



IPO Note

Jaybee Laminations Limited

Recommendation: **APPLY**

- Incorporated in 1988, the company has their registered office in New Delhi.
- **Business Activities:** They specialise in the manufacture and supply of electrical laminations, slit coils, and assembled cores.
- **Customer Base:** Manufacturers producing transformers in the range of 11 kV to 220 kV class, spanning Power and Distribution transformers.
- **Revenue Generation:** Cut Laminations contribute the most to revenue (75.40%), followed by Assembled Cores (17.45%) in FY 24.
- The company had 310 permanent employees as of July 31, 2024.

Objects of the Issue -

- Funding the working capital requirement of the company
- General Corporate Purposes.

Promoters Name -

Munish Kumar Aggarwal, Mudit Aggarwal, and Sunita Aggarwal.

Rationale for recommendation -

- ✓ Increasing profitability and return ratios.
- ✓ Growing at a CAGR of 46%.
- ✓ At par performance with peer company.
- ✓ Positive Cashflows.
- ✓ Growing Industry.
- ✓ Fairly priced

IPO Details

Opening Date	August 27, 2024
Closing Date	August 29, 2024
Allotment Date	August 30, 2024
Listing Date	September 03, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹138.00 to ₹146.00
Issue Size	88.96 Cr.
Fresh Issue	66.72 Cr.
Offer for Sale	1,523,000 shares
Application Amt	₹ 1,46,000 (1,000 shares)

KPIs

(Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24
Revenue	14,125.12	24,666.47	30,290.97
EBITDA	1,228.61	2,334.56	3,269.59
Net Profit	595.18	1,360.00	1,935.26
RoCE	31.50%	44.09%	46.34%
ROE	19.93%	31.29%	30.81%
P/E	44.11	19.31	13.58

Promoter Share Holding Pattern

Pre-Issue	Post Issue
97.00%	77.36%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	10.75	8.58
BVPS	34.90	27.83
P/E	13.58	17.03
P/BV	4.18	5.25
Mkt Cap (In Cr)	262.76	329.49

Lead Managers -

Swaraj shares and securities Pvt. Ltd.

Registrar -

Bigshare Services Pvt. Ltd.

Business Overview -

Operations: The company specializes in the manufacture and supply of electrical laminations, slit coils, and assembled cores. These products, made from Cold Rolled Grain Oriented Silicon steel (CRGO) and Cold-Rolled Non-Grain-Oriented Steel (CRNGO), find applications in transformers, UPS, and inverters within the power industry.

Raw Material Sourcing: CRGO steel, the primary raw material, is sourced both domestically and imported from China, Europe, and other countries. The company maintains a balanced mix considering quality, pricing, lead times, and other factors.

Cost of Raw Materials:

FY24: 82.53% ; **FY23:** 84.01% and **FY22:** 80.01% of revenue from operations respectively.

Other Substantial Information:

Manufacturing Facilities: Two units with a combined annual capacity of 11,350 metric tons. Both situated in Noida.

Capacity Utilization:

FY24: 83%; **FY23:** 65% and **FY22:** 51% This indicates a significant increase in production efficiency in recent years

Quality Control: ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications demonstrate a strong commitment to quality management.

Customer Focus: The company places a strong emphasis on customer service, tailoring products to specific client requirements.

Fragile and Costly Products: Special care is taken in handling and packaging to prevent damage to the fragile and expensive finished goods during transit.

Order Size and Processing Time: Commercial orders typically range from 5 to 50 metric tons and are processed within 3-10 days. Transportation time varies, taking 1-7 days for domestic sales and 15 days to 2 months for exports.

Observations:

Dependence on CRGO Steel: The company's business is heavily reliant on CRGO steel products. This dependence can expose it to fluctuations in raw material prices and availability, impacting profitability.

Growth Potential: The increasing demand for power and ongoing infrastructure development in India offer promising growth opportunities for Jay Bee Laminations.

In FY24, the company generated a vast majority of its revenue (97.92%) from the transformer industry, highlighting its primary focus and dependence on this sector. The remaining revenue was derived from Inverters/UPS (0.11%) and other sources like scrap sales (1.98%), indicating these areas currently play a minor role in the overall business.

