



## IPO Note

# Excellent Wires and Packaging Limited

Recommendation: **AVOID!**

### Company Background -

- Established in 2012, the company has their registered office in Palghar, Maharashtra, India.
- Business Activity:** Excellent Wires and Packaging Limited manufactures a wide range of wires and wire ropes under the brand name "Excellent", including various types such as Spring Steel Wire, High Carbon Wire, Galvanised Wire (GI Wire), and others for multiple applications. Company expanded into brass wire production in 2022 through a leased facility in Panvel and then Consolidated operations to a single unit in Palghar in 2024 for efficiency.
- Revenue Model:** Company operates on a B2B model.
- Revenue Generation:**  
**Top 3 Geographical Concentration:** Maharashtra (91%), Karnataka (3%), Gujarat (3%) (FY24).  
**Top Product Concentration:** Steel Wires & Products (45%) (FY24).
- As of July 2024, Company had 18 employees on its payroll.

### Objects of the Issue -

- Acquisition of Land and construction of Building
- Acquisition of Plant & Machineries
- General Corporate Purposes.
- To meet the Working Capital Requirement.

### Promoters Name -

Bhavya Vasant Shah, Rachit Paresh Masalia and Darshil Hasmukh Shah

### Rationale for recommendation -

- ✓ Over-priced P/E.
- ✓ High reliance on top 1 customers which is a group entity.
- ✓ Highly fragmented industry and company has no USP to distinguish itself.
- ✓ Geographic Concentration.

### IPO Details

Opening Date	September 11, 2024
Closing Date	September 13, 2024
Allotment Date	September 16, 2024
Listing Date	September 19, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹90
Issue Size	12.60 Cr.
Fresh Issue	12.60 Cr.
Offer for Sale	-
Application Amt	₹144,000(1,600 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	728.83	1,448.45	1,540.82
EBITDA	16.50	41.82	146.13
Net Profit	4.73	10.44	82.98
RoCE	217.45%	137.07%	34.75%
ROE	70.81%	61.02%	20.90%
P/E	473.68	214.29	27.11

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
91.89%	63.11%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.32	1.86
BVPS	12.93	37.07
P/E	27.11	48.48
P/BV	6.96	2.43
Mkt Cap (In Cr)	27.63	40.23

### Lead Managers -

**Inventure Merchant Banker Services Pvt Ltd**

### Registrar -

**Bigshare Services Pvt Ltd**

**Business Overview -**

**Competitive Strengths:**

Diversified product portfolio.  
ISO 9001:2015 certification for quality management.

**Growth Strategies:**







- Backward integration to control supply chain and improve profitability.
- Geographical expansion to Gujarat to tap into new markets.
- Capacity expansion through land acquisition and new machinery to meet growing demand and introduce new products.
- Investment in marketing and branding to support growth.

**Manufacturing Facilities:**

**Location:** Palghar, Maharashtra; **Number of Factories:** 1 (consolidated from 2 in 2024)

**Capacity Utilization: FY22:** 79%; **FY23:** 66%; **FY24:** 53% (combined for both Palghar and Panvel units)

**Assessment:** Capacity utilization has been fluctuating. The consolidation of operations and capacity expansion suggest that the company aims to optimize its production capacity and improve utilization in the future.

