



IPO Note

OBSC Perfection Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** OBSC Perfection Limited was originally incorporated in the year 2017. The registered office is located at South Delhi, India.
- **Business Model:** The company is a precision metal component manufacturer offering a diversified suite of precision engineering products.
- **Industries Served:** The company primarily cater to top original equipment manufacturers ("OEMs"). In non-automotive sector, company caters to manufacturers of Defence, Marine & Telecommunication Infrastructure industries.
- The company had 91 permanent employees, and 644 contract labours as of September 30, 2024.

Objects of the Issue -

- Funding capital expenditure requirements towards the purchase of machinery for the existing manufacturing facilities.
- Funding Working Capital Requirements.
- General Corporate Purposes.

Promoters Name -

Saksham Leekha, Ashwani Leekha, Sanjeev Verma, Rajni Verma, Asha Narang, Sandeep Narang, Richard Blum, Adrienne Blum, Pascal Blum, Simon Blum, Omega Bright Steel and Components Private Limited, Omega Bright Steel Private Limited, Ess U Enterprises Private Limited and Bluwat Ag.

Rationale for recommendation -

- ✓ The company's P/E is fairly priced.
- ✓ The company has had positive operating cash flow.
- ✓ The company has good objectives.
- ✓ The management overview is satisfactory.
- ✓ The company has good strategies.
- ✓ The company is a part of Anglian Omega Group.
- ✓ The company has a good geographical presence.
- ✓ The company is expanding its capacity.
- ✓ The company has seen a consistency in the growth of its top line and bottom line over the years.
- ✓ The company has performed better than its peers in the aspect of bottom-line margins.

IPO Details

Opening Date	Oct 22, 2024
Closing Date	Oct 24, 2024
Allotment Date	Oct 25, 2024
Listing Date	Oct 29, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹95 to ₹100
Issue Size	66.02 Cr.
Fresh Issue	66.02 Cr.
Offer for Sale	-
Application Amt	₹ 1,20,000 (1,200 shares)

INDUSTRY - Auto Components Industry P/E Average of Peers - 22.18 times

*Annualised	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Aug-24
Revenue	5,653.41	9,635.85	11,503.0	5,652.6
EBITDA	708.38	973.80	2,076.09	984.69
Net Profit	360.11	457.38	1,221.19	603.06
RoCE	18.46%	20.07%	31.48%	11.20%
ROE	27.11%	25.61%	40.61%	16.70%
P/E	49.50	39.06	14.62	29.59*

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100%	73%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.84	4.99
BVPS	16.85	45.27
P/E	14.62	20.02
P/BV	5.94	2.21
Mkt Cap (In Cr)	178.50	244.52

Lead Managers -

Unistone Capital Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

OBSC Perfection Limited was incorporated in the year 2017. The company is a precision metal component manufacturer offering a diversified suite of precision engineering products. The company primarily cater to top original equipment manufacturers (“OEMs”). The company also has an international presence through export sales.

Product Portfolio -

The company manufactures a wide range of precision metal components including but not limited to cut blanks, shafts / spline shafts, torsion rods, piston rods, rack bar semi-finished, pinion, drive shafts, gear shifters, cable end fittings, sensor boss, sleeves, push plate, hubs, housing – brass and aluminium, fork bolt, fasteners, connectors, ball pin, ball pin housing, flange, male female ring, dozing adapter, housing for a diversified base of customers. As on Oct 16, 2024, they have a product portfolio of 24 products.



Piston Rods

Turned Fitting

Nut Fasteners

Order Book -

The company fulfils the customer orders through an order book and nomination letter basis. The company currently has **Rs. 2,805.41 lakhs**. The commercial production for these nominated products may begin in 6 months to 3 years down the line and currently has received nomination letters for **Rs. 35,993 lakhs**.

