



IPO Note

TechEra Engineering Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** TechEra Engineering Limited was originally formed and incorporated on October 03, 2018. The registered office is located at Pune, Maharashtra, India.
- **Business Model:** The company engaged in the design, manufacture, and supply of precision tooling, components for the aerospace and defence industries, and automation system solutions.
- **Product Portfolio:** The company's product portfolio includes assembly toolings, jigs, fixtures, maintenance, repair, and overhaul (MRO) toolings, ground support equipment, and precision machined components.
- The company had 177 fulltime employees excluding KMP as of September 17, 2024.

Objects of the Issue -

- Funding capital expenditure for the purchase of new machinery
- Funding working capital requirements of the Company
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company.
- General Corporate Purposes.

Promoters Name -

Nimesh Rameshchandra Desai, Meet Nimesh Desai, Kalpana Nimesh Desai

Rationale for recommendation -

- ✓ The company is relatively fairly priced
- ✓ The company operates in a growing industry
- ✓ The company has good objectives of the IPO
- ✓ The financials look sustainable going forward
- ✓ The promoter overview is satisfactory
- ✓ The company operates in industries such as Defence and Aerospace which has seen a growth and is expected to grow at a CAGR of 8.2%.

IPO Details

Opening Date	Sep 25, 2024
Closing Date	Sep 27, 2024
Allotment Date	Sep 30, 2024
Listing Date	Oct 03, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹75 to ₹82
Issue Size	35.90 Cr.
Fresh Issue	35.90 Cr.
Offer for Sale	-
Application Amt	₹ 1,31,200 (1,600 shares)

INDUSTRY - Manufacturing Industry

P/E Average of Peers - 84.98 times

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	717.80	2,643.44	3,874.88
EBITDA	-376.63	409.05	868.60
Net Profit	-628.70	130.50	482.25
RoCE	-36.07%	13.43%	30.83%
ROE	-64.29%	11.78%	30.33%
P/E	-	13.25	19.81

Promoter Share Holding Pattern

Pre-Issue	Post Issue
57.48%	42.25%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.14	2.92
BVPS	39.58	31.35
P/E	19.81	28.09
P/BV	2.07	2.62
Mkt Cap (In Cr)	99.58	135.47

Lead Managers -

SKI Capital Services Limited

Registrar -

Kfin Technologies Limited

Business Overview -

TechEra Engineering Limited was incorporated in the year October 2018 thus a relatively new company. The company is engaged in the operation of design, manufacture, and supply of precision tooling and components.

Products: Assembly tooling, jigs, fixtures, maintenance, repair and overhaul (MRO) Tooling, Ground Support Equipment and Precision Machined Components.



Industries Served: Aerospace, defence Industries and Automation System Solutions.

Manufacturing Facility:

The company has a registered office and manufacturing facility located in Bhor, Pune, Maharashtra.

The company’s major raw materials include Metals and Alloys, Composites, Plastics and Polymers, Fasteners and Adhesives, Lubricants and Coatings, and Rubber and Elastomers.

Capacity Utilization:

The company believes quantifying capacity and its utilization in a traditional sense is challenging, as the company does not operate within the confines of manufacturing standardized products.

Product Portfolio:



Assembly Jigs



Fancowl Assembly

Financial Performance:

The company has seen a sudden surge in the revenue generated during the FY ended 2024. The sudden surge is justified by the Aerospace and Automation sector due to the completion of contracts and an increase in the contribution towards export sales by 11.97%.

Reasons for Increase in the Net Profit –

The company had seen a decrease in the cost of material consumed for FY 2024 by 33.23%. The reason is the reduction in trial-and-error costs included in FY 2023.

Automation Sector: This sector/segment of the company is more of a service vertical. The company had focused more on service-driven projects indicating less material usage.

Aerospace Sector: The company had an increase in revenue due to the repeat customers with learning curve benefits and cost savings in areas like Prototypes, and Sampling.

