



## IPO Note

# Aditya Ultra Steel Limited

Recommendation: **APPLY!**

### Company Background -

- Aditya Ultra Steel Limited was originally formed and incorporated on July 27, 2011. The registered office is located at Wankaner, Gujarat.
- The company is engaged in the business of manufacturing rolled steel products i.e. TMT bars under the Kamdhenu brand catering mainly to the construction industry and for infrastructure development.
- The company had 149 permanent employees as of April 30, 2024.

### Objects of the Issue -

- Capital expenditure
- To meet Working Capital Requirements
- General Corporate Purposes

### Promoters Name -

Sunny Sunil Singhi, Varun Manojkumar Jain and Varuna Jain

### Rationale for recommendation -

- ✓ The PE ratio is 19.43 times post-issue which makes it fully priced.
- ✓ The top line has increased consistently over the years and looks sustainable in the long run.
- ✓ The bottom line and profitability margins have increased and might be sustainable in the future.
- ✓ The company has better CCC than its peers.
- ✓ The company sells its products under Kamdhenu brand and has a competitive edge over others.
- ✓ The steel industry is growing and expected to grow at a CAGR of 9.18%.

### IPO Details

Opening Date	Sep 09, 2024
Closing Date	Sep 11, 2024
Allotment Date	Sep 12, 2024
Listing Date	Sep 16, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹59 to ₹62
Issue Size	45.88 Cr.
Fresh Issue	45.88 Cr.
Offer for Sale	-
Application Amt	₹ 1,24,000 (2,000 shares)

### INDUSTRY - Manufacturing and Steel

P/E Average - 19.43

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	51,535.53	53,044.78	58,780.08
EBITDA	1,091.53	986.79	1,801.38
Net Profit	488.90	277.66	792.34
RoCE	20.13%	17.67%	28.43%
ROE	13.28%	7.01%	16.33%
P/E	21.68	38.04	13.42

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
97.94%	68.76%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.62	3.19
BVPS	27.83	38.01
P/E	13.42	19.43
P/BV	2.23	1.63
Mkt Cap (In Cr)	108.10	153.98

### Lead Managers -

Swastika Investmart Limited

### Registrar -

Cameo Corporate Services Limited

**Business Overview -**

Aditya Ultra Steel Limited is engaged in the business of manufacturing of rolled steel product i.e. TMT bars. The company has entered into an agreement with Kamdhenu Metallic Industries Limited and sell their products under the “Kamdhenu brand” catering mainly to the construction industry and for infrastructure development. They design and manufacture TMT bars and sell it on B2B Basis. The company has 73 dealers to which they supply TMT bars.

**Manufacturing Unit and capacity Utilization -**

The manufacturing unit is located at Rajkot, Wankaner, Gujarat and the capacity utilization remained at 86.36%, 86.38% and 86.28% for FY 2024, 2023 and 2022 respectively. Also, they have entered into agreement with Maheshwar Ispat Private Limited for manufacturing of TMT Bars starting from June 2023 and the capacity utilization remained at 11.28%.

**Product Portfolio -** TMT bars find extensive applications in various construction projects, including residential buildings, bridges, dams, industrial structures, and high-rise buildings, underground structures.

**Swot Analysis-**



Product (TMT Bar)	8 MM	10 & 12 MM	16 MM	20, 25 & 32 MM
<b>Usage</b>	Used for making rings which are attached or fitted in pillar and linter structure and provides support in the process of construction.	Used for building up of roof top in RCC slab which is recommended for carrying heavy loads in many RCC structure such as columns, beams, slabs, cantilever, etc.	Used for construction that is ground floor plus one and above to bear the load of upper floors.	Used for bringing up the foundational work stronger, the thickness of such rods provides more grip that sustains the load of the upper floors. And are taken up for construction of huge projects.
<b>Image</b>				

**Revenue Bifurcation -**

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
TMT Bars	49,258.99	95.58	50,695.89	95.57	51,410.01	87.46
Scrap, By products & Others	2,273.68	4.41	2,348.89	4.43	4,141.21	7.05
MS Billets/ Ingots	2.86	0.01	-	-	3,228.87	5.49
<b>Total</b>	<b>51,535.53</b>	<b>100.00</b>	<b>53,044.78</b>	<b>100.00</b>	<b>58,780.09</b>	<b>100.00</b>

The net proceeds of the issue will be utilized for meeting working capital requirements (Rs. 1,500 lakhs), funding the Capital Expenditure requirements as they are installing solar power plant that can generate clean energy for meeting company’s electricity requirements (Rs. 1,535 lakhs) and remaining for general corporate purposes.

