



IPO Note

HVAX Technologies Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** HVAX Technologies Limited was originally incorporated on November 26, 2010. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in the business of turnkey projects on engineering, procurement and execution of controlled environment infrastructure and cleanrooms; design, engineering and consultancy services for pharma and healthcare companies.
- **Revenue Stream:** The company's majority revenue is generated from turnkey projects (Rs. 8,445.73 lakhs) for FY2024.
- **Human Resource:** The company has 125 permanent employees and 21 temporary employees as on August 31, 2024.

Objects of the Issue -

- Funding Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Nirbhaynarayan Singh and Prayagdatt Mishra

Rationale for recommendation -

- ✓ The PE ratio post-issue is 13.54 which makes it fairly priced.
- ✓ The top line and bottom line has increased over the years and looks sustainable.
- ✓ The profitability margins have remained inconsistent over the years but it should not be a major concern as peer has seen similar trend.
- ✓ The company has a good order book of Rs. 15,364.47 lakhs.
- ✓ The CCC is low compared to its peer.
- ✓ The company has good experience in the industry.
- ✓ The company has a strong global presence.

IPO Details

Opening Date	Sep 27, 2024
Closing Date	Oct 01, 2024
Allotment Date	Oct 03, 2024
Listing Date	Oct 07, 2024
Stock Exchange	NSE SME
Lot Size	300 Shares
Issue Price Per Share	₹435 to ₹458
Issue Size	33.53 Cr.
Fresh Issue	33.53 Cr.
Offer for Sale	-
Application Amt	₹ 1,37,400 (300 shares)

INDUSTRY - Engineering - Turnkey Projects P/E Average - 14.4

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	6,825.93	9,592.92	10,606.13
EBITDA	688.86	855.65	1,382.72
Net Profit	418.15	520.37	939.07
RoCE	36.89%	38.37%	37.44%
ROE	34.83%	30.24%	30.69%
P/E	20.27	16.29	9.67

Promoter Share Holding Pattern

Pre-Issue	Post
90.50%	66.65%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	47.36	33.82
BVPS	448.90	230.92
P/E	9.67	13.54
P/BV	1.02	1.98
Mkt Cap (In Cr)	93.66	127.18

Lead Managers -

Fedex Securities Private Limited

Registrar -

Kfin Technologies Limited

Business Overview -





HVAX Technologies Limited is engaged in the business of turnkey projects on engineering, procurement and execution of controlled environment infrastructure and cleanrooms; design, engineering and consultancy services for pharma and healthcare companies. The company has completed around 200 projects in India and across 15 countries.

End Users: The end users include pharmaceutical companies, chemical companies, hospitals, healthcare companies, and FMCG companies. **Order Book:** As on Aug 01, 2024 they have a strong order book aggregating to Rs. 15,364.47 lakhs.

The net proceeds of the issue will be utilized for funding working capital requirements (Rs. 2,170 lakhs) and remaining for general corporate purposes.

Key offerings -

As a part of turnkey projects, the company supplies third-party manufactured products which include cleanroom wall panels, cleanroom ceiling panels, covings, riser panels, cleanroom doors, flooring systems, pass boxes, air showers, LT/HT electrical panels, pre-fabricated galvanized iron (GI) ducts, air handling units chillers, building management systems (BMS) equipment, utility generation and distribution Equipment

Product	Description	Image
Cleanroom Partition System	Cleanroom partitions offer a modular system for constructing dust-free environments in commercial spaces. They're ideal for medical, laboratory, and manufacturing needs.	
HVAC System	HVAC (Heating, Ventilation and Air Conditioning) Systems are used to control airborne particles, dust and micro-organisms through air filtration, maintain room pressure, maintain space moisture and space temperature.	
Building Management Systems	Building Management Systems are integral part of any manufacturing facility. It enables smooth automation in manufacturing facility. It helps transforming facilities into smart, interactive, well-connected infra space.	
Electrical Systems	Electrical Systems are used to control the equipment installed in any manufacturing facility.	
Utilities - Generation & Distribution Systems	Utility systems treat water and air for use in manufacturing processes. In pharmaceutical manufacturing, compressed air is crucial for cleaning, production, and packaging.	
Containment Systems	Containment systems are engineered on-site to store hazardous materials safely, preventing spills and protecting products, personnel, and the environment.	

