



## IPO Note

# Aeron Composite Limited

Recommendation: **APPLY!**

### Company Background -

- Aeron Composite Limited was originally formed and incorporated on May 13, 2011. The registered office is located at Ahmedabad, Gujarat.
- The Company is mainly engaged in the business of manufacturing and supplying of Fiber Glass Reinforce Polymer Products i.e. FRP products including FRP Pultruded Products, FRP Moulded Gratings & FRP Rods tailored for various industrial applications.
- The company had 433 permanent employees as of July 31, 2024.

### Objects of the Issue -

- Funding the Capital Expenditure requirements towards setting up of an additional manufacturing unit
- General Corporate Purposes

### Promoters Name -

Dilipkumar Ratilal Patel, Chirag Chandulal Patel, Pankaj Shantilal Dadhaniya, Ravi Pankajkumar Patel and A. International Private Limited

### Rationale for recommendation -

- ✓ The PE on post-annualized basis is 11.25 times making it fairly priced.
- ✓ The bottom line and PAT margins have been consistently increasing over the years.
- ✓ The company is setting up a new manufacturing unit and diversifying its product portfolio.
- ✓ The company has a good experience in the industry.
- ✓ The management overview is satisfactory.
- ✓ The exports of the company have been increasing over the years indicating global presence.
- ✓ The industry is growing at a CAGR of 16.3% during 2021-2026.

### IPO Details

Opening Date	Aug 28, 2024
Closing Date	Aug 30, 2024
Allotment Date	Sep 02, 2024
Listing Date	Sep 04, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹121 to ₹125
Issue Size	56.10 Cr.
Fresh Issue	56.10 Cr.
Offer for Sale	-
Application Amt	₹ 1,25,000 (1,000 shares)

### INDUSTRY - Plastic Products (Glass Fibre)

P/E Average - 33.9

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	Feb-24
Revenue	10,833.53	17,938.42	17,914.46
EBITDA	623.67	1,017.09	1,482.13
Net Profit	362.14	661.15	942.22
RoCE	23.69%	31.71%	30.91%
ROE	23.25%	26.07%	27.09%
P/E	42.37	23.45	16.62

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.63%

### Valuation Parameters\*

Particulars	Pre-Issue	Post Issue
EPS	15.09	11.11
BVPS	35.33	33.88
P/E	8.28	11.25
P/BV	3.54	3.69
Mkt Cap (In Cr)	156.65	212.75

\*Annualized

### Lead Managers -

**Hem Securities Limited**

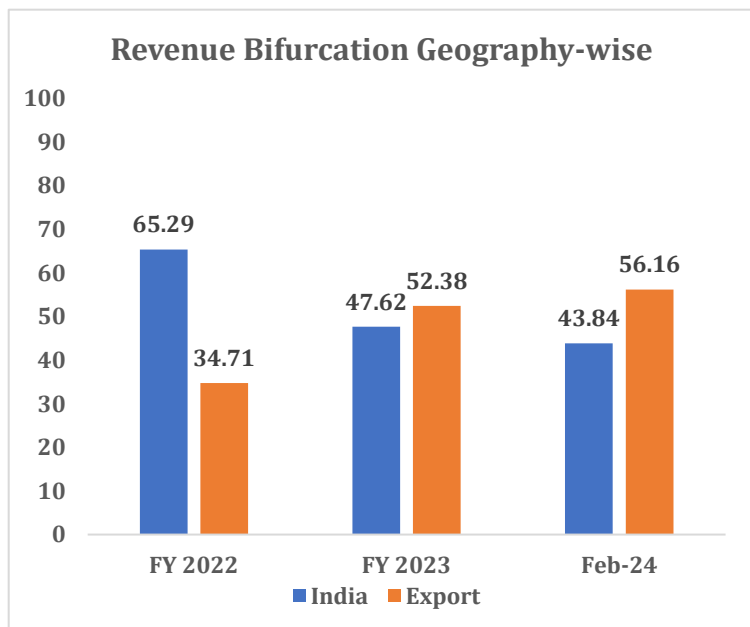
### Registrar -

**Maashitla Securities Private Limited**

**Business Overview -**

Aeron Composite Limited is mainly engaged in the business of manufacturing and supplying of Fiber Glass Reinforce Polymer Products i.e. FRP products including FRP Pultruded Products, FRP Moulded Gratings & FRP Rods tailored for various industrial applications. They provide comprehensive solution which includes conceptual design, prototype development, testing, manufacturing, logistic support, installation and after sales service.