**Competition -**

1. **Market Competition:** The steel industry is highly competitive where the key factors of competition primarily comprises of quality, price and timely delivery of the product.
2. **Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.
6. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

**Business Strategies -**

1. **Premium quality TMT Rebar player with focus on Retail Customers:** The company intends to continue manufacturing quality TMT bars and retain customers. They endeavour to ensure timely delivery of products and provide credit period and other value-added services such as free delivery at the specified location and customized product cuts to retail customers.
2. **Augment working capital base to better utilize installed capacity:** The company intends increase their utilization over the years and add new capacity in the future.
3. **Focus on quality standards:** The Company intends to focus on adhering to the quality standards of the product they manufacture to make sure that they get repeat orders from customers.
4. **Optimal utilization of resources and incentives:** The company intends to constantly strives to enhance production processes, upgrade worker skills, and modernize machinery to optimize resource utilization. They plan to invest in further building and enhancing this reputation through communication and promotional initiatives.

**Risk Factors -**

The company generated more than 98% of their revenue from Gujarat for FY 2024, 2023 and 2022.

The top 10 customers of the company contributed to 94.27%, 95.63% and 94.11% of the total revenue for FY 2024, 2023 and 2022 respectively.

The top 10 suppliers of the company contributed to 70.91%, 72.91% and 65.98% of the total purchases for FY 2024, 2023 and 2022 respectively.

The company has filed 9 outstanding cases regarding civil and tax matters amounting to Rs. 320.44 lakhs.

The company had negative cash flow operations for FY 2022.

The company had contingent liabilities amounting to Rs. 7,098.44 lakhs.

**PEER ANALYSIS**

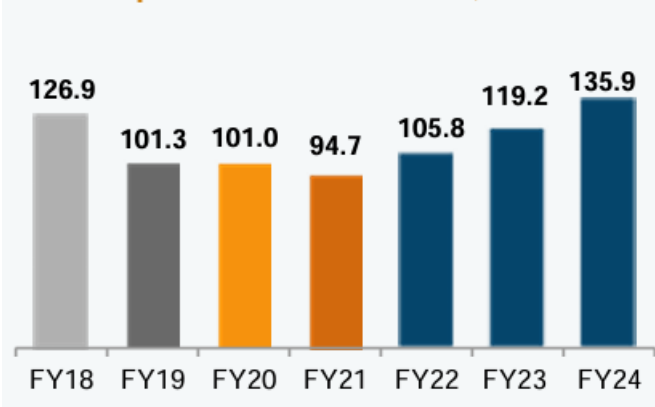
Particulars	Aditya Ultra Steel Limited			Rathi Bars Limited			Mangalam Worldwide Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.9%	0.5%	1.3%	0.6%	0.5%	0.6%	2.3%	2.6%	2.7%
EBITDA Margin	2.1%	1.9%	3.1%	2.7%	3.2%	2.4%	4.1%	3.8%	5.2%
RoCE	20.1%	17.7%	28.4%	7.1%	7.9%	9.4%	40.2%	12.0%	17.2%
ROE	13.3%	7.0%	16.3%	3.3%	2.9%	3.8%	27.2%	12.7%	12.1%
EPS (INR)	2.86	1.63	4.62	1.75	1.59	2.19	8.14	8.10	8.64
P/E	21.68	38.04	13.42	17.23	13.80	15.93	-	13.21	15.10

**INTERPRETATION –**

- The services offered by Aditya Ultra Steel Limited is related TMT bars and Mangalam Worldwide Limited is engaged in manufacture of stainless steel, which differs and are not comparable on an apple-to-apple basis.
- Aditya Ultra Steel Limited has large market cap compared to its Rathi Bars Limited.
- The cash conversion cycle of the company is lesser than the peer companies.
- The PE ratio is less compared to its peers.

**Indian Steel Industry -**

The demand for steel in India is expected to register a 'healthy growth' of 8.6 percent against the overall global rise of 1.8 percent in 2023, worldsteel said. It forecasts that global steel demand will grow 1.8 percent in 2023 and reach 1,814.5 MT after having contracted by 3.3 percent in 2022. The India Steel Market size is estimated at 13.58 Cr tons in 2024, and is expected to reach 20.99 Cr tons by 2029, growing at a CAGR of 9.18% during the forecast period (2024-2029).

**Consumption of finished steel (million tonnes)**

(Source: ibef.org)

Growth in India's construction sector is driven by government spending on infrastructure and recovery in private investment. Infrastructure investment will

**TMT Bar Market in India –**

The TMT bar market is expected to grow at a CAGR of 4.34% between 2022 and 2027, reaching a market size of USD 84.39 billion. The market is driven by the benefits of TMT steel bars over other steel bars, the expanding global industry, and the rising need for steel.