Their consultancy services include conducting techno-economic and feasibility studies and preparation of detailed project reports, design engineering services, procurement assistance services, project management consultancy services, quality assurance services and inspection, training & technology transfer services, construction Designing Planning and Procurment Shipment Preparation of support structure Receipt of Equipments at site Assembling and Installation Testing Handover supervision, materials system management services, commissioning support and general transaction advisory services including operation and maintenance.

Revenue Bifurcation Segement-wise -*(Amt in Lakhs)*

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Turnkey Projects	6,632.27	97.16	9,343.63	97.40	8,445.73	79.63
Service Activities	69.74	1.02	118.29	1.23	2,050.30	19.33
Other operating revenue	123.92	1.82	131.00	1.37	110.10	1.04
Total	6,825.93	100.00	9,592.92	100.00	10,606.13	100.00

Revenue Bifurcation Geography-wise -*(Amt in Lakhs)*

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Domestic	517.46	7.58	2,184.33	22.77	2,915.24	27.49
Export	6,308.47	92.42	7,408.59	77.23	7,690.89	72.51
Total	6,825.93	100.00	9,592.92	100.00	10,606.13	100.00

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of type of project, total contract value, potential margins and location of the project. While service quality, technical ability, performance record, experience, health and safety records, the availability of skilled personnel and sufficiency of financial resources are key factors.
- Geographic Competition:** The company faces competition from international, national, regional and niche brands and unorganized players.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies -

- The company intends to continue to focus in enhancing project execution capabilities so as to derive twin benefits of client satisfaction and improvements in operating margins.
- The company intends to expand their client base in East and West Africa, South Asia and Southeast Asia, Eastern Europe and Eurasia, and Saudi Arabia.
- The company intends to focus more on pursuing large value and complex projects that fit their project selection process and risk management framework.

Risk Factors -

The company's significant portion of revenue is derived from top 10 customers which contributed to 89.46%, 86.83% and 69.10% for FY2022, 2023 and 2024 respectively.

The company is dependent on top 10 suppliers which contributed to 60.83%, 58.12% and 56.14% of the revenue generated for FY2024, 2023 and 2022 respectively.

The company's significant portion is derived from related party which contributed to 31.77%, 43.33% and 41.54% for FY2022, 2023 and 2024 respectively.

The company is highly dependent on pharmaceutical industry for revenue generation and contributed to 98.90%, 99.97% and 99.12% for FY2022, 2023 and 2024 respectively.

The company has filed 1 case regarding civil matters amounting to Rs. 50.11 lakhs and has 2 cases against it for R. 6.65 lakhs.

The promoters have 1 case against them for tax matter amounting to Rs. 15.17 lakhs.

The company had negative cash flow from operations for FY 2024, 2023 and 2022.

The company has contingent liabilities of Rs. 0.14 lakhs.

