



IPO Note

United Heat Transfer Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** United Heat Transfer Limited was originally incorporated in the year 1995. The registered office is located at Nashik, Maharashtra, India.
- **Business Model:** The company is engaged in the manufacture of a range of shell and tube heat exchangers, air cooled heat exchangers, pressure vessels and process flow skids equipment's.
- **Geographical Presence:** The company operates both domestically and internationally. The international countries including France, Holland, Poland, Netherlands, USA, Germany.
- The company had 105 fulltime employees as of July 31, 2024.

Objects of the Issue -

- Repayment of Debt.
- To Meet Incremental Working Capital Requirements.
- To Meet the General Corporate Purposes.

Promoters Name -

Yogesh Vishwanath Patil, Vivek Vishwanath Patil, Durva Yogesh Patil and Shatanik Vivek Patil

Rationale for recommendation -

- ✓ The company's P/E is fairly priced
- ✓ The company has had positive operating cashflow.
- ✓ The company has vast experience in the industry.
- ✓ The company has good objectives
- ✓ The management overview is satisfactory.

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	2,000 Shares
Issue Price Per Share	₹56 to ₹59
Issue Size	30.00 Cr.
Fresh Issue	30.00 Cr.
Offer for Sale	-
Application Amt	₹ 1,18,000 (2,000 shares)

INDUSTRY - Heat Exchanger Industry P/E Average of Peers - 30.38 times

*Annualised	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Jul-24
Revenue	4,764.65	6,995.09	6,019.3	2,119.4
EBITDA	599.71	776.73	999.08	618.88
Net Profit	152.68	211.55	623.87	242.51
RoCE	11.99%	15.76%	20.60%	12.41%
ROE	12.70%	14.96%	30.62%	8.46%
P/E	49.17	35.54	12.07	11.48*

Promoter Share Holding Pattern

Pre-Issue	Post Issue
91.59%	67.09%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.89	3.28
BVPS	15.98	33.35
P/E	12.07	17.97
P/BV	3.69	1.77
Mkt Cap (In Cr)	82.13	112.12

Lead Managers -

Swastika Investmart Limited

Registrar -

Link Intime India Private Limited

Business Overview -

United Heat Transfer Limited was incorporated in the year 1995. The company is engaged in the manufacture of shell and tube heat exchangers, air-cooled heat exchangers, pressure vessels and process flow skid equipment which are used as critical equipment for petrol and diesel engines, railway engines, maritime engines, cruise and cargo ships, ferries, pleasure boats, marine diesel, mining trucks, mega yachts, heavy engines, fishing boats, heavy trucks, freighters, trawlers, heavy haulages, power gen sets, supertankers, off-highway engines etc

Applications of heat exchangers in Industries -

Automotive	Compressor	Petrochemical	Beverages
Marine	Machines	Refineries	Pharmaceutical
Offroad	Injection	Oil & Gas	Pulp & Paper
Engines	Molding		Chemicals
Genset	Refrigeration	Nuclear	
Shipbuilders	Filtration		

Product Portfolio -

The company’s product portfolio includes – Air Cooled Heat Exchanger, Air Cooled Condenser, CNG Air Coolers, Shell and Tube Heat Exchanger (Oil Cooler, Inter Cooler, After Cooler), Extended Surface Heat Exchangers (Plate Fin Type), Process Flow Skids, Engine Jacket Water Heat Exchanger with Expansion Tank (Header Tank Heat Exchangers), Charged Air Coolers (for diesel/petrol engines / Generators), Marine Heat Exchanger, Moisture separators, Automatic Backflush Filters, Pressure vessels.



Revenue Bifurcation -

Amt in lakhs

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Export Revenue	416.98	9%	625.22	9%	100.03	5%
Domestic Revenue	4,347.67	91%	6,369.87	91%	2,019.37	95%
Total	4,764.65	100%	6,995.09	100%	2,119.40	100%

Manufacturing Facility -

The Company has two manufacturing units both located in Maharashtra. The capacity utilization for FY ended 2022, 2023, and 2024 respectively are provided below -

Heat Exchanger - 20.66%, 16.75%, 18.66%

Pressure Vessels – 8.29%, 10.81%, 5.58%.