The company is generating revenue from a combination of domestic operations and international endeavours from more than 30 countries across the Globe, serving over 800 customers. Currently, they are serving various industrial segments such as telecommunication, Oil & Gas, Refineries, Renewable energy, Chemicals etc. Their esteemed clients include government entities such as ONGC Tripura Power Co. Ltd., NTPC Limited, Gujarat State Fertilizers & Chemicals Ltd and Gujarat Narmada Valley Fertilizers & Chemical Ltd as well as major corporations like Grasim Industries Limited, Larsen & Toubro Limited, TATA Projects Limited, Atul Limited etc.



**Manufacturing Unit and Capacity Utilization -**

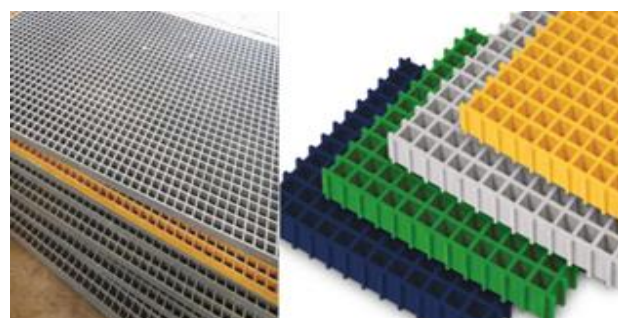
The company’s manufacturing unit is located at Changodar, Ahmedabad, Gujarat. The capacity utilization remained at 61.32%, 53.96% and 43.50% for Feb-24, FY 2023 and FY 2022 respectively.

**Products -**

1. **Fibre Glass Reinforced Polymer Pultruded Products** – These used in Industrial Structure, utility poles, railway structures, chemical processing plants, safety equipments like ladders, handrails etc. due to their high strength-to-weight ratio, corrosion resistance, durability and long service life.



2. **FRP Moulded Gratings** – They are commonly used in industrial flooring in chemical processing plants, refineries, oil rigs, walkways, platforms, and recreational areas due to their resistance to corrosion, ease of maintenance, resistance to bacteria growth and ability to withstand harsh environments.



3. **FRP Rods** - FRP Rods are designed as strength members in optic fiber cables, providing essential support and protection to the delicate optical fibers within.



## Competition -

**Market Competition:** The glass fibre manufacturing sector is highly competitive where the key factors of competition primarily comprise product quality, price, features, design, delivery, general customer experience and time to market.

**Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.

**Barriers to entry:** Moderate barriers to entry, as it requires significant capital.

**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 -

**Setup of new integrated manufacturing unit:** The company is in the process of setting up a new manufacturing unit in Mehsana district of Gujarat, where the entire existing set up will be shifted. Additionally, new product line will be started in this new manufacturing unit for which requisite machineries like Auto clave machine, Composite Rebar Machine, Carbon Fiber Pneumatic Caterpillar Pultrusion Machine etc. will be purchased and installed.

**Strengthen existing portfolio and diversify into new product line:** In addition to the manufacturing of existing products, the company is stepping into manufacturing of FRP Rebar and Carbon Fibre Product also, thereby expanding existing product base to achieve the growth in business.

**Augmenting growth in domestic and global markets:** The Company intends to increase their domestic and global presence by expanding in untapped countries.

## Risk Factors -

The company's top 10 suppliers contributed to 58.92%, 63.60% and 66.70% for Feb-2024, 2023 and 2022 respectively, for total purchase of raw materials.

The company has filed 7 outstanding cases for criminal matters and other litigations amounting to Rs. 176.22 lakhs.

The company has contingent liabilities of Rs. 718.61 lakhs.

## PEER ANALYSIS

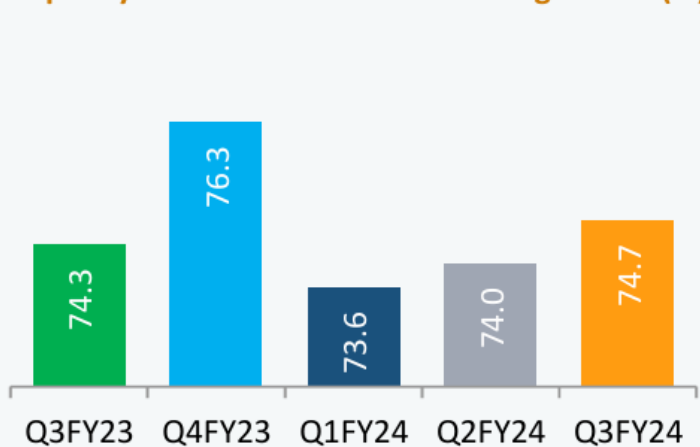
The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

### Indian Manufacturing Industry -

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables.