Industries Served -

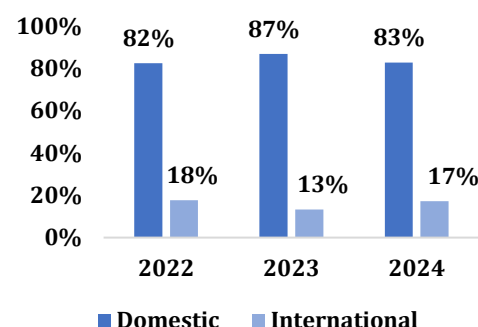
Industry	Automotive	Defence	Marine	Telecommunication
Customers	OEM's	Direct	Direct	Direct
Products Used in	Exhaust Systems Braking Systems Steering Systems Suspension Systems	Ammunition Fuzes	Mechanical Cables Steering Systems	Antenna

Revenue Bifurcation as per Industry-wise and Geography-wise is provided below

Industry Wise Bifurcation -

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Automotive	4,648.26	82.22	8,746.35	90.77	10,699.29	93.01
Defence	-	-	0.64	0.01	28.74	0.25
Marine	1,005.15	17.78	888.86	9.22	771.51	6.71
Telecommunication	-	-	-	-	3.49	0.03
Total	5,653.41	100	9,635.85	100	11,503.03	100

Geography-wise



Manufacturing Facility -

The company has 4 manufacturing facilities. Unit I is located Nanekarwadi Pune, Unit II is located in Chakan Pune, Unit III is located in Chennai and Unit IV is located in Pune.

Unit I - Machined Components - 88.7%, 88.7%, 88.7% for three financial years from 2022 - 2024

Unit II - Investment Casting - 60%, and 60% for FY 2023 and 2024 respectively.

Machined Components - 90%, and 83% for FY 2023 and 2024 respectively.

Unit III - Machined Components - 72% for FY 2024.

Unit IV - Commercial Production is yet to begin.

Anglian Omega Group -

The company is a part of Anglian Omega Group which began operations in 1969. Since then, the group has expanded and diversified into various sectors, including electric mobility, high-tech auto components, infrastructure, supply chain management services, trading, and sports.

Net Proceeds Utilization -

The company is raising total gross proceeds of Rs. 66.02 Cr. Net Proceeds will be utilised as per the table provided below -

Particulars	Amount To Be Utilized
Funding capital expenditure requirements towards the purchase of machinery for the existing manufacturing facility ("Unit III")	Rs. 1,542.00 Lakhs
Funding capital expenditure requirements towards purchase of machinery for the existing manufacturing facility ("Unit IV")	Rs. 1,517.00 Lakhs
Funding working capital requirements	Rs. 1,666.00 Lakhs
General corporate purpose	Not more than 25% of the Gross Proceeds

The company is purchasing various types of equipment in the Unit III Facility (i) CNC Lathe machine; (ii) CNC Vertical Machining Center; (iii) CNC Turnmill Centre; and (iv) CNC Centreless Grinding Machine. The existing installed capacity is 18,16,000 nos and proposed capacity will be 35,00,000 Nos. and the total capacity will be 53,16,000 Nos.

The company is investing in new machinery for Unit IV and the civil and structural work is completed and the company is utilising its net proceeds for purchasing the necessary machinery to commence commercial production of precision engineering components.

Competition -

Market Competition: High, the market is fragmented with both organized and unorganized players competing at national and regional levels, intensifying the rivalry.

Barriers to entry: Moderate, Low entry barriers and the potential for new competitors, especially in unorganized sectors, heighten the risk of new entrants.

Bargaining Power of Suppliers: Moderate, the power of suppliers is balanced as access to skilled labor and raw materials is critical, but competitors can switch to other suppliers if needed.

Bargaining Power of Buyers: High, Buyers have strong bargaining power due to the availability of numerous competitors and similar product offerings, increasing pricing pressure.

Threat of Substitutes: Low, there are limited direct substitutes for precision metal components, but alternative materials or processes may offer competition in specific use cases.

Strategies -

- The company aims to continue investing in the existing manufacturing facilities to build new capabilities to support the production of the portfolio of products.
- The company aims to strengthen its core capabilities by expanding its production capacity.
- The company intends to establish a manufacturing facility in Sanand, Gujarat, a prominent auto hub in India.
- The company has recently ventured into manufacturing precision clamping solutions and manufacturing and distributing speciality collets and guide bushes specifically designed for Swiss turning machines, multi-spindle lathes, and other equipment requiring high-performance components and bar clamping mechanisms.
- The company plans to launch the above products through its brand AlphaSeiki globally through a well-established network of dealers in Europe and the USA,

Risk Factors -

The company's top 10 customers contributed 57.13%, 65.54%, 60.94% and 61.10% in the period ended August 31, 2024, and the Fiscal 2024, 2023 and 2022 respectively.

The company, directors, and promoters have certain litigations pending amounting to Rs. 41.7 lakhs.