Net Proceeds Utilization –

The company’s net proceeds utilization is provided below -

Particulars	Amount (In Lakhs)
Funding capital expenditure for the purchase of new machinery	Rs. 2,000
Funding working capital requirements of the Company	Rs. 600
Prepayment or repayment of a portion of certain outstanding borrowings	Rs. 500
General Corporate Purposes	25% Of the Gross Proceeds

Competition -

Market Competition: High, Intense global competition with established players, including public sector undertakings and private firms, vying for contracts and exports.

Barriers to entry: High, Government incentives and reforms promote private participation, but high entry barriers exist due to technical expertise and capital requirements.

Bargaining Power of Suppliers: Moderate, Suppliers with specialized materials or technology can exert some influence, but competition among suppliers tempers this power.

Bargaining Power of Buyers: High, Defence procurement is centralized, and customers can be price-sensitive, particularly in recession periods, leading to strong negotiating power

Threat of Substitutes: Low, High-precision and mission-critical components have limited substitutes due to stringent quality and technological standards.

SWOT Analysis -

Strengths -

- Investment in advanced manufacturing technologies, including 5-axis machining and augmented reality/virtual reality for design visualization

Weakness -

- Reliance on the aerospace and defence sectors may pose risks should these industries experience downturns.

Opportunity -

- Advancements in Industry 4.0, IoT, and automation present opportunities for revenue growth and operational efficiency improvements.

Threats -

- International relations and defence policies may influence demand for aerospace and defence products, affecting business operations.

Risk Factors -

The company's top 10 customers contributed to 94.39%, 87.73%, and 91.75% for FY Ended 2022, 2023, and 2024 respectively.

The company's top 5 suppliers contributed to 48.69%, 64.53%, and 59.51% for FY Ended 2022, 2023, and 2024 respectively.

The company has had loss during the FY Ended 2022.

The company has had negative operating cash flow for the FY ended 2022, and 2023.

PEER ANALYSIS

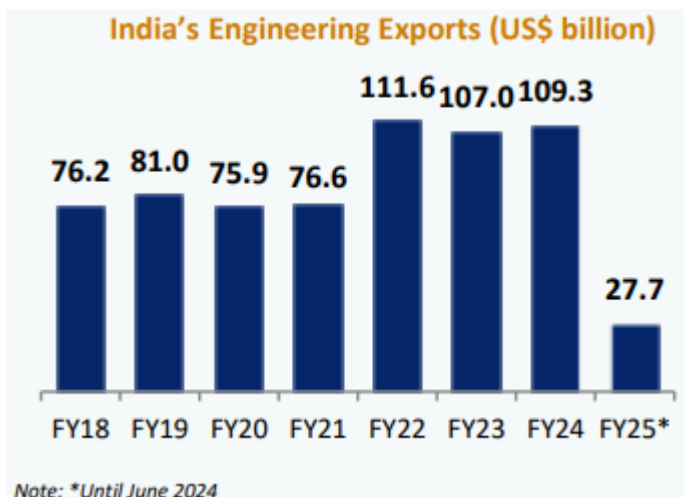
Particulars	TechEra Engineering (India) Limited			Paras Defence and Space Technologies Limited			Azad Engineering Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	-87.59%	4.94%	12.45%	14.59%	15.63%	12.25%	14.8%	3.2%	15.7%
EBITDA Margin	-52.47%	15.47%	22.42%	29.87%	28.55%	23.58%	33.7%	31.4%	39.9%
RoCE	-36.07%	13.43%	30.83%	11.21%	12.48%	10.31%	20.96%	14.86%	18.32%
ROE	-64.29%	11.78%	30.33%	7.16%	8.73%	7.21%	24.55%	4.16%	9.08%
EPS (INR)	-40.49	6.19	4.14	7.86	9.25	8.22	32.45	8.93	16.97
P/E	-2.03	13.25	19.81	81.92	50.85	74.43	-	-	80.60

Indian Engineering Industry -

Market Overview -

India’s Capital Goods manufacturing industry serves as a strong base for its engagement across sectors such as Engineering, Construction, Infrastructure and Consumer goods, amongst others.

