



## IPO Note

# Rappid Valves (India) Limited

Recommendation: **NEUTRAL!**

### Company Background -

- **Incorporation:** Rappid Valves (India) Limited was originally formed and incorporated on May 24, 2002. The registered office is located at Thane, Maharashtra, India.
- **Business Model:** The company is an engineering company and is engaged in the manufacturing of Valve Solutions.
- **Revenue Stream:** The company does its operations in both B2B and B2G\* Government.
- The company had 47 employees as of June 30, 2024.

### Objects of the Issue -

- Funding the Capital expenditure for the purchase of new Plant and machinery and Software
- Expenditure for the renovation of the registered office and existing manufacturing unit
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company.
- Pursuing inorganic growth initiatives through acquisitions
- General Corporate Purposes.

### Promoters Name -

Gaurav Vijay Dalal

### Rationale for recommendation -

- ✓ The company is operating at a High P/E.
- ✓ The company's financial outlook is not very satisfactory
- ✓ The company has high concentration state-wise
- ✓ The company's bottom line does not look sustainable going forward.
- ✓ The company has had negative operating cash flow
- ✓ The management overview is not very satisfactory.

### IPO Details

Opening Date	Sep 23, 2024
Closing Date	Sep 25, 2024
Allotment Date	Sep 26, 2024
Listing Date	Sep 30, 2024
Stock Exchange	NSE SME
Lot Size	600 Shares
Issue Price Per Share	₹210 to ₹222
Issue Size	30.41 Cr.
Fresh Issue	30.41 Cr.
Offer for Sale	-
Application Amt	₹ 1,33,200 (600 shares)

### INDUSTRY - Valve Industry

P/E Average of Peers - 44.73 times

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,214.11	1,639.91	3,651.25
EBITDA	194.51	233.48	735.84
Net Profit	28.98	45.56	413.31
RoCE	85.14%	39.62%	47.79%
ROE	-	14.59%	33.82%
P/E	42.13	170.77	18.91

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
69.45%	51.13%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	11.74	7.96
BVPS	30.41	82.11
P/E	18.91	27.89
P/BV	7.30	2.70
Mkt Cap (In Cr)	84.85	115.26

### Lead Managers -

**Shreni Shares Limited**

### Registrar -

**Link Intime India Private Limited**

**Business Overview -**

Rappid Valves (India) Limited has been in the industry since 2002 and thus has vast experience. The company is an engineering company and is engaged in the business of manufacturing of valve solutions.

The company’s Product Portfolio is as follows –

**Valves** – It is a device or natural object that regulates, directs or controls the flow of fluid, gases, liquids, fluidized solids, or slurries by opening, closing or partially obstructing the passageways.

**Products** – Ball Valve, Gate Valve, Globe Valve, Butterfly Valve, Check Valve, Double Block Valve, Strainer Valve, and Marine Valve.

The company has seen a 36% contribution to the total operating revenue just from Ball Valves for FY 2024 with Gate, Glove, and Butterfly following behind with 19%, 15%, and 12% contributions respectively.

**Raw Material –**

The company heavily relies on metal casting, which serves as the primary raw material for the industrial valves. These castings, available in different grades of ferrous and non-ferrous materials, are sourced from foundries acting as suppliers.

**Portfolio Pictures –**



**Presence –**

The company currently operates in India and does Exports.

In India, the company has a presence in 18 states and 1 union territory. Other than this the company exports to Qatar and Colombo with very little contribution to the revenue but the company has not seen any revenue generation from exports for the FY ended 2024.

**Business Model –**

The company does both B2B and B2G\* Government. The percentage contribution for FY 2024 from these models were 98%, and 2% respectively.

**Manufacturing Facilities –**

The company operates with 1 unit located at Thane, Maharashtra.



The installed capacity of the company is 11,250 for FY 22, 22,000 for FY 23, and 29,625 for FY 24. The capacity utilization looked like 64.5%, 58.5%, and 85% for the FY ended 2022, 2023, and 2024 respectively.