Overarching Product	Sub-category	Features/Description	Applications	Product Image
Steel Wires & Products	Spring Steel Wire	High yield strength, used for manufacturing springs, available in different sizes and grades	Manufacturing of springs for various applications in packaging, engineering, and stationery industries	
	Mild Steel Wire	Contains 0.05% to 0.20% carbon, stronger and harder than pure iron, available in Hard Bright, Half Hard Bright & Annealed variations	Springs, fasteners, nails, wire ropes, wire mesh, bails, wire fences, wire nets, etc.	
	Galvanized Wire	Zinc coated, used in various industries, available in different sizes, consistent mechanical properties and uniform zinc coating	Imitation jewellery, wire mesh, fencing, cables, publishing, stitching wire, binding, netting, and engineering industries	
Brass Wires & Products	Riveting/Fastener Wires	High-quality brass wires for fasteners and rivets	Fasteners, rivets, and automotive components	
	Zipper Wires	Brass wires designed for zippers	Zippers in the textile industry	
	Jewellery Wires	Brass wires suitable for jewellery making	Jewellery and imitation jewellery	
	Stitching Wire	Brass wires for stitching applications	Textile & Stitching industry	
	EDM Wires	Brass wires for Electrical Discharge Machining (EDM)	Wire-cut machines for precise cutting in engineering	
Other Products (Packaging)	PP Strapping Rolls	High-quality PP straps for packaging, available in different widths, thicknesses, and break-loads	Securing and bundling packages in various industries	
	BOPP Self Adhesive Tapes	Cello tapes for packaging, accurate length and guaranteed thickness, available in plain or printed options	Sealing and securing packages, labelling, and branding	

## Competition -

Competitors: Usha Martin, STL, Polycab, SRF, Jindal Steel & Power (Wire and Cable); Essel Propack, Uflex, Huhtamaki PPL (Packaging)

**Adaptability:** Company demonstrated adaptability by consolidating operations, expanding product lines, and investing in new machinery.

### Porter's Five Forces:

- **Bargaining Power of Buyers:** Moderate. B2B customers may have some bargaining power due to the presence of larger competitors.
- **Bargaining Power of Suppliers:** Moderate. Raw material availability and price fluctuations can impact the company.
- **Threat of New Entrants:** Moderate. Capital requirements and established players create some barriers to entry.
- **Threat of Substitutes:** Low to Moderate. Alternative materials and packaging solutions exist but may not offer the same properties.
- **Rivalry among Existing Competitors:** High. Competition is intense, driven by quality, price, and innovation.

**Life Cycle & Business Cycle:** The wire and cable industry is in a mature growth phase, while the packaging industry is in a growth phase. The company's performance is likely to be influenced by economic cycles.

**Experience Curve:** The company's focus on continuous improvement and operational efficiency suggests a strategy to move down the experience curve, reducing costs and improving competitiveness.

## Risk Factors -

Revenue is highly concentrated, with the top 10 customers contributing 64.58% (FY24) and the largest customer (a promoter group company) accounting for 41.13% (FY24) of revenue, creating dependence and potential risk if these relationships are disrupted.

Raw material price volatility significantly affects profitability for this company.

Purchases from the top 10 vendors constituted 75.01%, 79.89% and 73.94% of total Purchases for the financial years ending March 31, 2024, March 31, 2023, and March 31, 2022, respectively. Loss of any of them would affect the company.

The company, its promoters, and directors face tax litigations with a total outstanding amount of ₹0.71 lakhs (FY23). Adverse outcomes could impact the company's financials and operations.

Group entities, including Prime Wires Private Limited and Jyoti Engineering, with similar business activities and no non-compete agreements could create conflicts of interest and increased competition, potentially harming the company's business and financial performance.

## PEER ANALYSIS

Particulars	Excellent Wires and Packaging Limited			Bedmutha Industries Ltd			KEI Industries Ltd			Rajratan Global Wire Ltd		
	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	0.6%	0.7%	5.4%	1.3%	1.7%	2.4%	6.9%	6.9%	7.1%	13.8%	11.0%	8.0%
EBITDA Margin	2.3%	2.9%	9.5%	10.4%	10.5%	9.5%	10.5%	10.6%	10.9%	20.4%	18.2%	14.6%
RoCE	217.5%	137.2%	34.8%	14.8%	16.7%	22.3%	25.0%	25.5%	25.6%	41.5%	27.3%	18.6%
ROE	70.8%	61.0%	20.9%	5.4%	6.6%	17.4%	17.6%	18.4%	18.4%	36.5%	22.8%	14.6%
EPS (INR)	0.2	0.4	3.3	2.9	4.0	6.5	41.8	53.0	64.4	24.5	19.7	14.2
P/E	473.7	214.3	27.1	23.7	14.9	34.0	29.9	32.1	53.7	22.0	37.7	37.1