Raw Material	Products	End Use Industry
CRGO Steel	Slit Coils Cut Laminations Assembled Cores Mother Coils	Power and Distribution transformers
CRNGO Steel	E & I Stampings	UPS & Inverters

Particulars of Products	FY2024 (₹ in Lakhs)	% of Revenue from Operations (FY24)	FY2023 (₹ in Lakhs)	% of Revenue from Operations (FY23)	FY2022 (₹ in Lakhs)	% of Revenue from Operations (FY22)
Slit Coils	1,394	4.61%	1,365	5.54%	1,245	8.82%
Cut Laminations	22,826	75.40%	18,747	76.03%	10,550	74.69%
CRGO Assembled Cores	5,281	17.45%	3,966	16.08%	1,769	12.52%
Mother Coils	140	0.46%	116	0.47%	332	2.35%
E&I Stampings	32	0.10%	17	0.07%	-	-
Others	598	1.98%	447	1.81%	229	1.62%

Business Strategies -

1. Expanding Manufacturing Capacity at Unit-II:

Jay Bee Laminations is focused on expanding manufacturing capacity at Unit-II in Greater Noida. A new 2,000 sq. m shed has been constructed to accommodate new machinery, enabling diversification into untapped customer segments, new geographical markets, and a new product line.

2. Targeting new products and customer segments:

The company aims to tap into the 400 kV and 765 kV transformer market and expand its export footprint by targeting higher value-added products. Additionally, the expansion will enable the production of amorphous metal cores, broadening the product portfolio.

3. Illustration of Transmission and Distribution of Electricity through Power and Distribution transformers:

- Transformer Segment: Extra-large Power, Large Power, Medium Power, Distribution
- Core Type: CRGO Steel, Amorphous
- Rating range: 5 kVA - 500 MVA
- Voltage Class range: 11 kV - 765 kV
- Application stage: Power Generation, National & State grid, District & Intercity, Power Consumption

Competition -

The Indian CRGO steel market has consolidated since the 2012 QCO, favouring organized players specializing in power transformer cores.

Porter's Five Forces:

- **New Entrants:** Moderate threat due to high barriers to entry
- **Buyers:** Moderate power; seek quality but have limited options
- **Suppliers:** Low power; reliance on BIS-approved mills
- **Substitutes:** Low threat; limited alternatives for CRGO in power transformers
- **Rivalry:** High among organized players; focus on quality and efficiency

Other Factors:

- **Technology:** Impacts efficiency and product quality
- **Macroeconomics:** Growth drives demand
- **Life Cycle:** Mature stage with steady growth
- **Experience Curve:** Benefits established players
- **Social Influences:** Environmental concerns shape demand

Jay Bee's Position:

Well-positioned with capacity up to 220 kV class. Focus on efficiency and quality strengthens its position, but competition remains high, requiring continuous innovation.

Risk Factors -

In FY24, top 5 customers contributed 41.71% to revenue, highlighting a reliance on key clients without long-term agreements.

In FY24, the top 5 suppliers accounted for 75.34% of raw material costs, highlighting a reliance on a few key suppliers without long-term agreements, potentially impacting operations if disruptions occur.

Company is subject to risk related to foreign exchange rate and Interest rate fluctuations.

In FY24, the Northern and Southern regions of India together contributed 75.56% to the company's domestic sales revenue, highlighting a significant geographical concentration and potential vulnerability to regional economic fluctuations.

The company, its promoters, and directors are currently involved in various legal and regulatory proceedings with an aggregate amount of ₹1,013.87 Lakhs. An adverse outcome in any of these could negatively impact the company's business, financials, and reputation.

Most of the company's board members lack prior experience as directors in listed Indian companies, which could pose challenges in meeting corporate governance standards.

PEER ANALYSIS

Particulars	Jay Bee Laminations Limited			Vilas Transcore Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.2%	5.51%	6.39%	7.62%	7.10%	7.35%
EBITDA Margin	8.70%	9.46%	10.79%	12.28%	11.06%	11.03%
RoCE	31.50%	44.09%	46.34%	21.31%	20.75%	19.88%
ROE	19.93%	31.29%	30.81%	15.24%	14.76%	14.48%
EPS (INR)	3.31	7.56	10.75	9.95	11.23	12.82
P/E	44.11	19.31	13.58	-	-	-

Industry Overview – Global Market

Global Landscape

- **Manufacturing:** Encompasses diverse sectors like electronics, mechanical, energy, food & beverages, etc., transforming raw materials into finished goods.
- **Power Distribution Component Market:** Projected to reach US\$ 15.3 Bn by 2030, growing at a CAGR of 6% (FY20-30). Growth is driven by increased electrification, rising applications in various sectors, and smart grid adoption.
- **Transformer & Distribution Industry:** Expanding due to increasing energy demand and grid modernization. Smart transformers and reliable outdoor installations are key drivers, while raw material price volatility poses a challenge.