Special Equipment – 0.33%, 0%, 0%

Financial Performance -

Decrease in Revenue -

The company’s revenue from operations decreased by 13.95% for FY 2024. As per the management discussion, the decrease in the year 2024 is due to lower sales booking.

Increase in Other Income -

The company had seen an exponential increase of 766.07% for FY 2024. The major impact of such an increase is due to an increase in account of profit on the sale of fixed assets. The company had sold one of its Factory Land and buildings situated in Nashik.

Net Proceeds Utilization -

The company is raising total gross proceeds of Rs. 30.00 Cr. Net Proceeds will be utilized as per the table provided below -

Particulars	Amount To Be Utilized
Repayment of Debt	Rs. 573.38 Lakhs
To Meet Incremental Working Capital Requirements	Rs. 1,400 Lakhs
General Corporate Purpose	Not more than 25% of the Gross Proceeds

Competition -

Market Competition: High, Competition from both organized and unorganized sectors, with many players offering similar products, results in intense rivalry.

Barriers to entry: Moderate, though quality, reputation, and vendor registration create some barriers, unorganized sector players can easily enter with lower operational costs.

Bargaining Power of Suppliers: Moderate, Suppliers hold moderate power as quality and timely supply are key to maintaining client relationships

Bargaining Power of Buyers: High, Buyers have choices due to the fragmented nature of the industry

Threat of Substitutes: Moderate, the specific product design capabilities and ancillary services offered reduce the threat from direct substitutes, although competitors with similar offerings may pose a risk.

Strategies -

- The company believes that to sustain future growth, they need to continue to train and empower the employees.
- The company intends to offer the products at competitive prices compared to its competitors.
- The company focuses on maintaining the level of consistency in the service, thereby building customer loyalty for the Brand.

Risk Factors -

The company's top 5 customers contribute 79.25%, 67.65%, 55.28% and 63.48% of the total sales for the period ended on July 31st, 2024, and for the financial year ended on March 31st, 2024, 2023 and 2022 respectively.

The company's top 5 States include Maharashtra, Gujarat, Tamil Nadu, Karnataka and Andhra Pradesh. Company generated almost 94.66%, 91.16%, 83.22% and 88.27% of the revenue of the Total Sales generated as of July 31st, 2024, March 31st, 2024, 2023 and 2022 respectively.

The company's Top 10 suppliers contribute 74.04%, 63.40%, 36.46% and 39.86% of the total purchases for the period ended July 31st, 2024, and for the year ended on March 31st, 2024, 2023 and 2022 respectively.

There are certain legal proceedings against the company and group companies amounting to Rs. 31.02 lakhs.

The company has certain contingent liabilities amounting to Rs. 815.83 lakhs.

PEER ANALYSIS

Particulars	United Heat Transfer Limited			Patel Airtemp India Limited			The Anup Engineering Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.20%	3.02%	10.36%	4.06%	3.95%	3.96%	21.47%	12.47%	18.50%
EBITDA Margin	12.59%	11.10%	16.60%	9.67%	11.14%	9.96%	25.76%	20.63%	24.55%
RoCE	11.99%	15.76%	20.60%	18.20%	18.09%	20.87%	15.70%	15.12%	21.49%
ROE	12.70%	14.96%	30.62%	11.18%	8.63%	10.35%	15.93%	11.75%	19.58%
EPS (INR)	1.20	1.66	4.89	24.38	21.19	20.03	31.88	26.00	52.13
P/E	49.17	35.54	12.07	9.27	9.72	18.98	12.93	19.26	30.30