**Revenue Bifurcation –**

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Ball Valves	539	44.36	469	28.60	1319	36.13
Gate Valves	426	35.06	577	35.18	676	18.52
Globe Valves	154	12.67	340	20.73	560	15.34
Butterfly Valves	40	3.29	59	3.60	431	11.80
Check Valves	42	3.46	132	8.05	242	6.63
Double Block Valves	-	-	-	-	206	5.64
Strainer Valves	-	-	-	-	57	1.56
Other Items	14	1.15	63	3.84	160	4.38
<b>Total</b>	<b>1,215.00</b>	<b>100.00</b>	<b>1,640.00</b>	<b>100.00</b>	<b>3,651.00</b>	<b>100.00</b>

### Net Proceeds Utilization –

The company's net proceeds utilization is provided below -

Particulars	Amount (In Lakhs)
Funding the Capital expenditure for the purchase of new Plant and Machineries and Software	Rs. 673.11
Expenditure for renovation of registered office and existing manufacturing unit	Rs. 38.88
Prepayment or repayment of all or a portion of certain outstanding borrowings availed	Rs. 1,050.00
Pursuing inorganic growth initiatives through acquisitions	Rs. 400.00
General Corporate Purposes	25% Of the Gross Proceeds

### Competition -

**Market Competition: Moderate**, the market is fragmented but competitive due to a mix of large entities and specialised manufacturers meeting stringent quality standards.

**Barriers to entry: High**, High technical expertise and stringent qualification criteria for maritime defence contracts limit the entry of new competitors.

**Bargaining Power of Suppliers: Moderate**, While the valve industry is fragmented, reliance on specialized components may give certain suppliers leverage in pricing.

**Bargaining Power of Buyers: High**, Shipyards impose strict requirements on quality and delivery timelines, giving them significant influence over suppliers

**Threat of Substitutes: Low**, the niche requirements and high standards in maritime defence reduce the availability of viable substitutes for specialized valves.

### Business Strategies -

- The company will continue to invest in the manufacturing capabilities by installing and accommodating new automated machines and other additional plant & machinery.
- The company believes that by ensuring the highest quality standards in the products through rigorous testing, the company can minimize defects and customer complaints.
- The company intends to set up sales offices in Dahej, Ahmedabad, Pune, and Noida which can help the company target customers in these regions more effectively.

### Risk Factors -

The company has had negative operating cash flow for the FY Ended 2023 and 2024.

The company's top 5 customers contributed to 96.50%, 87.60%, and 71.88% for the FY ended 2022, 2023, and 2024 respectively and the top 10 customers contributed to 99.80%, 90.90%, and 87.76% for the FY ended 2022, 2023, and 2024 respectively.

The company has certain outstanding litigations amounting to Rs. 26.9 lakhs.

The company's top 10 suppliers contributed to 68.67%, 79.66%, and 76.65% for the FY ended 2022, 2023, and 2024 respectively.

**PEER ANALYSIS**

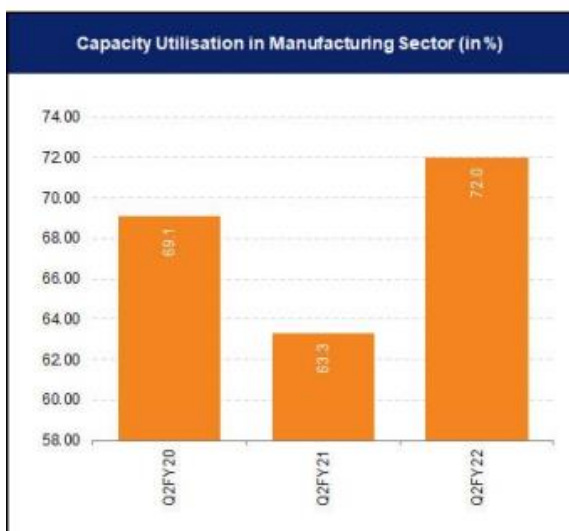
Particulars	Rappid Valves (India) Limited			Atam Valves Limited			Chemtech Industrial Valves Limited			Hawa Engineers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.39%	2.78%	11.32%	6.71%	15.55%	11.10%	-4.9%	13.0%	13.1%	1.5%	0.7%	1.5%
EBITDA Margin	16.02%	14.24%	20.15%	15.87%	22.64%	18.68%	15.1%	22.8%	19.4%	4.9%	4.5%	5.0%
RoCE	85.14%	39.62%	47.79%	17.58%	39.52%	28.66%	3.71%	17.90%	13.16%	12.9%	14.7%	17.5%
ROE	-117.61%	14.59%	33.82%	12.82%	30.64%	18.81%	-6.19%	23.11%	12.43%	6.5%	1.1%	6.9%
EPS (INR)	5.27	1.30	11.74	1.66	8.15	5.31	-0.50	2.42	3.19	3.15	1.99	5.08
P/E	42.13	170.77	18.91	34.94	23.34	31.49	-30.60	6.66	37.96	15.08	35.95	31.94

**Indian Manufacturing Industry -**

**Market Overview -**

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. The Indian manufacturing industry generated 16-17% of India’s GDP pre-pandemic and is projected to be one of the fastest growing sectors. The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market. opportunities for the electric bike market growth.

Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.



**Indian Valves Industry -**

The India Industrial Valves Market size is estimated at USD 2.41 billion in 2024, and is expected to reach USD

3.38 billion by 2029, growing at a CAGR of greater than 7% during the forecast period (2024-2029).

The COVID-19 pandemic negatively affected the market for industrial valves due to several restrictions imposed

by India's government. The pandemic affected the oil and gas, power, and chemicals sectors, impacting the industrial valve market. However, post-COVID-19, the market recovered significantly owing to the rising consumption of industrial valves in water treatment, oil and gas, chemical, and power applications.

**Indian Marine Valves Industry -**

The global marine actuators & valves market is experiencing a significant growth due to increase in marine trade activities. Marine actuators & valves enable the valve control mechanism that operates the flow through a valve. Marine valves are used in ships to control the liquid flow through ship’s piping and machinery system. Marine actuators are valve control system designed to convert different forms of energy into mechanical motion to open or close valve and capable of being operational in a marine vessel. Marine actuators & valves are used in various marine systems such as safety system, auxiliary system, and navigation system.

**Key Management -**



<b>Key Management Persons Name -</b>	<b>Gaurav Vijay Dalal</b>
<b>Age</b>	45
<b>Designation and No. of years of experience</b>	The Promoter, Chairman and Managing Director, an overall experience of 22 years in the field of the valve manufacturing industry.
<b>Qualification</b>	Bachelor's Program in Mechanical Engineering, Certificate of Diploma in Mechanical Engineering.
<b>Roles and Responsibility</b>	Strategic planning and customer relationship management.
<b>Other Directorships</b>	Manray Foundation

<b>Key Management Persons Name -</b>	<b>Lohiya Padma Madhusudan</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Non-Executive Director, 24 years of experience including 13 years of experience in teaching industry.
<b>Qualification</b>	Bachelor of Engineering degree, Master of Engineering Degree, Diploma in Multimedia Pro
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	currently working as an Interior Designer and photographer through her sole proprietorship named Studios Innovation

<b>Key Management Persons Name -</b>	<b>Dinesh Gopal Mundada</b>
<b>Age</b>	43
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 18 years of experience in corporate world and practice in accounting
<b>Qualification</b>	Practicing Chartered Accountant, Post Qualification Course in Information Systems Audit, completed a course on Concurrent audit of Banks.
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	DMKH Insolvency Resolution Services LLP, DMKH & Co LLP

<b>Key Management Persons Name -</b>	<b>Dayaram Paliwal</b>
<b>Age</b>	54
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 24 years of experience in audit and finances.
<b>Qualification</b>	Bachelor of Commerce degree, Fellow Member of the Institute of Chartered Accountants of India, Post Qualification Course
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,214.11	1,639.91	3,651.25
Other Income	1.13	3.51	8.81
<b>Total Income</b>	<b>1,215.24</b>	<b>1,643.42</b>	<b>3,660.06</b>
<b>Expenses</b>			
Cost of Material Consumed	924.68	1,373.94	2,998.44
Changes in Inventories of Stock in Trade	-27.00	-188.70	-335.88
Employee Benefit Expenses	48.10	63.06	103.09
Finance Cost	146.16	144.06	140.29
Depreciation and Amortization Expenses	20.49	30.15	51.34
Other expenses	73.82	158.13	149.76
<b>Total Expenses</b>	<b>1,186.25</b>	<b>1,580.64</b>	<b>3,107.04</b>
<b>EBITDA</b>	<b>194.51</b>	<b>233.48</b>	<b>735.84</b>
<b>EBITDA Margin</b>	<b>16.02%</b>	<b>14.24%</b>	<b>20.15%</b>
<b>Profit/(Loss) before tax</b>	<b>28.99</b>	<b>62.78</b>	<b>553.02</b>
<b>Tax Expense</b>			
Current tax	-	8.00	137.20
Earlier Year Tax	-	-	0.84
Deferred Tax	0.01	9.22	1.67
<b>Total Tax</b>	<b>0.01</b>	<b>17.22</b>	<b>139.71</b>
<b>Profit/(Loss) for the year</b>	<b>28.98</b>	<b>45.56</b>	<b>413.31</b>
<b>Net Profit Margin</b>	<b>2.39%</b>	<b>2.78%</b>	<b>11.32%</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	55.00	350.00	850.00
Reserves and surplus	-79.64	-37.79	371.98
<b>Total Shareholder's Fund</b>	<b>-24.64</b>	<b>312.21</b>	<b>1,221.98</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	219.73	181.53	187.09
Deferred Tax Liabilities (Net)	2.12	11.33	13.01
Long-term provisions	7.19	8.16	10.17
<b>Total Non-current liabilities</b>	<b>229.04</b>	<b>201.02</b>	<b>210.27</b>
<b>3. Current liabilities</b>			
Short-term borrowings	757.84	811.12	911.21
Trade Payables			
Total outstanding dues of MSME	88.90	9.05	149.84
Total outstanding dues of creditors other than MSME	134.27	235.62	220.87
Other Current Liabilities	30.90	83.66	168.04
Short-term provisions	1.29	4.07	112.20
<b>Total Current liabilities</b>	<b>1,013.20</b>	<b>1,143.52</b>	<b>1,562.16</b>
<b>Total Liabilities</b>	<b>1,242.24</b>	<b>1,344.54</b>	<b>1,772.43</b>
<b>Total Equity and Liabilities</b>	<b>1,217.60</b>	<b>1,656.75</b>	<b>2,994.41</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	374.28	441.59	659.74
Intangible Assets	9.13	8.82	7.94
Long term Loans and Advances	6.87	0.86	0.35
Other Non- current Assets	16.30	15.60	16.97
<b>Total Non-Current assets</b>	<b>406.58</b>	<b>466.87</b>	<b>685.00</b>
<b>2. Current assets</b>			
Inventories	459.84	699.43	1,158.06
Trade Receivables	262.83	326.90	832.21