Manufacturing exports have registered their highest ever annual exports of US\$ 447.46 billion with 6.03% growth during FY23 surpassing the previous year (FY22) record exports of US\$ 422 billion. By 2030, Indian middle class is expected to have the second largest share in global consumption at 17%.

#### Capacity Utilization in Manufacturing Sector (%)



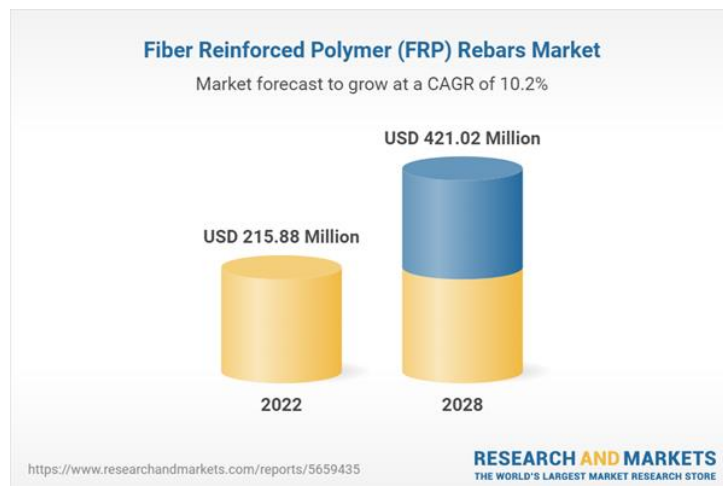
(Source: www.ibef.org)

### Government Initiatives -

- In the interim budget 2024, the allocation for the Production Linked Incentive (PLI) Scheme for various sectors saw a substantial increase, with notable examples including a 360% rise to Rs 6,903 crore (US\$ 830 million) for the Semiconductors and Display Manufacturing Ecosystem and a 623% surge to Rs 3,500 crore (US\$ 421 million) for the Automobile sector.
- Additionally, the budget allocated funds for the creation of a Rs 1-lakh crore (US\$ 12 billion) innovation fund for sunrise domains, providing a substantial boost for the start-up industry.
- In the Interim Union Budget 2024-25, the Ministry of Defence has been allocated Rs. 621,541 crore (US\$ 74.78 billion), marking a significant increase of approximately 4.72% from the previous allocation of Rs. 593,538 crore (US\$ 71.41 billion).

### Global Composite Material/ FRP Industry -

The market for Fibre Reinforced Polymer (FRP) Rebars is anticipated to increase at a CAGR of 10.2% from 2022 to 2028, from an estimated value of US\$215.88 million in 2021 to US\$421.02 million.



The global composites market size is projected to grow from USD 74.0 billion in 2020 to USD 112.8 billion by 2025, at a CAGR of 8.8%. The composites industry is growing due to the rise in demand for high performance materials, globally.

### Indian Scenario -

In India, the demand for FRP is increasing quickly and is expected to do so in the near future. The key drivers of its increase are the country's increasing building infrastructure and the expanding structure development conditions.

The Indian composites market is expected to reach an estimated value of US\$ 1.9 billion by 2026 with a CAGR of 16.3% from 2021 to 2026 and the Indian consumption of composite materials will touch 7,68,200 tonnes in 2027.



**Key Management -**

<b>Key Management Persons Name -</b>	<b>Dilipkumar Ratilal Patel</b>
<b>Age</b>	69
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Non-Executive Director, 39 Years of experience in paint industry, ceramic industry, real estate sector and composite industry
<b>Qualification</b>	Passed bachelor's of commerce (1 <sup>st</sup> year)
<b>Roles and Responsibility</b>	Involved in formulating business strategies and implementation of the same along with management of Human Resources and CSR activities
<b>Other Directorships</b>	Chamak Paint & Coating Private Limited