Indian Logistics Market

Indian Scenario

- **Manufacturing:** Contributes 16-17% to India's GDP, employing over 27.3 million workers. The government aims for 25% GDP contribution by 2025 through automation and process-driven manufacturing.
- **Power and Distribution Industry:** Witnessing growth due to government initiatives to electrify every household. Domestic players dominate the market, with increasing demand for distribution transformers. Challenges include lack of guidelines, poor infrastructure, and overloading.
- **Transformer & Distribution Industry:** The market is primarily driven by domestic manufacturers, with increasing demand for distribution transformers due to the rise in electricity consumption and the adoption of electric vehicles. Challenges persist in the form of a

Key Management –



Key Management Persons Name	Munish Kumar Aggarwal
Age	62
Designation and No. of years of experience	Promoter, Chairman and Whole Time Director, 35+ years of experience
Qualification	Bachelor of Commerce from the University of Delhi
Roles and Responsibility	Oversees the strategic growth initiatives, expansion plans and finances of the Company
Experience:	35 years of experience in current company, 12 years of experience as director in HMTD Engineering Private Limited, 17 years of experience as a partner in Jaybee Industries, Bhatinda, and 20 years of experience as partner in Jaybee Industries, Panchkula.
Other Interests:	1.HMTD Engineering Private Limited 2. M.S. Stampings Private Limited

Key Management Persons Name	Mudit Aggarwal
Age	35
Designation and No. of years of experience	Promoter and Managing Director, 17+ years of experience
Qualification	Master of Science in Engineering Management Systems from Columbia University, New York City and Business Management (summer program) from Cornell University, Ithaca, New York
Roles and Responsibility	Oversees overall Business Operations of the company and is responsible for Product Quality, Operational Efficiencies, Business Development and Strategy Execution which includes purchase, production, logistics and sales strategies for the company's Products.
Experience:	11 years of experience in the current company; 6 months of experience in HMTD for short term project and 6 years' experience as a trustee in Parkshala
Other Interests	1.M.S. Stampings Private Limited 2. Holy Fit LLP and 3. Parkshala

Key Management Persons Name	Sunita Aggarwal
Age	59
Designation and No. of years of experience	Promoter and Executive Director, 26+ years of experience
Qualification	Post-Graduate Diploma degree in Dress Designing from Punjab University
Roles and Responsibility	Human Resources and Administration

Mr. Atul Ladha, 57, is an Independent Director with a Bachelor of Commerce degree. He has over 16 years of experience in the pipe and plastics industry, previously serving as a director at Wavin Industries Limited.

Mr. Arun Kumar Verma, 65, is a Non-Executive Independent Director with extensive banking experience. He is an Associate of the Indian Institute of Banking & Finance and holds multiple degrees in Science, Law, and Banking Technology. He was associated with Canara Bank for 37 years.

Mr. Yogendra Kumar Gupta, 71, is a Non-Executive Independent Director holding degrees in Law, Arts, and Science. He worked at Bharat Electronics Limited for 33 years and currently serves as a director in G5 HR Management Private Limited.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	14,125.12	24,666.47	30,290.97
Other Income	42.27	82.39	58.59
Total Income	5419.57	7093.66	5524.59
Expenses			
Cost of materials consumed	11,306.40	20,577.52	25,640.91
Changes in inventories of finished goods and work-in-progress	-5.41	144.61	-641.69
Employee Benefit Expenses	610.02	789.02	1,013.35
Finance Cost	420.11	501.29	595.48
Depreciation and Amortisation	106.03	95.18	127.22
Other expenses	971.62	809.24	1,006.97
Total Expenses	4,988.00	6,258.57	4,863.47
EBITDA	467.74	793.72	641.19
EBITDA Margin	8.64%	11.27%	11.66%
Profit/(Loss) before tax	431.57	835.09	661.12
Tax Expense			
Current tax	175.4	463.4	685.39
Deferred Tax Expenses/(credit)	-25.84	-2.92	-15.17
Total Tax	109.18	217.00	171.99
Profit/(Loss) for the year	322.39	618.09	489.13
Net Profit Margin	5.95%	8.77%	8.89%

Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	299.96	299.96	1,799.76
Reserves and Surplus	2,686.21	4,046.21	4,481.68
Total Equity	2,986.17	4,346.17	6,281.44
3. Non-current liabilities			
Long-term borrowings	488.87	647.43	403.03
Long term Provisions	88.65	85.61	97.04
Total non-current liabilities	577.52	733.04	500.07
4. Current liabilities			
Short -term borrowings	2,204.21	2,495.83	2,013.13
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	27.41	21.12	36.63
Total outstanding dues of creditors other than micro enterprises & small enterprises	3,509.41	2,952.41	3,944.62
Other Current Liabilities	189.59	318.38	192.99
Short term provisions	20.42	30.62	122.45
Total Current liabilities	5,951.04	5,818.36	6,309.82
Total Liabilities	6,528.56	6,551.40	6,809.89
Total Equity and Liabilities	9,514.73	10,897.57	13,091.33

