buildings, bridges, ports and airports. The market size of the Indian Infrastructure Sector is expected to grow from US\$ 186.24 billion in 2023 to US\$ 294.12 billion by 2028, representing a compound annual growth rate (CAGR) of 9.57%.



**Key Management -**



<b>Key Management Persons Name -</b>	<b>Sangeetha Thiyagu</b>
<b>Age</b>	45
<b>Designation and No. of years of experience</b>	Promoter, Whole-Time Director and COO, 21+ Years of experience
<b>Qualification</b>	Bachelor of Engineering
<b>Roles and Responsibility</b>	Design and implement business strategies, plans, procedure and contribute to overall growth and expansion of the company.
<b>Other Directorships</b>	Sathlokhar Industries Private Limited

<b>Key Management Persons Name -</b>	<b>G Thiyagu</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter, Chairman, Managing Director and CEO, 25+ years of experience
<b>Qualification</b>	Diploma in Electrical and Electronics Engineering, Diploma in Industrial Safety, M.A. (Public Administration), MBA and Doctor of Philosophy (Business Management)
<b>Roles and Responsibility</b>	Ensure smooth business processes, timely completion of work, financial integrity and regulatory compliance.
<b>Other Directorships</b>	Sathlokhar Industries Private Limited

<b>Key Management Persons Name -</b>	<b>B Sivasubramanian</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Whole-Time Director and CTO, 35+ years of experience
<b>Qualification</b>	Post Graduate Diploma in Construction Management
<b>Roles and Responsibility</b>	Operate day to day affairs of the company and reviewing progress, safety, and quality at construction sites with clients and coordinators
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Dinesh Sankaran</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 24+ years of experience
<b>Qualification</b>	B.A. in Corporate Secretaryship
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Vigneshwaran</b>
<b>Age</b>	36
<b>Designation and No. of years of experience</b>	Non-Executive Director, 13+ years of experience
<b>Qualification</b>	MBA, M. Com, Doctorate in Management, Member of ICAI, Ph.D. in Management
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	SVM & Associates

<b>Key Management Persons Name -</b>	<b>Rajaraman Thanigaivelan</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Independent Director, 15+ years of experience
<b>Qualification</b>	Bachelor of Law
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>A Muthu</b>
<b>Age</b>	50
<b>Designation and No. of years of experience</b>	Independent Director, 15+ years of experience
<b>Qualification</b>	Bachelor of Engineering, MBA
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

**FINANCIAL SNAPSHOT**

**Statement of Profit and Loss**

**Amt in Lakhs.**

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	5,848.68	8,710.91	24,697.37
Other Income	2.83	4.75	34.71
<b>Total Income</b>	<b>5,851.51</b>	<b>8,715.66</b>	<b>24,732.08</b>
<b>Expenses</b>			
Cost of Materials Consumed	3,434.96	4,890.13	13,786.91
Direct Expenses	1,626.47	2,216.46	6,130.56
Employee Benefit Expenses	439.24	539.25	844.41
Finance Cost	56.51	107.80	66.25
Depreciation and Amortisation	6.56	8.37	26.18
Other expenses	170.10	222.08	377.51
<b>Total Expenses</b>	<b>5,733.84</b>	<b>7,984.09</b>	<b>21,231.82</b>
<b>EBITDA</b>	<b>177.91</b>	<b>842.99</b>	<b>3,557.98</b>
<b>EBITDA Margin</b>	<b>3.04%</b>	<b>9.68%</b>	<b>14.41%</b>
<b>Profit/(Loss) before tax</b>	<b>117.67</b>	<b>731.57</b>	<b>3,500.26</b>
<b>Tax Expense</b>			
Current tax	32.55	188.28	881.16
Deferred Tax Expenses/(credit)	-2.74	-2.27	-2.33
<b>Total Tax</b>	<b>29.81</b>	<b>186.01</b>	<b>878.83</b>
<b>Profit/(Loss) for the year</b>	<b>87.86</b>	<b>545.56</b>	<b>2,621.43</b>
<b>Net Profit Margin</b>	<b>1.50%</b>	<b>6.26%</b>	<b>10.61%</b>