The engineering sector is the largest of the industrial sectors in India. It accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations. Demand for engineering sector services is being driven by capacity expansion in industries like infrastructure, electricity, mining, oil and gas, refinery, steel, automobiles, and consumer durables. India has a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors. India’s engineering sector has witnessed a remarkable growth over the last few years, driven by increased investment in infrastructure and industrial production.



Source: ibef.org

Indian Defence Manufacturing Industry -

India is one of the world’s biggest defence spenders with a total outlay of Rs. 5.25 lakh crore (US\$ 66 billion), accounting for 13.31% of the total budget and indicating an increase over the budget estimates of 2021-22 by Rs. 46,970 crore (US\$ 5.9 billion).

The value of defence production in the country crossed Rs. 1 lakh crore (US\$ 12 billion) for the first time on the back of key reforms to spur growth in the sector that holds vast potential. The figure stood at Rs. 1,08,330 crore (US\$ 13.07 billion) in FY23 compared to Rs. 95,000 crore (US\$ 11.47 billion) in FY22 and Rs. 54,951 crore (US\$ 6.63 billion) five years ago.

Indian Aviation Industry -

India is expected to overtake China and the United States as the world's third-largest air passenger market in the next ten years, by 2030, according to the International Air Transport Association (IATA). Further, the rising demand in the sector has pushed the number of airplanes operating in the sector. The number of airplanes is expected to reach 1,100 planes by 2027.

During April-October 2023, the domestic passenger traffic stood at 175.42 million, registering a 19.4% increase, and international passenger traffic stood at 38.55 million, a 26.2% increase, as compared to the same period the previous year.

In FY23, airports in India pegged the domestic passenger traffic to reach 270.34 million, a 62.1% YoY increase, and international passenger traffic to reach 56.9 million, a 157% YoY increase, as compared to FY22.

Key Management -

Key Management Persons Name -	Nimesh Rameshchandra Desai
Age	45
Designation and No. of years of experience	Promoter and Managing Director, with three decades of experience.
Qualification	B.E. Mechanical.
Roles and Responsibility	Overseeing and directing various functions to ensure the organization's overall success.
Other Directorships	-
Key Management Persons Name -	Kalpana Nimesh Desai
Age	56
Designation and No. of years of experience	Promoter and Non-Executive Director has over 9 years of diverse industry experience.
Qualification	Diploma in Education.
Roles and Responsibility	Handling decisions related to HR policies.
Other Ventures	-
Key Management Persons Name -	Manish Gupta
Age	52
Designation and No. of years of experience	Independent Director, with 25 years of experience in business coaching and consulting.
Qualification	Double graduate, Honorary Doctorate in Business Management.
Roles and Responsibility	-
Other Directorships	Beyond Entrepreneurship Private Limited, Chrysalis Private Limited.
Key Management Persons Name -	Haridas Nilkanth Bhabad
Age	49
Designation and No. of years of experience	Independent Director, 25 years of professional experience, including 14 years in finance advisory.
Qualification	Diploma in Electronics and Telecommunication Engineering, postgraduate diploma in Management (Executive).
Roles and Responsibility	-
Other Directorships	HSR Finserv Private Limited, Beyond Entrepreneurship Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	717.80	2,643.44	3,874.88
Other Income	18.94	15.69	32.78
Total Income	736.74	2,659.13	3,907.66
Expenses			
Cost of Material Consumed	258.60	1,540.67	1,298.49
Changes in Inventories of Stock in Trade	78.98	-223.19	170.39
Employee Benefit Expenses	335.52	465.32	733.55
Finance Cost	78.19	106.90	150.92
Depreciation and Amortization Expense	190.88	183.49	192.62
Other expenses	421.33	451.59	803.85
Total Expenses	1,363.50	2,524.78	3,349.82
EBITDA	-376.63	409.05	868.60
EBITDA Margin	-52.47%	15.47%	22.42%
Profit/(Loss) before tax	-626.76	134.35	557.84
Tax Expense			
Current tax	-	-	83.19
Deferred Tax	1.94	3.85	-7.60
Total Tax	1.94	3.85	75.59
Profit/(Loss) for the year	-628.70	130.50	482.25
Net Profit Margin	-87.59%	4.94%	12.45%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1,380.07	1,380.07	1,214.33
Reserves and surplus	-402.23	-271.85	375.81
Total Shareholder's Fund	977.84	1,108.22	1,590.14
2. Non-current liabilities			
Long-term borrowings	565.07	531.43	553.84
Deferred Tax Liabilities (Net)	12.38	16.23	8.64
Long-term provisions	17.89	23.24	40.18
Total Non-current liabilities	595.34	570.90	602.66
3. Current liabilities			
Short-term borrowings	321.98	845.67	876.14
Trade Payables			
Total outstanding dues of MSME	149.26	304.73	236.63
Total outstanding dues of creditors other than MSME	30.53	793.06	130.21
Other Current Liabilities	61.24	298.51	236.34
Short-term provisions	0.04	0.06	51.75
Total Current liabilities	563.05	2,242.03	1,531.07
Total Liabilities	1,158.39	2,812.93	2,133.73
Total Equity and Liabilities	2,136.23	3,921.15	3,723.87
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	787.21	851.83	851.17
Intangible Assets	12.78	5.34	21.63
Capital Work-In-Progress	21.17	233.12	266.19
Non-current investments	0.02	0.02	83.34
Long term Loans and Advances	286.79	43.75	35.27
Other Non-current Assets	1.76	23.86	62.18
Total Non-Current assets	1,109.73	1,157.92	1,319.78
2. Current assets			
Inventories	209.32	355.97	210.03
Trade Receivables	234.99	1,928.30	1,741.89