PEER ANALYSIS

Particulars	OBSC Perfection Limited			RACL Geartech Limited			Talbro's Automotive Component Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	6.37%	4.75%	10.62%	8.70%	10.18%	9.49%	7.54%	8.33%	12.95%
EBITDA Margin	12.53%	10.11%	18.05%	22.18%	24.71%	24.47%	15.29%	15.80%	21.88%
RoCE	18.46%	20.07%	31.48%	20.71%	26.64%	22.90%	21.10%	20.88%	27.23%
ROE	27.11%	25.61%	40.61%	18.20%	22.34%	19.24%	14.87%	15.12%	20.47%
EPS (INR)	2.02	2.56	6.84	22.19	34.70	36.54	7.27	3.00	5.94
P/E	49.50	39.06	14.62	27.09	26.25	32.34	12.96	27.28	43.86

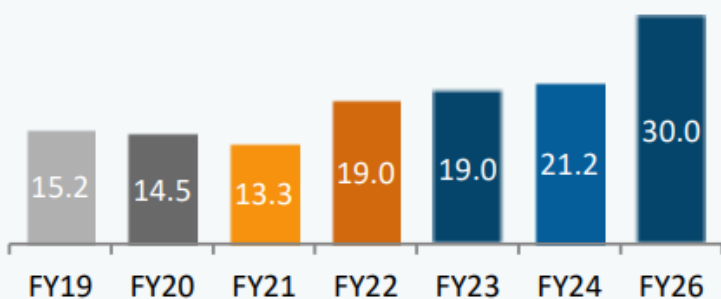
Indian Auto Components Sector -

Market Size -

India’s auto components industry’s market share has significantly expanded, led by increasing demand for automobiles by the growing middle class and exports globally. Due to the Oz670 growth in demand for Indian auto components, several Indian and international players have entered the industry. India’s auto component industry is broadly classified into organised and unorganised sectors. While the unorganised sector consists of low-valued items and mostly serves the aftermarket category, the organised sector serves OEMs and includes high-value precision instruments.

The automobile component industry turnover stood at Rs. 6.14 lakh crore (US\$ 74.1 billion) during FY24, registering a revenue growth of 9.8% as compared to FY23. Domestic OEM supplies contributed ~54% to the industry’s turnover, followed by domestic aftermarket (~10%) and exports (~18%), in FY24. The component sales to OEMs in the domestic market grew by 8.9% to Rs. 5.18 lakh crore (US\$ 62.4 billion). The aftermarket for auto components grew by 10.0% during FY24 reaching Rs. 9.38 lakh crore (US\$ 11.3 billion). Over FY16 to FY24, the automotive components industry registered a CAGR of 8.63%, reaching US\$ 74.1 billion in FY24.

Value of Auto Component Export (US\$ billion)



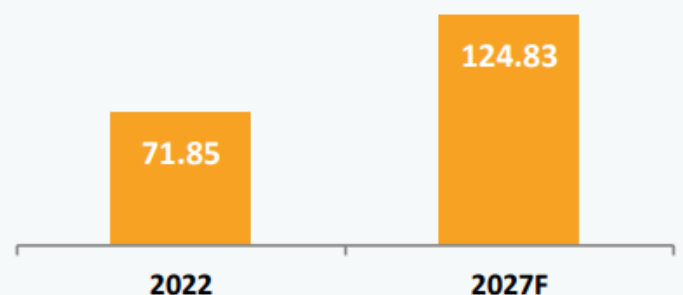
Indian Engineering Sector -

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.

Imports of Electrical Machinery in India increased to US\$ 12.30 billion in FY24. The Indian electrical equipment industry comprises of two broad segments, Generation equipment (boilers, turbines, generators) and Transmission & Distribution (T&D) and allied equipment like transformers, cables, transmission lines, etc. The sector contributes about 8% to the manufacturing sector in terms of value, and 1.5% to overall GDP. Incentives for capacity addition in power generation will further increase the demand for electrical machinery.