# IPO Note –Rappid Valves (India) Limited

Recommendation: **NEUTRAL**

Particulars	FY 22	FY 23	FY 24
Cash & Cash equivalents	32.87	65.02	158.30
Short term loans and advances	17.00	55.13	45.50
Other Current Assets	38.48	43.40	115.34
<b>Total Current assets</b>	<b>811.02</b>	<b>1,189.88</b>	<b>2,309.41</b>
<b>Total Assets</b>	<b>1,217.60</b>	<b>1,656.75</b>	<b>2,994.41</b>

## Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	113.76	-42.79	-107.33
Net Cash Flow from Investing Activities	-3.66	-91.07	-264.76
Net Cash Flow from Financing Activities	-128.34	166.00	465.37

## 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	5.27	1.3	11.74	EV/EBITDA	4.73	5.31	2.94
BV per share	-4.48	8.92	30.41	Market Cap / Sales	9.49	7.03	3.16
<b><u>Operating Ratios</u></b>				P/E	42.13	170.77	18.91
EBITDA Margins	16.02%	14.24%	20.15%	Price to Book Value	-	24.89	7.30
PAT Margins	2.39%	2.78%	11.32%	<b><u>Solvency Ratios</u></b>			
Inventory days	138.24	155.67	115.77	Debt / Equity	-	3.18	0.90
Debtor days	79.02	72.76	83.19	Current Ratio	0.80	1.04	1.48
Creditor days	98.67	71.11	46.96	Quick Ratio	0.35	0.43	0.74
<b><u>Return Ratios</u></b>				Asset Turnover	1.00	0.99	1.22
RoCE	85.14%	39.62%	47.79%	Interest Coverage Ratio	1.19	1.41	4.88
RoE	-	14.59%	33.82%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Shreni Shares 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 –

**Shreni Shares Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Picture Post Studios Limited	18.72	24.00	August 09, 2024	34.6
2.	Dhariwalcorp Limited	25.15	106.00	August 08, 2024	142
3.	Prizor Viztech Limited	25.15	87.00	July 22, 2024	161
4.	Effwa Infra & Research Limited	51.27	82.00	July 12, 2024	282
5.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	43
6.	GSM Foils Limited	11.01	32.00	May 31, 2024	81.8
7.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	120
8.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	97.5
9.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	146
10.	Yash Optics & Lens Limited	53.15	81.00	April 08 2024	93

The company has handled 33 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 20<sup>th</sup> September 2024.

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



## Recommendation -

Rappid Valves Limited has been in the industry since 2002 and has vast experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO basis is around 27.89 times which makes it fairly priced by looking at the performance of the company and compared to its peer companies.

The company operates in a competitive and fragmented industry. The company has seen exponential growth in the top line and the bottom line of its financials but seems sustainable going forward due to extra units produced and sales to Marine, Ethanol and Shipbuilding increased. The company has good objectives planned for future growth.

Though the company's financial overview is neither satisfactory nor too good, the company has had negative operating cashflows and negative equity for different years making it a slightly unfavourable investment. The company has performed and followed the same trend as its peer companies. Slight concern towards the valuation, management and cash flow.

Thus, we have a **NEUTRAL** opinion of this IPO

## Disclaimer

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