**Industry Overview -**

**Steel Industry in India**

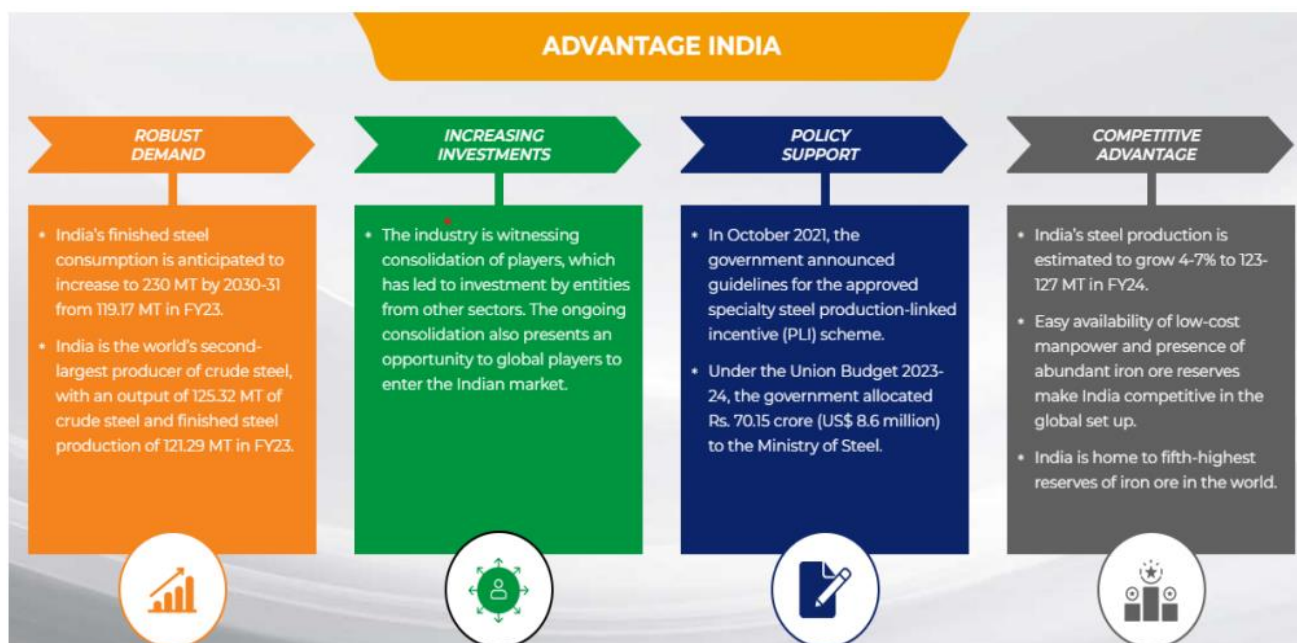
- **Production:** India is the second-largest global crude steel producer (125.32 MT in FY23) with expected growth of 4-7% in FY24.
- **Consumption:** Domestic consumption is rising, reaching 119.17 MT in FY23.
- **Outlook:** Ambitious targets of 300 MT production and 160 kg per capita consumption by 2030-31 highlight growth potential.
- **Relevant Policies:** National Steel Policy 2017, Production Linked Incentive (PLI) Scheme for specialty steel, Domestically Manufactured Iron & Steel Products (DMI&SP) Policy.

**Steel Wire Industry**

- **Market Share:** Wires constitute 5% of total steel consumption in India, with potential to increase to 7-8%.
- **Product Mix:** Demand is dominated by plain carbon steel wires (88%), followed by stainless steel (5%) and alloy steel wires.
- **Growth Drivers:** Key growth drivers include renewable energy, data centers, railways, 5G infrastructure, urbanization, and infrastructure development.
- **Market Size:** The cables & wires industry is expected to grow at a CAGR of 12% over FY 2021-26.