The Indian industrial fasteners market was valued at US\$ 9,064 million in 2022 and is projected to reach US\$ 17,868 million by 2030, registering a CAGR of 7.9% during the forecast period (2023-2030)

Electrical Equipment market (US\$ billion)



Key Management -

Key Management Persons Name -	Asha Narang
Age	79
Designation and No. of years of experience	Promoter, Non-Executive Director and Chairperson, 50 years of experience in the Steel & Auto Components industry
Qualification	Bachelor of Arts degree
Roles and Responsibility	-
Other Directorships	Gopalsons Steels Private Limited, Omega Special Steels Private Limited, etc
Key Management Persons Name -	Saksham Leekha
Age	35
Designation and No. of years of experience	Promoter and Managing Director, associated with the company since its inception
Qualification	Degree in Bachelor of Technology (Computer Science and Engineering)
Roles and Responsibility	New product development, infusion and upgradation of technology in operations and production process
Other Directorships	Akshat Alloys Private Limited
Key Management Persons Name -	Ashwani Leekha
Age	57
Designation and No. of years of experience	Promoter and Executive Director, experience of more than 35 years in the field of precision engineering and plant operations
Qualification	Bachelor of Commerce degree
Roles and Responsibility	Overseeing plant operations and process improvements
Other Directorships	Akshat Alloys Private Limited
Key Management Persons Name -	Sanjeev Verma
Age	66
Designation and No. of years of experience	Promoter, Executive Director and Chief Financial Officer, 35 years of experience in bright bar manufacturing, marketing and finance
Qualification	Bachelor of Science
Roles and Responsibility	Heads the expansion in Chennai and the development of the South India market
Other Directorships	Omega Pathlab Private Limited, Ease My Home Services Private Limited, etc
Key Management Persons Name -	Ravikumar Ramniranjan Khandelwal
Age	65
Designation and No. of years of experience	Independent Director, more than 48 years of experience in the fields related to Business Development to Manufacturing.
Qualification	Bachelor's degree in commerce
Roles and Responsibility	-
Previous Ventures	Suprajit Engineering Limited, and Shah Udyog
Key Management Persons Name -	Pradeep Harikishan Chabra
Age	67
Designation and No. of years of experience	Independent Director, 40 years of experience in the automotive sector
Qualification	Master's degree in commerce
Roles and Responsibility	-
Previous Ventures	Acey Engineering Private Limited and Shah Concab Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug-24
Revenue from Operations	5,653.41	9,635.85	11,503.03	5,652.60
Other Income	19.01	55.18	108.38	47.56
Total Income	5,672.42	9,691.03	11,611.41	5700.16
Expenses				
Consumption and Manufacturing Expenses	4,546.13	7,328.24	6,966.78	3,693.60
Purchases - Finished and Traded Goods	242.14	802.33	1,979.67	721.35
Changes in Inventories of finished goods, work-in-progress	-251.63	-153.94	-411.34	-221.59
Employee Benefit Expenses	154.39	275.04	427.75	204.85
Finance Cost	149.34	183.99	268.88	125.87
Depreciation and Amortization Expense	145.89	214.38	272.53	143.83
Other expenses	254.00	410.38	464.08	222.40
Total Expenses	5,240.26	9,060.42	9,968.35	4,890.31
EBITDA	708.38	973.80	2,076.09	984.69
EBITDA Margin	12.53%	10.11%	18.05%	17.42%
Profit/(Loss) before tax	432.16	630.61	1,643.06	809.85
Tax Expense				
Current tax	10.00	130.00	384.00	182.00
Excess/Provision Written back/off	-0.03	9.25	-0.20	-
Deferred Tax	62.08	33.98	38.07	24.79
Total Tax	72.05	173.23	421.87	206.79
Profit/(Loss) for the year	360.11	457.38	1,221.19	603.06
Net Profit Margin	6.37%	4.75%	10.62%	10.58%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1,190.00	1,190.00	1,785.00	1,785.00
Reserves and surplus	138.47	595.89	1,222.10	1,825.15
Total Shareholder's Fund	1,328.47	1,785.89	3,007.10	3,610.15
2. Non-current liabilities				
Long-term borrowings	1,636.80	1,881.76	2,559.65	3,708.02
Deferred Tax liability	81.78	115.75	153.83	178.62
Long Term Provisions	-	-	7.76	7.76
Total Non-current liabilities	1,718.58	1,997.51	2,721.24	3,894.40
3. Current liabilities				
Short-term Borrowings	260.74	1,458.72	1,587.60	1,259.81
Trade Payables				
(i) Total outstanding dues of MSME	723.44	552.56	593.04	357.54
(ii) Total outstanding dues of creditors other than MSME	676.25	977.81	566.18	1,508.54
Other Current Liabilities	136.19	229.12	108.96	226.87
Short-term provisions	3.81	-85.60	66.48	209.07
Total Current liabilities	1,800.43	3,132.61	2,922.26	3,561.83
Total Liabilities	3,519.01	5,130.12	5,643.50	7,456.23
Total Equity and Liabilities	4,847.48	6,916.01	8,650.60	11,066.38
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	2,211.26	3,030.37	4,082.66	4,130.23
Capital Work-In-Progress	168.40	490.20	218.08	958.26