Particulars	FY 22	FY 23	FY 24
Cash & Cash equivalents	451.55	262.06	221.39
Short term loans and advances	128.97	212.63	211.76
Other Current Assets	1.67	4.27	19.02
Total Current assets	1,026.50	2,763.23	2,404.09
Total Assets	2,136.23	3,921.15	3,723.87

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-695.40	-117.69	404.27
Net Cash Flow from Investing Activities	-211.92	-663.38	-316.19
Net Cash Flow from Financing Activities	1,282.80	395.41	-92.23

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	-40.49	6.19	4.14	EV/EBITDA	-	5.44	3.22
BV per share	177.79	31.66	39.58	Market Cap / Sales	18.87	5.12	3.50
<u>Operating Ratios</u>				P/E	-	13.25	19.81
EBITDA Margins	-52.47%	15.47%	22.42%	Price to Book Value	0.46	2.59	2.07
PAT Margins	-87.59%	4.94%	12.45%	<u>Solvency Ratios</u>			
Inventory days	106.44	49.15	19.78	Debt / Equity	0.91	1.24	0.90
Debtor days	119.49	266.26	164.08	Current Ratio	1.82	1.23	1.57
Creditor days	214.29	273.67	101.21	Quick Ratio	1.45	1.07	1.43
<u>Return Ratios</u>				Asset Turnover	0.34	0.67	1.04
RoCE	-36.07%	13.43%	30.83%	Interest Coverage Ratio	-7.26	2.11	4.48
RoE	-64.29%	11.78%	30.33%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is SKI Capital Services 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 –

SKI Capital Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Macobs Technologies Limited	19.46	100.80	July 24, 2024	134

The company has handled 01 mandate in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 24th September 2024.

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

Recommendation -

TechEra Engineering Limited has been in the industry since 2018 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 28.09 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 industry in which the company operates has seen an increase and looks to grow in the future. The company has had a loss during FY 2022 but has recovered well and is sustainable going forward. There is slight concern regarding the Post-Issue P/E of promoters holding but other than that the company looks like a good investment along with good objectives going forward which may drive future growth.

Thus, we have a **APPLY** opinion of this IPO.

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