Particulars	FY 22	FY 23	FY 24
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	524.38	557.04	548.69
Capital work-in-progress			254.75
Intangible Asset Under Development			8.64
Non-current investments	369.75	369.75	369.75
Long-term loans and advances			143.17
Deferred tax assets (net)	68.73	71.66	86.83
Non-current assets	10.58	13.14	34.19
Total non-current assets	973.44	1,011.59	1,446.02
2. Current assets			
Inventories	4,866.97	3,446.50	4,428.06
Trade Receivables	2,744.39	5,198.02	5,419.66
Cash & Cash equivalents	471.814	823.17	571.92
Short-term loans and advances	222.16	204.13	785.73
Other Current Assets	235.96	214.16	439.94
Total Current assets	8,541.29	9,885.98	11,645.31
Total Assets	9,514.73	10,897.57	13,091.33

Cash Flow Statement			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	797.67	508.72	1,576.65
Net Cash Flow from Investing Activities	-10.79	-106.2	-505.34
Net Cash Flow from Financing Activities	-446.5	-51.12	-1,322.58

Key Ratios

Particulars	FY 22	FY 23	FY 24
<u>Per Share Data</u>			
Diluted EPS	3.31	7.56	10.75
BV per share	16.59	24.15	34.90
<u>Operating Ratios</u>			
EBITDA Margins	8.70%	9.46%	10.79%
PAT Margins	4.20%	5.50%	6.38%
Inventory days	125.76	51.00	53.36
Debtor days	70.92	76.92	65.31
Creditor Days	89.35	56.23	55.93
<u>Return Ratios</u>			
RoCE	31.50%	44.09%	46.34%
RoE	19.93%	31.29%	30.81%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	4.24	2.86	2.49
Market Cap / Sales	2.33	1.34	1.09
P/E	44.11	19.31	13.58
Price to Book Value	8.80	6.05	4.18
<u>Solvency Ratios</u>			
Debt / Equity	0.90	0.72	0.38
Current Ratio	1.44	1.70	1.85
Quick Ratio	0.62	1.11	1.14
Asset Turnover	1.48	2.26	2.31
Interest Coverage Ratio	2.67	4.47	5.28

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Swaraj Shares and Securities 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 –

Swaraj shares and securities Pvt. Ltd. –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Manoj Ceramic Limited	10.92	31.00	December 08, 2023	107.25
2.	Sahara Maritime Limited	6.88	81.00	December 26, 2023	57.00
3.	Marinetrans India Limited	10.92	31.00	December 08, 2023	26.55
4.	ROX Hi-Tech Limited	54.49	83.00	November 16, 2023	127.25
5.	Micropro Software Solutions Limited	30.70	81.00	November 10, 2023	42.85
6.	Shoora Designs Limited	2.03	48.00	August 29, 2023	75.60

The company has had 6 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 27th August 2024.

As per the offer document, from the above-mentioned mandates, one mandate has opened at a discount and all the remaining mandates have opened at premiums on the listing date.

Recommendation -

Jay Bee Laminations has exhibited strong financial performance from FY22 to FY24, marked by significant revenue growth (CAGR @ 46%), improved profitability (net profit margin up from 4.21% to 6.39% from FY21 to FY24 respectively), and enhanced efficiency (EBITDA Margins up from 8.7% in FY 22 to 10.79% in FY 24). Robust operating cash flows, coupled with increased investments in FY24, highlights a focus on growth.

Peer Comparison:

Compared to Vilas Transcore, Jay Bee shows superior returns, catching up in profitability in FY24.

Key Concerns:

They are utilizing only 43 Cr. from the net proceeds and the remaining 23 Cr. to general corporate and issue expenses raises slight concerns. Reliance on raw material imports, Board's limited experience in listed companies and Ongoing legal proceedings

Overall Assessment:

The company is on a positive trajectory with strong financials. Addressing key concerns and focusing on growth strategies can further solidify its position in the industry.

Key Recommendations: Diversify customer base and secure long-term contracts; Strengthen supplier relationships and explore domestic sourcing; Expand geographical reach; Enhance corporate governance and monitor legal proceedings

Overall, the company has performed good and has good potential for growth, we would recommend knowledgeable investors may **APPLY** to this IPO.

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