**Statement of Assets and Liabilities**

**Amt in Lakhs.**

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	199.99	199.99	199.99
Reserves and surplus	686.11	1,231.66	3,853.09
<b>Total Equity</b>	<b>886.10</b>	<b>1,431.65</b>	<b>4,053.08</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	40.36	8.02	-
Long-term provisions	22.34	31.94	50.15
Other Non-Current Liabilities			
<b>Total Non-current liabilities</b>	<b>62.70</b>	<b>39.96</b>	<b>50.15</b>
<b>4. Current liabilities</b>			
Short-term borrowings	636.78	604.17	7.92
Trade Payables			
Total outstanding dues of MSME	115.71	24.29	207.17
Total outstanding dues of creditors other than MSME	1,435.88	1,292.29	3,465.71
Other Current Liabilities	1,490.01	1,388.99	2,575.03
Short-term provisions	0.59	0.94	123.51
<b>Total Current liabilities</b>	<b>3,678.97</b>	<b>3,310.68</b>	<b>6,379.34</b>
<b>Total Liabilities</b>	<b>3,741.67</b>	<b>3,350.64</b>	<b>6,429.49</b>
<b>Total Equity and Liabilities</b>	<b>4,627.77</b>	<b>4,782.29</b>	<b>10,482.57</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	66.12	85.69	394.30
Deferred Tax Assets (Net)	8.99	11.26	13.59
Other Long term loans and advances	97.51	14.56	-
Other Non-current Assets	3.69	14.91	57.77
<b>Total Non-Current assets</b>	<b>176.31</b>	<b>126.42</b>	<b>465.66</b>

Particulars	FY 22	FY 23	FY 24
<b>2. Current assets</b>			
Inventories	2,535.45	2,772.43	6,604.39
Trade Receivables	652.77	793.86	1,371.21
Cash & Cash equivalents	113.03	256.76	896.81
Short term loans and advances	1,119.46	824.79	596.87
Other Current Assets	30.75	8.03	547.64
<b>Total Current assets</b>	<b>4,451.46</b>	<b>4,655.87</b>	<b>10,016.92</b>
<b>Total Assets</b>	<b>4,627.77</b>	<b>4,782.29</b>	<b>10,482.58</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-121.06	300.26	1,216.90
Net Cash Flow from Investing Activities	-3.60	-38.16	-346.44
Net Cash Flow from Financing Activities	231.27	-150.46	-628.99

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	0.50	3.12	14.98	EV/EBITDA	8.15	2.12	0.89
BV per share	5.06	8.18	23.16	Market Cap / Sales	5.78	3.88	1.37
<b><u>Operating Ratios</u></b>				P/E	280.00	44.87	9.35
EBITDA Margins	3.04%	9.68%	14.41%	Price to Book Value	27.65	17.11	6.04
PAT Margins	1.50%	6.26%	10.61%	<b><u>Solvency Ratios</u></b>			
Inventory days	158.23	116.17	97.61	Debt / Equity	0.76	0.43	0.00
Debtor days	40.74	33.26	20.26	Current Ratio	1.21	1.41	1.57
Creditor days	139.31	93.73	76.09	Quick Ratio	0.52	0.57	0.53
<b><u>Return Ratios</u></b>				Asset Turnover	1.26	1.82	2.36
RoCE	18.06%	56.71%	86.07%	Interest Coverage Ratio	3.03	7.74	53.31
RoE	9.92%	38.11%	64.68%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is GYR Capital Advisors 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 –

**GYR Capital Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Petro Carbon and Chemicals Limited	113.16	171.00	July 02, 2024	323.55
2.	Medicamen Organics Limited	10.54	34.00	June 28, 2024	100.45
3.	HOAC Foods India Limited	5.54	48.00	May 24, 2024	146.50
4.	ABS Marine Services Limited	96.29	147.00	May 21, 2024	329.90
5.	Naman In-Store (India) Limited	25.35	89.00	April 02, 2024	125.40
6.	Koura Fine Diamond Jewelry Limited	5.50	55.00	March 14, 2024	44.50
7.	Thaai Casting Limited	47.20	77.00	Feb 23, 2024	199.55
8.	Maxposure Limited	20.26	33.00	Jan 23, 2024	91.30
9.	Kay Cee Energy & Infra Limited	15.93	54.00	Jan 05, 2024	360.10
10.	Trident Techlabs Limited	16.03	35.00	Dec 29, 2024	744.45

The company has handled 24 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 25<sup>th</sup> July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.



**Recommendation -**

The company has been in the industry since 2013 and has decent experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 12.89 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 12.90 times.

The company has seen sudden increase in the top line for FY 2024 mainly due to addition of new customers and additional orders from existing clients. Also, bottom line of its financials and profitability margins have seen an increase in for FY 2024, which looks sustainable. The return ratios have seen an increase over the years.

The company has 14 on-going projects valuing to Rs. 44,931.19 lakhs. Also, the company has 2 upcoming projects, one of which is in Jammu indicating their expansion to other states as well. The company also started undertaking EPC projects for government entities through tender offering in FY 2024.

The EPC industry is a growing industry and plays a vital role in designing, procuring materials and constructing the infrastructure projects. Also, the company has performed better than its peers.

Thus, knowledgeable investors can **APPLY** to this IPO keeping in mind that it is for a long-term investment.

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