Heat Exchanger Industry -

Industry Scenario -

Nominal GDP or GDP at Current Prices in the year 2023-24 is estimated at Rs. 293.90 lakh crores (US\$ 3.52 trillion), against the First Revised Estimates (FRE) of GDP for the year 2022-23 of Rs. 269.50 lakh crores (US\$ 3.23 trillion). According to the McKinsey Global Institute, India needs to boost its rate of employment growth and create 90 million non-farm jobs between 2023 and 2030 to increase productivity and economic growth. The net employment rate needs to grow by 1.5% per annum from 2023 to 2030 to achieve 8-8.5% GDP growth between 2023 and 2030. India's current account deficit (CAD) narrowed to 1.2 per cent of GDP in the October-December quarter of FY24. Exports fared remarkably well during the pandemic and aided recovery when all other growth engines were losing steam in terms of their contribution to GDP. Going forward, the contribution of merchandise exports may waver as several of India's trade partners witness an economic slowdown. According to Mr. Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food, Public Distribution, and Textiles, Indian exports are expected to reach US\$ 1 trillion by 2030.

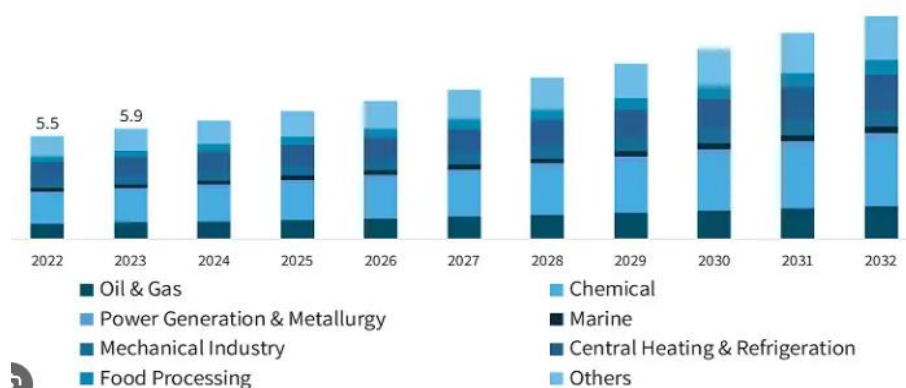
Heat Exchanger Market Outlook -

The global heat exchanger market size was valued at \$16.7 billion in 2020, and is projected to reach \$28.3 billion by 2030, growing at a CAGR of 5.5% from 2020 to 2030. A heat exchanger is a device that facilitates the process of heat exchange between two fluids that are at different temperatures. Heat exchangers are used in many engineering applications, such as refrigeration, heating and air-conditioning systems, power plants, chemical processing systems, food processing systems, automobile radiators, and waste heat recovery units. In addition, air preheaters, economizers, evaporators, superheaters, condensers, and cooling towers used in a power plant are a few examples of heat exchangers. Moreover, heat exchangers are an enabling technology for efficient power generation with a closed, recuperated Brayton cycle, using supercritical carbon dioxide (sCO₂) as the working fluid.

The Road Ahead -

In the second quarter of FY24, the growth momentum of the first quarter was sustained, and high-frequency indicators (HFIs) performed well in July and August of 2023. India's comparatively strong position in the external sector reflects the country's positive outlook for economic growth and rising employment rates. India ranked 5th in foreign direct investment inflows among the developed and developing nations listed for the first quarter of 2022.

Shell & Tube Heat Exchanger Market Size, By Application, 2022 – 2032 (USD Billion)



Source: Global Market Insights

Key Management -



Key Management Persons Name -	Yogesh Vishwanath Patil
Age	62
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 29 years of experience in the areas of Production, commercial and finance and of Heat Exchanger Industry.
Qualification	-
Roles and Responsibility	Manages the Commercial and Finance functions of the Company.
Other Directorships	Agriona Farm Private Limited, Uniheat Research and Solutions Private Limited