**Relevant Downstream Industries**

- **Packaging:** A rapidly growing sector with a CAGR of 26.7% projected to reach US\$ 204.81 billion by 2025. Growth is supported by increasing focus on food safety and quality.
- **Engineering Products:** A key sector contributing 12% to India's manufacturing output with an estimated market valuation of US\$ 43.2 billion in FY22. It is expected to grow at 11.68% CAGR. Government incentives for power generation capacity addition will further boost demand.
- **Infrastructure:** Significant government investment is driving growth in this sector. Capital outlay for infrastructure increased by 11.1% to Rs. 11.11 lakh crore in the Interim Budget 2024-25. The NIP with an estimated investment of US\$ 1.9 trillion will further enhance the growth.
- **Education & Auto Components:** These sectors are also experiencing steady growth and contribute to the demand for wires and packaging.



**Key Management -**

<b>Key Management Persons Name - Age</b>	<b>Bhavya Vasant Shah</b> 47
<b>Designation and No. of years of experience</b>	Promoter, Non-Executive Chairman, 20+ years of experience
<b>Qualification</b>	Bachelors in Commerce from University of Mumbai
<b>Roles and Responsibility</b>	Financial management, marketing strategies, building stakeholder relationships.
<b>Other Ventures</b>	Prime Wires Private Limited

<b>Key Management Persons Name - Age</b>	<b>Rachit Paresh Masalia</b> 35
<b>Designation and No. of years of experience</b>	Promoter, Managing Director, 10+ years of experience
<b>Qualification</b>	Bachelors of Management Studies from University of Mumbai
<b>Roles and Responsibility</b>	Production management, quality control, supply chain management, sales, and marketing

<b>Key Management Persons Name - Age</b>	<b>Darshil Hasmukh Shah</b> 33
<b>Designation and No. of years of experience</b>	Promoter, CEO and Executive Director, 10+ years of experience
<b>Qualification</b>	Undergraduate
<b>Roles and Responsibility</b>	Overseeing assembly lines, managing equipment maintenance, ensuring product quality, optimizing production workflows, inventory management, supply chain coordination, compliance with industry regulations, implementing safety protocols and quality control.

- **Tejas Devendra Shah**

**Age:** 37; **Position:** Non-Executive Independent Director; **Qualifications:** Bachelor's in commerce, University of Mumbai (2007) and Associate Member, Institute of Company Secretaries of India (since January 2014); **Experience:** Company Secretary, Suashish Diamonds Limited and 10+ years in secretarial and compliance matters; **Purpose of Appointment:** Broaden the Board's expertise; Guide the company on corporate governance

- **Dhaval Bharat Siriya**

**Age:** 37; **Position:** Non-Executive Independent Director; **Qualifications:** Bachelor's in commerce, University of Mumbai (2007); **Experience:** 10+ years in financial consulting, accounting, and auditing; **Purpose of Appointment:** Advise the Board on financial matters

- **Hemal Vikas Masaliya**

**Age:** 46; **Position:** Independent Director; **Qualifications:** Bachelor's in commerce, Gujarat University (1998); **Experience:** 11 years in accounting and finance for mid-size companies

**Paresh Vasantlal Masalia, CFO, aged 64:** 40+ years in accounting, tax audits, bank matters. Joined April 2024, with no remuneration in FY 2023-24.

**Meghna Mahendra Savla, Company Secretary, aged 34:** 4+ years of experience. Qualified Company Secretary, joined April 2024, with no remuneration in FY 2023-24.