The Indian market has a variety of TMT bar producers, including Shyam Steel, Essar Steel, TATA Steel, Jindal Steel & Power Ltd., JSW Steel Ltd., Kamdhenu Ltd., Primegold International Ltd., and Rashtriya Ispat Nigam Ltd.

The TMT bar market in India is expected to grow due to the increasing demand for steel in contemporary designs and the rising demand for steel in the construction sector.

**Key Management -**

- The overall management of the company is decent.
- There is evidence of dual chairmanship, which is not favourable.
- The promoter and management have decent experience in steel sector.
- The experience of the directors is condensed.



<b>Key Management Persons Name -</b>	<b>Sunny Sunil Singhi</b>
<b>Age</b>	34
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 8 years of experience in Debt Syndication and Fund raising and 2.5+ years of experience in steel industry
<b>Qualification</b>	Bachelor of Commerce, Associate member of ICAI
<b>Other Directorships</b>	Premier Synthetics Limited

<b>Key Management Persons Name -</b>	<b>Varun Manojkumar Jain</b>
<b>Age</b>	35
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 8+ years of experience in steel industry
<b>Qualification</b>	Bachelor of Commerce, Management Programme for family business and passed the Professional Competence Course from ICAI
<b>Other Directorship</b>	VMS TMT Limited

<b>Key Management Persons Name -</b>	<b>Sapna Jain</b>
<b>Age</b>	38
<b>Designation and No. of years of Experience</b>	Non-Executive Independent Director, 10 years of experience in Corporate Laws
<b>Qualification</b>	Bachelor's in commerce, Master's in commerce and post graduate diploma in Cost & Management Accounting, Qualifies CS
<b>Other Directorships</b>	MFL India Limited, Access Point India Private Limited and Rocieo Industries Private Limited

<b>Key Management Persons Name -</b>	<b>Piyush Ravishanker Bhatt</b>
<b>Age</b>	62
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 38 years of experience in banking sector
<b>Qualification</b>	Master's in commerce, Associate member of ICSI
<b>Other Directorships</b>	Bulkcorp International Limited

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	51,535.53	53,044.78	58,780.08
Other Income	62.81	4.13	76.21
<b>Total Income</b>	<b>51,598.34</b>	<b>53,048.91</b>	<b>58,856.29</b>
<b>Expenses</b>			
Cost of Materials Consumed	45,570.43	49,284.74	38,099.45
Purchase if stock-in-trade	800.06	599.47	15,424.26
Changes in Inventories of finished goods, work-in-progress	-300.17	-2,175.51	-337.18
Manufacturing Expenses	2,232.61	2,149.82	1,579.80
Employee Benefit Expenses	820.24	838.35	819.95
Finance Cost	297.50	463.03	643.94
Depreciation and Amortisation	141.26	149.37	161.47
Administrative, Selling and Other expenses	1,320.83	1,361.12	1,392.42
<b>Total Expenses</b>	<b>50,882.76</b>	<b>52,670.39</b>	<b>57,784.11</b>
<b>EBITDA</b>	<b>1,091.53</b>	<b>986.79</b>	<b>1,801.38</b>
<b>EBITDA Margin</b>	<b>2.12%</b>	<b>1.86%</b>	<b>3.06%</b>
<b>Profit/(Loss) before tax</b>	<b>715.58</b>	<b>378.52</b>	<b>1,072.18</b>
<b>Tax Expense</b>			
Current tax	171.74	98.87	261.26
Deferred Tax	54.94	1.99	18.58
<b>Total Tax</b>	<b>226.68</b>	<b>100.86</b>	<b>279.84</b>
<b>Profit/(Loss) for the year</b>	<b>488.90</b>	<b>277.66</b>	<b>792.34</b>
<b>Net Profit Margin</b>	<b>0.95%</b>	<b>0.52%</b>	<b>1.35%</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	1,220.00	1,220.00	1,723.56
Reserves and surplus	2,462.15	2,739.81	3,128.60
<b>Total Equity</b>	<b>3,682.15</b>	<b>3,959.81</b>	<b>4,852.16</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	799.20	536.61	651.46
Deferred Tax Liabilities (Net)	215.82	217.81	236.39
Long-term provisions	22.91	25.61	27.99
<b>Total Non-current liabilities</b>	<b>1,037.93</b>	<b>780.03</b>	<b>915.84</b>
<b>4. Current liabilities</b>			
Short -term borrowings	3,895.92	4,447.53	4,775.61
Trade Payables			
(i) Total outstanding dues of MSME	-	-	202.44
(ii) Total outstanding dues of creditors other than MSME	218.07	239.21	2,565.39
Other Current Liabilities	61.94	186.11	1,199.88
Short-term provisions	260.61	121.96	241.01
<b>Total Current liabilities</b>	<b>4,436.54</b>	<b>4,994.81</b>	<b>8,984.33</b>
<b>Total Liabilities</b>	<b>5,474.47</b>	<b>5,774.84</b>	<b>9,900.17</b>
<b>Total Equity and Liabilities</b>	<b>9,156.62</b>	<b>9,734.65</b>	<b>14,752.33</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	3,148.97	3,128.42	3,278.93
Non-Current Investments	9.64	13.21	8.55