Key Management Persons Name -	Vivek Vishwanath Patil
Age	58
Designation and No. of years of experience	Promoter and Whole Time Director, 29 years of experience in the areas of Design, Marketing and Administration
Qualification	Post – Graduate Diploma in Boiler and Process Equipment Design and Engineering.
Roles and Responsibility	manages the Design and Marketing functions
Other Ventures	Nashik Exhibition and Business Council, Uniheat Research and Solutions Private Limited

Key Management Persons Name -	Durva Yogesh Patil
Age	36
Designation and No. of years of experience	Promoter and Non-Executive Director, 8 years of experience.
Qualification	Bachelor of Foreign Trade
Roles and Responsibility	-
Other Ventures	-

Key Management Persons Name -	Shatanik Vivek Patil
Age	22
Designation and No. of years of experience	Promoter and Non-Executive Director, possesses overall 2.5 years of experience
Qualification	Higher Secondary
Roles and Responsibility	-
Other Ventures	Uniheat Research and Solutions Private Limited.

Key Management Persons Name -	Sahil Vikas Garud
Age	33
Designation and No. of years of experience	Independent Director, 12 years of experience and expertise in Direct Taxation and Legal Assistance.
Qualification	Chartered Accountant
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Girish Gururaj Masur
Age	41
Designation and No. of years of experience	Independent Director, Experience of 12 years as a Senior Account Executive, expertise in Marketing, Branding Project Management Operations.
Qualification	Bachelor's in computer science
Roles and Responsibility	-
Other Directorships	-

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jul-24
Revenue from Operations	4,764.65	6,995.09	6,019.31	2,119.40
Other Income	31.46	45.06	390.25	0.61
Total Income	4,796.11	7,040.15	6,409.56	2120.01
Expenses				
Cost of Material Consumed	3,192.81	3,910.56	3,314.13	914.59
Changes in Inventories of finished goods, work-in-progress	-529.52	120.84	70.14	137.16
Employee Benefit Expenses	526.58	643.34	614.24	239.45
Finance Cost	295.62	391.61	420.01	143.77
Depreciation and Amortization Expenses	120.97	148.41	183.44	65.55
Other expenses	959.56	1,537.16	1,021.72	300.70
Provision for Doubtful Debts	-	5.82	-	-
Total Expenses	4,566.02	6,757.74	5,623.68	1,801.22
EBITDA	599.71	776.73	999.08	618.88
EBITDA Margin	12.59%	11.10%	16.60%	29.20%
Profit/(Loss) before exceptional items and tax	230.09	282.41	785.88	318.79
Prior Period Items	15.51	0.64	-	-
Profit/(Loss) before tax	214.58	281.77	785.88	318.79
Tax Expense				
Current tax	36.92	59.11	124.06	73.10
Excess/Short Provision Written back/off	-	-	8.21	-3.96
Deferred Tax	24.98	11.11	29.74	7.14
Total Tax	61.90	70.22	162.01	76.28
Profit/(Loss) for the year	152.68	211.55	623.87	242.51
Net Profit Margin	3.20%	3.02%	10.36%	11.44%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jul-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	425.00	425.00	1,275.00	1,392.00
Reserves and surplus	777.32	988.86	762.71	1,473.24
Total Shareholder's Fund	1,202.32	1,413.86	2,037.71	2,865.24
2. Non-current liabilities				
Long-term borrowings	2,667.26	2,113.31	1,647.25	1,423.01
Deferred Tax liability	122.76	133.87	163.61	170.75
Other Long Term Provisions	-	326.38	110.14	-
Total Non-current liabilities	2,790.02	2,573.56	1,921.00	1,593.76
3. Current liabilities				
Short-term Borrowings	1,094.22	1,181.87	2,044.93	1,779.12
Trade Payables				
(i) Total outstanding dues of MSME	-	562.69	441.50	535.30
(ii) Total outstanding dues of creditors other than MSME	1,075.39	595.74	190.62	136.91
Other Current Liabilities	60.21	92.70	279.58	233.53
Short-term provisions	40.20	61.09	131.32	86.16
Total Current liabilities	2,270.02	2,494.09	3,087.95	2,771.02
Total Liabilities	5,060.04	5,067.65	5,008.95	4,364.78
Total Equity and Liabilities	6,262.36	6,481.51	7,046.66	7,230.02
ASSETS				