Particulars	FY 22	FY 23	FY 24	Aug-24
Long term loans and advances	42.92	71.74	99.99	103.41
Total Non-Current assets	2,422.58	3,592.31	4,400.73	5,191.90
2. Current assets				
Inventories	677.41	861.91	1,490.56	1,858.93
Trade Receivables	1,558.10	1,996.70	2,152.94	3,481.95
Cash & Cash equivalents	39.49	60.51	58.41	80.13
Short term loans and advances	148.90	404.58	547.96	453.47
Other Current Assets	1.00	-	-	-
Total Current assets	2,424.90	3,323.70	4,249.86	5,874.47
Total Assets	4,847.48	6,916.01	8,650.60	11,066.38

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Aug-24
Net Cash Flow from Operating Activities	638.63	145.47	520.41	260.04
Net Cash Flow from Investing Activities	-597.00	-1,383.43	-1,068.17	-933.05
Net Cash Flow from Financing Activities	-101.60	1,258.97	545.66	694.70

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	2.02	2.56	6.84	EV/EBITDA	4.50	5.20	3.42
BV per share	11.16	15.01	16.85	Market Cap / Sales	4.33	2.54	2.13
<u>Operating Ratios</u>				P/E	49.50	39.06	14.62
EBITDA Margins	12.53%	10.11%	18.05%	Price to Book Value	8.96	6.66	5.94
PAT Margins	6.37%	4.75%	10.62%	<u>Solvency Ratios</u>			
Inventory days	43.74	32.65	47.30	Debt / Equity	1.43	1.87	1.38
Debtor days	100.60	75.63	68.31	Current Ratio	1.35	1.06	1.45
Creditor days	143.22	86.73	62.66	Quick Ratio	0.97	0.79	0.94
<u>Return Ratios</u>				Asset Turnover	1.17	1.39	1.33
RoCE	18.46%	20.07%	31.48%	Interest Coverage Ratio	3.77	4.13	6.71
RoE	27.11%	25.61%	40.61%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Unistone Capital 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 –

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Diffusion Engineers Limited	158	168	Oct 04, 2024	408
2.	Deccan Transcon Leasing Limited	65.06	108.00	Sep 24, 2024	67.4
3.	Arkade Developers Limited	410.00	128.00	Sep 24, 2024	145
4.	Shree Tirupati Balajee Agro Trading Company Limited	169.65	83.00	Sep 12, 2024	72
5.	Saraswati Saree Depot Limited	160.01	160.00	Aug 20, 2024	140
6.	Manglam Infra and Engineering Limited	27.62	56.00	July 31, 2024	55.6
7.	Platinum Industries Limited	253.32	171.00	Mar 05, 2024	467
8.	Exicom Tele-Systems Limited	429.00	142.00	Mar 05, 2024	316
9.	BLS E-Services Limited	310.91	135.00	Feb 06, 2024	211
10.	Valiant Laboratories Limited	152.46	140.00	Oct 06, 2023	113

The company has handled 17 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 21st Oct 2024.

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

Recommendation -

OBSC Perfection Limited has been in the industry since 2017 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 20.02 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 growing industry, with products that serve diverse applications across various sectors. This broad market reach provides stability and consistent demand, helping to safeguard revenue streams. Additionally, the company's strong order book and nomination letter highlight its promising potential for future growth. These factors suggest a positive outlook for the company's top-line performance, positioning it well for business expansion and improved profitability.

Furthermore, the company is actively working to expand its manufacturing capacity, addressing current high utilization rates. This proactive approach will allow it to meet increasing demand. One of its notable strategies includes venturing into the production of precision clamping solutions and speciality tools under the AlphaSeiki brand, which is expected to have a global launch. Supported by the Anglian Omega Group, a conglomerate with a presence in multiple industries, the company is well-equipped to leverage new opportunities and drive sustainable growth.

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

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