Particulars	FY 22	FY 23	FY 24
<b>Total Non-Current assets</b>	<b>3,158.61</b>	<b>3,141.63</b>	<b>3,287.48</b>
<b>2. Current assets</b>			
Inventories	4,133.08	5,292.91	5,751.16
Trade Receivables	770.63	1,055.27	4,724.57
Cash & Cash equivalents	21.09	18.08	374.78
Short term loans and advances	1,070.45	226.60	610.86
Other Current Assets	2.76	0.16	3.48
<b>Total Current assets</b>	<b>5,998.01</b>	<b>6,593.02</b>	<b>11,464.85</b>
<b>Total Assets</b>	<b>9,156.62</b>	<b>9,734.65</b>	<b>14,752.33</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-618.20	841.14	912.59
Net Cash Flow from Investing Activities	-22.28	-131.58	-238.24
Net Cash Flow from Financing Activities	-316.29	-712.56	-317.66

**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	2.86	1.63	4.62	EV/EBITDA	7.66	9.05	5.50
BV per share	21.12	22.71	27.83	Market Cap / Sales	0.30	0.29	0.26
<b><u>Operating Ratios</u></b>				P/E	21.68	38.04	13.42
EBITDA Margins	2.12%	1.86%	3.06%	Price to Book Value	2.94	2.73	2.23
PAT Margins	0.95%	0.52%	1.35%	<b><u>Solvency Ratios</u></b>			
Inventory days	29.27	36.42	35.71	Debt / Equity	1.28	1.26	1.12
Debtor days	5.46	7.26	29.34	Current Ratio	1.35	1.32	1.28
Creditor days	1.69	1.80	18.89	Quick Ratio	0.42	0.26	0.64
<b><u>Return Ratios</u></b>				Asset Turnover	5.63	5.45	3.98
RoCE	20.13%	17.67%	28.43%	Interest Coverage Ratio	3.19	1.81	2.55
RoE	13.28%	7.01%	16.33%				

**INTERPRETATION –**

1. The top line has seen a consistent increase over the years which was due to increase in revenue from manufacturing TMT Bars and other scrap products.
2. The net profit, PAT margin and EBITDA margin have remained inconsistent over the years and sudden increase is seen for FY 2024 which should not be a major concern.
3. The RoCE and ROE have improved for FY 2024.
4. The PE ratio has improved over the years.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Swastika Investmart 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 –

**Swastika Investmart Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Resourceful Automobile Limited	11.99	117.00	Aug 29, 2024	107.35
2.	Ideal Technoplast Industries Limited	16.03	121.00	Aug 28, 2024	120.80
3.	Bulkcorp International Limited	20.78	105.00	Aug 06, 2024	113.00
4.	TBI Corn Limited	44.94	94.00	Jun 07, 2024	247.70
5.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	54.00
6.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	239.00
7.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	63.95
8.	Service Care Limited	20.68	67.00	Jul 26, 2023	81.85
9.	Infinium Pharmachem Limited	25.26	135.00	Apr 17, 2023	195.40
10.	Cyber Media Research & Services Limited	14.04	180.00	Oct 10, 2022	116.25

The company has handled 11 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 5<sup>th</sup> Sep 2024.

As per the offer document, the above-mentioned mandates 1 has opened at a discount and remaining all have opened at a premium on the listing day.



## Recommendation -

Aditya Ultra Steel Limited has been in the industry since 2011 and has good experience in the industry. But the management overview of the company is decent.

The P/E on a post-IPO basis is around 19.43 times which makes it fully priced compared to its peer's.

The company has seen consistent increase in the top line. But the bottom line and profitability margins have been inconsistency over the years and has seen sudden increase in FY 2024, but that should not be a major concern as similar trend has been seen within the peers. Also, the company has better cash conversion cycle than its peers.

The company has entered into agreement with Kamdhenu Metallic Industries Limited and sell their products under the “Kamdhenu brand” and enjoys competitive advantage over other players in the industry.

The company is raising IPO funds for installing a solar power plant for their electricity requirements which will contribute to its profitability in the future.

The steel industry is growing expected to grow at a CAGR of 9.18% during 2024 to 2029, and the company has made a niche presence in the TMT bar market.

Thus, investors can **APPLY** 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 WEBSITE:

[www.tiareconsilium.com](http://www.tiareconsilium.com)

## OUR APP AVAILABLE ON:



## CONNECT WITH US ON :