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	728.83	1,448.45	1,540.82
Other Income	0.02	0.01	-
<b>Total Income</b>	<b>728.85</b>	<b>1,448.46</b>	<b>1,540.82</b>
<b>Expenses</b>			
Cost of Material Consumed	698.93	1,283.28	1,252.88
Changes in inventories	-59.95	-65.62	-13.87
Employee Benefit Expenses	37.46	54.76	47.83
Finance Cost	8.76	24.42	27.22
Depreciation and Amortisation	1.3	3.22	6.28
Other expenses	35.89	134.21	107.85
<b>Total Expenses</b>	<b>722.39</b>	<b>1,434.27</b>	<b>1,428.19</b>
<b>EBITDA</b>	<b>16.50</b>	<b>41.82</b>	<b>146.13</b>
<b>EBITDA Margin</b>	<b>2.26%</b>	<b>2.89%</b>	<b>9.48%</b>
<b>Profit/(Loss) before tax</b>	<b>6.46</b>	<b>14.19</b>	<b>112.63</b>
<b>Tax Expense</b>			
Current tax	1.72	3.97	26.75
Deferred Tax	0.01	-0.22	2.9
<b>Total Tax</b>	<b>1.73</b>	<b>3.75</b>	<b>29.65</b>
<b>Profit/(Loss) for the year</b>	<b>4.73</b>	<b>10.44</b>	<b>82.98</b>
<b>Net Profit Margin</b>	<b>0.65%</b>	<b>0.72%</b>	<b>5.39%</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	2.00	2.00	35.00
Reserves and surplus	4.68	15.11	362.09
<b>Total Equity</b>	<b>6.68</b>	<b>17.11</b>	<b>397.09</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	0	10.27	1.59
Long term Provisions	0.01	-	2.7
Deferred Tax Liabilities	0.3	0.76	1.02
<b>Total non-current liabilities</b>	<b>0.31</b>	<b>11.03</b>	<b>5.31</b>
<b>3. Current liabilities</b>			
Short -term borrowings	109.02	214.42	222.3
Trade Payables	123.13	74.94	57.6
Other Current Liabilities	3.15	7.17	3.88
Short-term provisions	0.34		18.9
<b>Total Current liabilities</b>	<b>235.64</b>	<b>296.53</b>	<b>302.68</b>
<b>Total Liabilities</b>	<b>235.95</b>	<b>307.56</b>	<b>307.99</b>
<b>Total Equity and Liabilities</b>	<b>242.63</b>	<b>324.67</b>	<b>705.08</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Tangible Assets	12.52	13.57	198.99
Deferred Tax Assets (Net)		0.2	
Long Term Loans and Advances		2	12.23
<b>Total Non-Current assets</b>	<b>12.52</b>	<b>15.77</b>	<b>211.22</b>
<b>2. Current assets</b>			
Inventories	82.98	125.58	161.02
Trade Receivables	134.08	162.49	233.06
Cash & Cash equivalents	0.93	15.28	75.51
Other Current Assets	12.12	5.55	24.27
<b>Total Current assets</b>	<b>230.11</b>	<b>308.90</b>	<b>493.86</b>

Particulars	FY 22	FY 23	FY 24
<b>Total Assets</b>	<b>242.63</b>	<b>324.67</b>	<b>705.08</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	21.21	34.32	0.79
Net Cash Flow from Investing Activities	-13.52	-5.8	-201.69
Net Cash Flow from Financing Activities	-8.76	-14.15	261.1

**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	0.19	0.42	3.32	EV/EBITDA	6.96	5.42	3.73
BV per share	0.22	0.56	12.93	Market Cap / Sales	5.52	2.78	2.61
<b><u>Operating Ratios</u></b>				P/E	473.68	214.29	27.11
EBITDA Margins	2.26%	2.89%	9.48%	Price to Book Value	413.62	161.48	6.96
PAT Margins	0.65%	0.72%	5.39%	<b><u>Solvency Ratios</u></b>			
Inventory days	41.56	31.65	38.14	Debt / Equity	16.32	13.13	0.56
Debtor days	67.15	40.95	55.21	Current Ratio	0.98	1.04	1.63
Creditor days	61.66	18.88	13.64	Quick Ratio	0.62	0.62	1.10
<b><u>Return Ratios</u></b>				Asset Turnover	3.00	4.46	2.19
RoCE	217.45%	137.17%	34.75%	Interest Coverage Ratio	1.74	1.58	5.14
RoE	70.81%	61.02%	20.90%				

**Financial Highlights:**

**Profitability Surge:** Diluted EPS jumped from 0.19 in FY22 to 3.32 in FY24, with significant PAT (0.65% to 5.39%) and EBITDA margin (2.26% to 9.48%) improvements.