Particulars	FY 22	FY 23	FY 24	Jul-24
1. Non-current assets				
Property, Plant and Equipment	2,367.34	2,434.20	3,428.86	3,382.43
Intangible Assets	8.40	20.69	32.31	31.72
Capital Work-In-Progress	1,062.91	1,123.70	97.56	97.56
Non Current Investments	170.64	158.66	171.99	174.99
Other Non- current Assets	15.93	18.53	17.03	17.03
Total Non-Current assets	3,625.22	3,755.78	3,747.75	3,703.73
2. Current assets				
Inventories	1,556.53	1,490.00	1,409.97	1,272.62
Trade Receivables	785.98	730.66	1,310.32	1,665.05
Cash & Cash equivalents	115.85	83.53	26.06	28.95
Short term loans and advances	2.49	129.71	160.43	342.74
Other Current Assets	176.29	291.83	392.13	216.93
Total Current assets	2,637.14	2,725.73	3,298.91	3,526.29
Total Assets	6,262.36	6,481.51	7,046.66	7,230.02

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jul-24
Net Cash Flow from Operating Activities	241.11	764.47	328.97	176.24
Net Cash Flow from Investing Activities	-513.02	-276.37	-176.91	-21.53
Net Cash Flow from Financing Activities	364.17	-520.42	-209.53	-151.82

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	1.20	1.66	4.89	EV/EBITDA	8.08	5.96	5.71
BV per share	28.29	33.27	15.98	Market Cap / Sales	2.35	1.60	1.86
<u>Operating Ratios</u>				P/E	49.17	35.54	12.07
EBITDA Margins	12.59%	11.10%	16.60%	Price to Book Value	2.09	1.77	3.69
PAT Margins	3.20%	3.02%	10.36%	<u>Solvency Ratios</u>			
Inventory days	119.24	77.75	85.50	Debt / Equity	3.13	2.33	1.81
Debtor days	60.21	38.13	79.46	Current Ratio	1.16	1.09	1.07
Creditor days	114.59	106.64	69.83	Quick Ratio	0.48	0.50	0.61
<u>Return Ratios</u>				Asset Turnover	0.76	1.08	0.85
RoCE	11.99%	15.76%	20.60%	Interest Coverage Ratio	1.62	1.60	1.94
RoE	12.70%	14.96%	30.62%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Swastika Investmart 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 –

Swastika Investmart Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Aditya Ultra Steel Limited	45.88	62.00	Sep 16, 2024	55.3
2.	Resourceful Automobile Limited	11.99	117.00	Aug 29, 2024	69.0
3.	Ideal Technoplast Industries Limited	16.03	121.00	Aug 28, 2024	95.8
4.	Bulkcorp International Limited	20.78	105.00	Aug 06, 2024	121.0
5.	TBI Corn Limited	44.94	94.00	Jun 07, 2024	191
6.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	60.3
7.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	200
8.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	60.8
9.	Service Care Limited	20.68	67.00	Jul 26, 2023	84.5
10.	Infinium Pharmachem Limited	25.26	135.00	Apr 17, 2023	328

The company has handled 12 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 18th October 2024.

As per the offer document, the above-mentioned mandates 1 have opened at a discount and the remaining all have opened at a premium on the listing day.

Recommendation -

United Heat Transfer Limited has been in the industry since 1995 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 11.48 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 operates in a good sector where the end product has its application or usage in several industries. The company had seen a slight decrease in the top line of its financials, but it should not be a major concern.

The company has a very good client base and has performed better than one of its peer companies. Overall the company has performed well and has a good outlook.

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

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