PEER ANALYSIS –

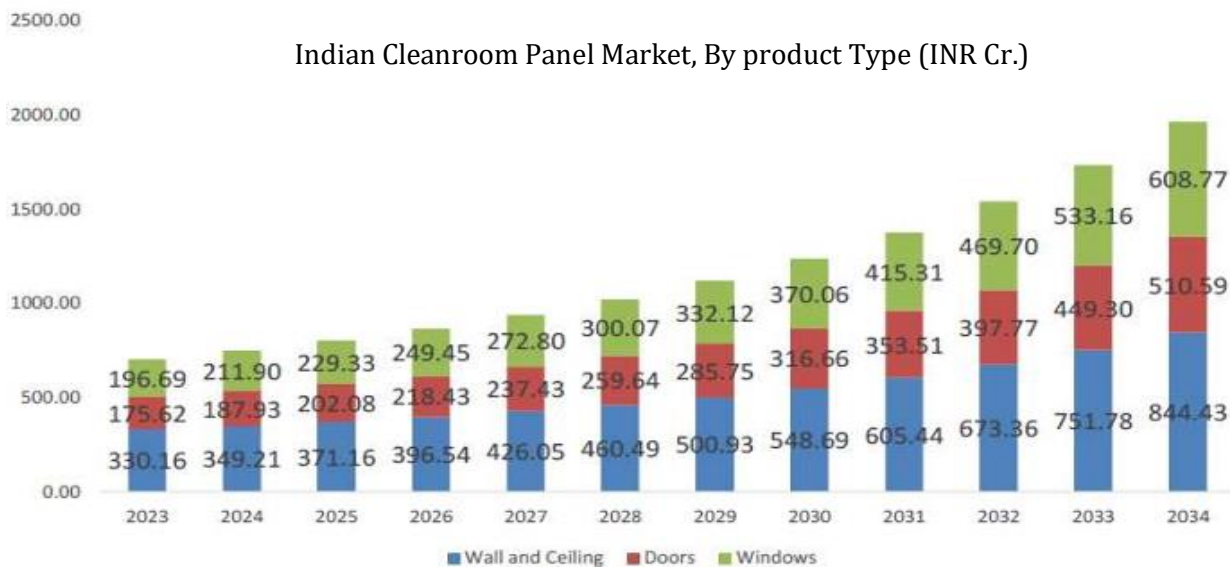
Particulars	HVAX Technologies Limited			Ahlada Engineers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	6.13%	5.42%	8.85%	3.40%	3.22%	5.25%
EBITDA Margin	10.09%	8.92%	13.04%	17.65%	16.10%	14.15%
RoCE	36.89%	38.37%	37.44%	9.07%	9.27%	16.94%
ROE	34.83%	30.24%	30.69%	4.23%	4.07%	9.93%
EPS (INR)	22.59	28.12	47.36	4.01	3.95	10.56
P/E	20.27	16.29	9.67	25.24	21.49	10.36

Interpretation –

- The company is not comparable to Ahlada Engineers on an apple-to-apple basis as they are involved in the manufacturing of steel doors and windows, shutters, panels, school furniture, drinking water systems and allied products which is different from the business operations of HVAX Technologies.
- The company’s market cap is slightly less compared to its peer.
- The cash conversion cycle of HVAX Technologies is less compared to Ahlada Engineers.
- The NP margin and EBITDA margin of the company has been slightly inconsistent for both.
- The RoCE and RoE of the company is high compared to its peer.
- The PE ratio of the company is less compared to its peer.

INDUSTRY OVERVIEW – Indian Clean Room Market

The India Cleanroom Panels Market is experiencing robust growth, driven by the need for contamination-free manufacturing environments across various industries. The adoption of advanced cleanroom solutions, increasing pharmaceutical and biotechnology activities, and the surge in electronics manufacturing are major growth drivers. The major players operating in the market focus on key market strategies such as mergers, product launches, acquisitions, collaborations, and partnerships.



(Source:RHP)

1. The Wall and Ceiling segment is witnessing a shift towards innovative materials that offer enhanced cleanliness and durability and the industry is expected to grow at a CAGR of 9.2% from Rs. 330.16 Cr in FY2023 to Rs. 844.43 Cr. in FY2034.
2. The door market in India is expected to grow at a CAGR of 10.5% from Rs. 175.62 Cr in FY2023 to Rs. 510.59 Cr. in FY2034.
3. The window market in the Cleanroom Panels market encompasses specially designed windows suitable for cleanroom environments. The segment is expected to grow at a CAGR of 11.1% from Rs. 196.69 Cr in FY2023 to Rs. 608.77 Cr. in FY2034.

Key Management -

- The overall management of the company is satisfactory.
- The promoter and management have decent experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- The CFO has 5+ years of experience in accounting and finance.