<b>Key Management Persons Name -</b>	<b>Chirag Chandulal Patel</b>
<b>Age</b>	37
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 13 years of experience in packaging, food and composite industry
<b>Qualification</b>	Completed higher secondary education
<b>Roles and Responsibility</b>	Looks after the complete production and operation activities which includes vendor management, complete business operations and after sales services in the company.
<b>Other Directorships</b>	Chamak Polymers Private Limited

<b>Key Management Persons Name -</b>	<b>Pankaj Shantilal Dadhaniya</b>
<b>Age</b>	51
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 19 years of experience in ceramic industry, food industry, engineering sector, real estate sector and composite industry
<b>Qualification</b>	Master of Business Administration (MBA)
<b>Roles and Responsibility</b>	Looks after overall finance and secretarial activities in the company and provides his guidance to the team on a day-to-day basis.
<b>Other Directorships</b>	A. International Private Limited

<b>Key Management Persons Name -</b>	<b>Ravi Pankajkumar Patel</b>
<b>Age</b>	36
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 13 years of experience in food, packaging and composite industry
<b>Qualification</b>	Master of Business Administration (Family Business & Entrepreneurship)
<b>Roles and Responsibility</b>	Looks after business planning, development, sales and marketing activities in the company.
<b>Other Directorships</b>	Chamak Polymers Private Limited

<b>Key Management Persons Name -</b>	<b>Naveen Kumar Mandovara</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Independent Director, 20 years of experience in Finance, Auditing, Taxation and Statutory Compliances.
<b>Qualification</b>	Qualified CA and qualified CS
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Step Up India Confederation and Giriraj Iron Limited

<b>Key Management Persons Name -</b>	<b>Poonam Neelendu Savalia</b>
<b>Age</b>	49
<b>Designation and No. of years of experience</b>	Independent Director, 10 years of experience in manufacturing industry
<b>Qualification</b>	Bachelor of Arts
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Nachiketa Infragreen Private Limited

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	Feb 24
Revenue from Operations	10,833.53	17,938.42	17,914.46
Other Income	158.98	260.84	165.89
<b>Total Income</b>	<b>10,992.51</b>	<b>18,199.26</b>	<b>18,080.35</b>
<b>Expenses</b>			
Cost of Materials Consumed	8,195.35	12,207.24	11,693.77
Changes in Inventories of finished goods, work-in-progress	-726.69	276.06	-566.53
Employee Benefit Expenses	666.99	1,149.65	1,728.07
Finance Cost	114.56	159.61	112.97
Depreciation and Amortisation	166.15	162.27	198.46
Other expenses	2,074.21	3,288.38	3,577.02
<b>Total Expenses</b>	<b>10,490.57</b>	<b>17,243.21</b>	<b>16,743.76</b>
<b>EBITDA</b>	<b>623.67</b>	<b>1,017.09</b>	<b>1,482.13</b>
<b>EBITDA Margin</b>	<b>5.76%</b>	<b>5.67%</b>	<b>8.27%</b>
<b>Profit/(Loss) before tax</b>	<b>501.94</b>	<b>956.05</b>	<b>1,336.59</b>
<b>Tax Expense</b>			
Current tax	144.95	312.89	369.04
Deferred Tax	-5.15	-17.99	25.33
<b>Total Tax</b>	<b>139.80</b>	<b>294.90</b>	<b>394.37</b>
<b>Profit/(Loss) for the year</b>	<b>362.14</b>	<b>661.15</b>	<b>942.22</b>
<b>Net Profit Margin</b>	<b>3.34%</b>	<b>3.69%</b>	<b>5.26%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	Feb 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	130.00	156.65	156.65
Reserves and surplus	1,427.35	2,379.31	3,321.54
<b>Total Equity</b>	<b>1,557.35</b>	<b>2,535.96</b>	<b>3,478.19</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	322.18	93.36	399.62
Deferred Tax Liabilities (Net)	10.21	-	17.54
Long-term provisions	41.76	66.35	257.75
<b>Total Non-current liabilities</b>	<b>374.15</b>	<b>159.71</b>	<b>674.91</b>
<b>4. Current liabilities</b>			
Short-term borrowings	933.36	1,306.26	804.94
Trade Payables			
(i) Total outstanding dues of MSME	538.00	1,055.32	1,581.33
(ii) Total outstanding dues of creditors other than MSME	2,230.03	1,110.79	2,172.72
Other Current Liabilities	385.81	583.25	1,002.84
Short-term provisions	44.54	158.91	264.49
<b>Total Current liabilities</b>	<b>4,131.74</b>	<b>4,214.53</b>	<b>5,826.32</b>
<b>Total Liabilities</b>	<b>4,505.89</b>	<b>4,374.24</b>	<b>6,501.23</b>
<b>Total Equity and Liabilities</b>	<b>6,063.24</b>	<b>6,910.20</b>	<b>9,979.42</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	753.95	921.28	1,625.96
Capital Work-In-Progress	-	38.32	350.59
Deferred Tax Assets (Net)	-	7.78	-
Long term loans and advances	49.93	0.25	111.61