**Efficiency Gains:** Operational efficiency improved, though ROCE and ROE declined, possibly due to increased investments. Asset turnover fluctuated between 3.00 in FY22, 4.46 in FY23 and 2.19 in FY24

**Financial Health:**

**Stronger Liquidity:** Current and quick ratios improved to 1.63 and 1.10 in FY24, indicating better short-term liquidity but still less than ideal.

**Reduced Debt:** Debt/equity ratio significantly decreased to 0.56 in FY24, enhancing financial stability. Interest coverage ratio also rose to 5.14 in FY24.

**Working Capital:**

**Inventory & Receivables:** Inventory days rose slightly to 38.14 days in FY24, while debtor days increased to 55.21 days in FY24, potentially impacting cash flow.

**Payables:** Creditor days decreased substantially to 16.50 days in FY24, which is a good thing but could potentially affect supplier relationships.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Inventure Merchant Banker Services 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.

**Inventure Merchant Banker Services Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Paramatrix Technologies Limited	33.84	110.00	Sep 04, 2024	111.00
2.	Clinitech Laboratory Limited	5.78	96.00	Aug 01, 2024	80.15
3.	Varyaa Creations Limited	20.10	150.00	April 30, 2024	78.58
4.	Grill Splendour Services Limited	16,47	120.00	April 23, 2024	83.35
5.	Innovatus Entertainment Networks Limited	7.74	50.00	Aug 04, 2023	57.76
6.	Vilin Bio Med Limited	12.00	30.00	Jun 30, 2023	18.30
7.	Maagh Advertising and Marketing Services Limited	9.12	60.00	Oct 13, 2022	11.70
8.	Silver Pearl Hospitality & Luxury Spaces Limited	9.00	18.00	Jun 17, 2022	8.33
9.	Brandbucket Media & Technology Limited	8.25	55.00	Dec 31, 2021	12.00
10.	Omnipotent Industries Limited	18.90	63.00	Nov 29, 2021	9.37

The company has handled 8 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 12<sup>th</sup> September 2024.

As per the offer document, from the above-mentioned mandates 5 have opened at a discount and the remaining all have opened at a premium on the listing day.



**Recommendation -**

**Management Overview:** Strong Promoter Involvement: Key management roles filled by promoters with relevant experience, signalling commitment and Diverse Skill Set: Management team possesses a mix of financial, operational, and marketing expertise. Although Recent CFO & Company Secretary Appointments: New additions in critical roles might indicate past instability or gaps with their remuneration details being vague at best.

**Financial Health:**

Profitability surged due to higher revenue and lower costs, driven by reduced raw material prices and improved production efficiency. While liquidity and debt position strengthened, increasing receivables and lower payables may strain cash flow and supplier ties.

**Peer Comparison:**

Company did more or less the same as it's peers, peers are better established and have a bigger market cap and than Excellent wires though.

P/E on a post-Issue basis is 48.48, which is highly overpriced looking at the performance of the company and sector.

**Risks:**

The company's heavy reliance on a single promoter group company for 41.13% of its revenue raises serious concerns about potential conflicts of interest and the sustainability of its business model. Furthermore, the presence of group entities engaged in similar business activities without non-compete agreements further exacerbates these concerns, potentially leading to increased competition and adverse effects on the company's market share and profitability. Other significant risks include high revenue concentration (41.13% from the largest customer), dependence on volatile raw material prices, etc.

For the above stated reasons, one can **AVOID** this IPO for the time being.

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