Key Management Persons Name - Age	Nirbhaynarayan Singh 46
Designation and No. of years of experience	Promoter, Chairman and Whole-Time Director, 10+ years of experience
Qualification	Bachelor of Engineering (Computer Engineering)
Responsibility	Currently looks after the day-to-day affairs contributes to the overall growth and expansion of the Company
Other Directorships	Pharind Pharmaceuticals Private Limited and PNX Enterprises LLP

Key Management Persons Name - Age	Prayagdatt Mishra 45
Designation and No. of years of experience	Promoter and Managing Director, 10+ years of experience
Qualification	Bachelor of Engineering (Electrical)
Responsibility	Responsible for the administrative affairs and contributes to the overall growth and expansion of the Company.
Other Directorship	Pharind Pharmaceuticals Private Limited and PNX Enterprises LLP

Key Management Persons Name - Age	Shiv Kumar Mittal 46
Designation and No. of years of Experience	Non-Executive Director, 10+ years of experience in the financial services industry
Qualification	Chartered Accountant
Other Directorship	Swift Technoplast Private Limited, Digilife Biz Solutions Private Limited and CFO Desk Services LLP

Key Management Persons Name - Age	Brinda Jitendrakumar Soni 29
Designation and No. of years of experience	Independent Director, 2+ years of experience in secretarial and company law related matters
Qualification	Bachelor of Commerce and Company Secretary
Other Ventures	Brinda Soni & Associates

Key Management Persons Name - Age	Renuka Kunal Bajaj 35
Designation and No. of years of experience	Independent Director, 9+ years of experience in the corporate governance and secretarial related matters
Qualification	Master of Commerce, Bachelor of Laws (Professional) and Company Secretary
Other Directorship	PM Cona Industries Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	6,825.93	9,592.92	10,606.13
Other Income	53.20	20.94	140.86
Total Income	6,879.13	9,613.86	10,746.99
Expenses			
Cost of Material and Services consumed	4,204.83	6,418.62	6,753.00
Employee Benefit Expenses	822.29	897.96	1,095.30
Finance Cost	62.69	70.35	157.65
Depreciation and Amortisation	121.56	107.24	107.27
Other expenses	1,109.95	1,420.69	1,375.11
Total Expenses	6,321.32	8,914.86	9,488.33
EBITDA	688.86	855.65	1,382.72
EBITDA Margin	10.09%	8.92%	13.04%
Profit/(Loss) before tax	557.81	699.00	1,258.66
Tax Expense			
Current tax	147.47	182.87	329.88
Deferred Tax	-7.81	-4.24	-10.29
Total Tax	139.66	178.63	319.59
Profit/(Loss) for the year	418.15	520.37	939.07
Net Profit Margin	6.13%	5.42%	8.85%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	61.69	61.69	68.16
Reserves and surplus	1,138.71	1,659.08	2,991.67
Total Equity	1,200.40	1,720.77	3,059.83
2. Non-current liabilities			
Long-term borrowings	306.14	192.41	253.92
Other long term liabilities	2.00	2.00	-
Long-term provisions	29.40	35.32	92.75
Total Non-current liabilities	337.54	229.73	346.67
3. Current liabilities			
Short-term Borrowings	703.89	1,499.80	2,183.37
Trade Payables			
(i) Total outstanding dues of MSME	394.68	517.15	269.75
(ii) Total outstanding dues of creditors other than MSME	453.16	422.89	330.42
Other Current Liabilities	2,279.08	3,398.70	109.27
Short-term provisions	18.03	36.55	67.01
Total Current liabilities	3,848.84	5,875.09	2,959.82
Total Liabilities	4,186.38	6,104.82	3,306.49
Total Equity and Liabilities	5,386.78	7,825.59	6,366.32
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	799.19	701.26	893.67
Intangible Assets	4.67	4.62	4.46
Non-Current Investments	41.05	71.52	36.97