Particulars	FY 22	FY 23	Feb 24
Other Non- current Assets	160.02	166.36	137.90
<b>Total Non-Current assets</b>	<b>963.90</b>	<b>1,133.99</b>	<b>2,226.06</b>
<b>2. Current assets</b>			
Inventories	2,169.54	1,912.30	2,284.50
Trade Receivables	2,071.73	3,107.66	4,496.82
Cash & bank balances	88.76	195.58	206.11
Short term loans and advances	759.84	556.40	746.28
Other Current Assets	9.46	4.29	19.66
<b>Total Current assets</b>	<b>5,099.33</b>	<b>5,776.23</b>	<b>7,753.37</b>
<b>Total Assets</b>	<b>6,063.23</b>	<b>6,910.22</b>	<b>9,979.43</b>

**Cash Flow Statement** Amt in Lakhs.

Particulars	FY 22	FY 23	Feb 24
Net Cash Flow from Operating Activities	1.21	116.78	1,624.67
Net Cash Flow from Investing Activities	-167.62	-272.50	-1,285.54
Net Cash Flow from Financing Activities	85.27	304.60	-323.69

**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	2.95	5.33	15.09	EV/EBITDA	4.37	3.68	2.61
BV per share	12.43	20.24	35.33	Market Cap / Sales	1.96	1.19	1.09
<b><u>Operating Ratios</u></b>				P/E	42.37	23.45	8.28
EBITDA Margins	5.76%	5.67%	8.27%	Price to Book Value	10.06	6.18	3.54
PAT Margins	3.34%	3.69%	9.66%	<b><u>Solvency Ratios</u></b>			
Inventory days	73.10	38.91	42.72	Debt / Equity	0.81	0.55	0.26
Debtor days	69.80	63.23	84.09	Current Ratio	1.23	1.37	1.33
Creditor days	124.10	68.96	113.91	Quick Ratio	0.71	0.92	0.56
<b><u>Return Ratios</u></b>				Asset Turnover	1.79	2.60	1.80
RoCE	23.69%	31.71%	29.28%	Interest Coverage Ratio	3.99	5.36	11.36
RoE	23.25%	26.07%	42.72%				

\*Annualized

**LEAD MANAGER TRACK RECORD -**

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 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.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	197.95
2.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	71.95
3.	Chetana Education Limited	45.90	85.00	Jul 31, 2024	82.95
4.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	473.30
5.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	564.20
6.	Vilas Transcore Limited	95.26	147.00	June 03, 2024	458.50
7.	Aztec Fluids & Machinery Limited	24.12	67.00	May 17, 2024	129.19
8.	Premier Roadlines Limited	40.36	67.00	May 17, 2024	134.85
9.	Energy-Mission Machineries (India) Limited	41.15	138.00	May 16, 2024	330.00
10.	TGIF Agribusiness Limited	6.39	93.00	May 15, 2024	84.03

The company has handled 49 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 28<sup>th</sup> Aug 2024.

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



## Recommendation -

Aeron Composite Limited has been in the industry since 2011 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 11.25 times which makes it fairly priced by looking at the performance of the company and sector.

The company has seen slight dip in the top line of their financials for FY 2024 which should not be a major concern as the company has potential to grow in the future. The increase in top line for FY 2023 was due to an increase in revenue from sale of pultruded products and sale of FRP rods. The bottom line has seen a consistent increase over the years and PAT margin has seen a slight increase in Feb-2024. The net profit looks sustainable in the long run.

The company is setting up a new manufacturing unit and diversifying their product portfolio by introducing new product lines FRP Rebar and Carbon Fibre Product which will help the company grow their top line in the future. Also, the company has established their presence in overseas markets and earns a significant revenue from exports.

The Indian composite market is booming and expected to grow at CAGR of 16.3% during forecast period 2021 – 2026.

Thus, knowledgeable and informed investors can **APPLY** to this IPO.

## Disclaimer

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