Particulars	FY 22	FY 23	FY 24
Deferred Tax Assets (Net)	0.85	5.09	15.39
Other Non- current Assets	35.84	46.34	84.89
Total Non-Current assets	881.60	828.83	1,035.38
2. Current assets			
Inventories	1,494.50	2,002.64	2,009.35
Trade Receivables	1,975.86	3,248.26	2,490.60
Cash & Cash equivalents	645.04	871.41	467.07
Short-term loans and advances	82.86	451.59	16.50
Other Current Assets	306.92	422.86	347.42
Total Current assets	4,505.18	6,996.76	5,330.94
Total Assets	5,386.78	7,825.59	6,366.32

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-84.12	-362.46	-1,224.03
Net Cash Flow from Investing Activities	169.72	-23.00	-167.73
Net Cash Flow from Financing Activities	248.68	611.83	987.42

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	22.59	28.12	47.36	EV/EBITDA	2.27	2.97	3.64
BV per share	194.59	278.94	448.90	Market Cap / Sales	1.86	1.33	1.20
Operating Ratios				P/E	20.27	16.29	9.67
EBITDA Margins	10.09%	8.92%	13.04%	Price to Book Value	2.35	1.64	1.02
PAT Margins	6.13%	5.42%	8.85%	Solvency Ratios			
Inventory days	79.91	76.20	69.15	Debt / Equity	0.84	0.98	0.80
Debtor days	105.65	123.59	85.71	Current Ratio	1.17	1.19	1.80
Creditor days	57.11	49.53	32.41	Quick Ratio	0.78	0.85	1.12
Return Ratios				Asset Turnover	1.27	1.23	1.67
RoCE	36.89%	38.37%	37.44%	Interest Coverage Ratio	9.05	10.64	8.09
RoE	34.83%	30.24%	30.69%				

INTERPRETATION –

1. The top line had seen an increase in FY2023 by 41% and increase can be seen in FY2024 by 11%. The increase for both the years was mainly due to increase in domestic revenue and export revenue.
2. The net profit has increased over the years by 24.45% in FY2023 and 80.46% in FY2024. The sudden jump in FY2024 is because the other expenses slightly reduced and also the cost of materials consumed increase by a small margin compared to FY2023.
3. The PAT margin and EBITDA margin have been inconsistent over the years.
4. The RoCE and ROE have remained almost the same over the years.
5. The PE ratio has improved over the years.
6. The company had negative cash flow from operations for FY 2024, 2023 and 2022.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Fedex 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 –

Fedex Securities Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Naturewings Holidays Limited	7.03	74.00	Sep 10, 2024	60.00
2.	Boss Packaging Solutions Limited	8.41	66.00	Sep 06, 2024	70.45
3.	Broach Lifecare Hospital Limited	4.02	25.00	Aug 21, 2024	30.00
4.	Magenta Lifecare Limited	7.00	35.00	July 12, 2024	31.20
5.	Finelistings Technologies Limited	13.53	123.00	May 14, 2024	62.00
6.	Vruddhi Engineering Limited	4.76	70.00	April 03, 2024	218.45
7.	GConnect Logitech and Supply Chain Limited	5.60	40.00	April 03, 2024	73.18
8.	Mukka Proteins Limited	224.00	28.00	Mar 07, 2024	40.72
9.	Deem Roll Tech Limited	29.26	129.00	Feb 27, 2024	105.50
10.	Polysil Irrigation Systems Limited	17.44	54.00	Feb 16, 2024	29.20

The company has handled 28 mandates in the past three years (including the current year).

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

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

Recommendation -

HVAX Technologies Limited has been in the industry since 2010 and has good experience in the industry. The management overview of the company is satisfactory but the CFO of the company has 5+ years of experience.

The P/E on a post-IPO basis is around 13.54 times which makes it fairly priced compared to its peers PE.

The company's top line and bottom line has increased over the years and looks sustainable. The profitability margins have seen slight inconsistency over the years but that should not be a major concern as the peer has also seen similar trend. The cash conversion cycle of the company is low compared to its peer.

The company has a good order book of Rs. 15,364.47 lakhs. Also, the company has created a strong global presence over the years and significant portion of the company is derived from exports.

The industry is growing and the company caters to the needs of pharmaceutical industry which is growing rapidly as well.

Thus, investors can **APPLY** to this IPO.

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