



IPO Note

Fabtech Technologies Cleanrooms Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Fabtech Technologies Cleanrooms Limited was originally incorporated as "Fabtech Turnkey Projects International Private Limited" on June 03, 2015. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in the business of manufacturing and providing design-to-validation solutions of pre-engineered and pre-fabricated modular panels and doors for building cleanrooms for pharmaceutical, healthcare & biotech sectors.
- **Revenue Stream:** The company derives majority of almost equal amount of revenue from sale of products.
- **Human Resource:** The company has 117 full-time employees as on Nov 30, 2024.

Objects of the Issue -

- For meeting long-term working capital requirements
- Proposed acquisition of equity shares of Kelvin Air Conditioning and Ventilation Systems Private Limited
- General Corporate Purposes

Promoters Name -

Aasif Ahsan Khan, Aarif Ahsan Khan, Hemant Mohan Anavkar and Manisha Hemant Anavkar

Rationale for recommendation -

- ✓ The PE ratio of 5.86 post issue annualized basis makes it fairly priced.
- ✓ The company's top line, bottom line and profitability margins have seen a dip in FY2024 which should not be major concern. (Refer Recommendation).
- ✓ The company had positive cash flow from operations for FY2022, FY2023, FY2024 and Sep-24.
- ✓ The company has strategically invested in Kelvin Air Conditioning and Ventilation Systems Private Limited for sourcing HVAC systems.
- ✓ The company has good cliental base.
- ✓ The company has good experience in the industry and enjoys the parentage of Fabtech group (operating since 1996).

IPO Details

Opening Date	Jan 03, 2025
Closing Date	Jan 07, 2025
Allotment Date	Jan 08, 2025
Listing Date	Jan 10, 2025
Stock Exchange	BSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹80 to ₹85
Issue Size	27.74 Cr.
Fresh Issue	27.74 Cr.
Offer for Sale	-
Application Amt	₹ 1,36,000 (1,600 shares)

INDUSTRY - Cleanrooms

Avg. P/E ratio - N/A

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	11,369.89	12,466.63	9,739.15	6,192.95
EBITDA	609.29	1,276.42	845.70	724.47
Net Profit	364.67	800.50	565.21	519.07
RoCE	14.02%	25.88%	14.68%	20.76%*
ROE	9.70%	17.58%	10.94%	17.45%*
P/E	19.72	8.92	12.28	5.86*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
93.07%	68.51%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	6.92	14.52
BVPS	187.91	83.17
P/E	12.28	5.86
P/BV	0.45	1.02
Mkt Cap (In Cr)	76.97	104.56

*Annualized

Lead Managers -

Vivro Financial Services Private Limited

Registrar -

Maashitla Securities Private Limited

Business Overview -

Fabtech Technologies Cleanrooms Limited is engaged in the business of manufacturing and providing design-to-validation solutions of pre-engineered and pre-fabricated modular panels and doors for building cleanrooms for pharmaceutical, healthcare & biotech sectors. The company is a part of **Fabtech group** which commenced its operations in 1996 and has vast experience. The cleanroom solutions comprise of wall panels, view panels, doors, risers, ceiling panels, covings, heat ventilation air conditioning (“HVAC”) system, epoxy flooring and electrification works. They provide a comprehensive service which includes initial design to validation, encompassing engineering, manufacturing, quality assurance, timely delivery, installation, commissioning, and validation and certification.

Clients: Unichem Laboratories Ltd, Desano Pharmaceuticals Private Limited Apitoria Pharma Pvt Ltd (a 100% subsidiary of Aurobindo Pharma Ltd), Hamdard Laboratories (India) etc.

Subsidiary: The company has 2 subsidiaries –

- Altair Partition Systems LLP (80% shareholding):** It is engaged in the business manufacturing and supply of modular panels, doors and allied accessories to construct modular cleanrooms.
- FTS Installation Services LLP (99.99% shareholding):** It is engaged in the business of providing services for installation, erection and commissioning of modular cleanroom panels and doors.

Manufacturing Unit: The company has one manufacturing unit located at Umbergaon, Valsad, Gujarat with a total area of about 70,000 sq. ft. The capacity utilization remained at 33.6%, 48.2%, 73.5% and 76.5% for Sep-24, FY24, FY23 and FY22 respectively.

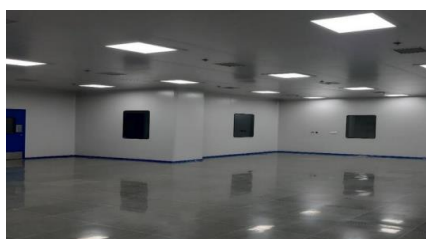
The manufacturing facility of Altair Partition Systems LLP is located at Murbad, Thane with a total area of about 25,000 sq. ft.

Product and Solutions:

A cleanroom is a highly specialized space engineered to maintain an exceptionally low concentration of airborne particulates. Cleanrooms are controlled environments that are designed to be completely isolated from contaminants. They are commonly used in scientific research and industrial production that involves nanoscale processes, such as those found in pharmaceutical facilities, food processing plants, hospitals, dairies, chill freezers, veterinary centers, electronic industries, laboratories, and semiconductor manufacturing.

The main components are:

- Modular Cleanroom Panels Systems:** Modular partition system comprises of wall panels, ceiling panels (walkable/non-walkable), doors, view panels, and covings etc.
- Heat Ventilation Air Conditioning (HVAC) System:** The goal of HVAC is to create a comfortable and safe indoor environment, by controlling the temperature, humidity, and purity of the air.
- Electrification Works:** This includes Electrical System design and installation, Control Panels design and integration, Lighting & power distribution, Automation and control systems and Testing & Commissioning.



Cleanroom



HVAC system



Electrification works

Revenue Bifurcation–

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Sale of products	10,496.67	92.32%	11,513.58	92.36%	9,739.15	50.00%	6,192.95	50.02%
Sale of services*	873.22	7.68%	950.58	7.63%	9,012.2	46.27%	5,860.5	47.34%
Other operating revenue	-	0.00%	2.46	0.02%	726.95	3.73%	326.83	2.64%
Total	11,369.89	100.00%	12,466.62	100.00%	19,478.3	100.00%	12,380.28	100.00%

* This includes installation and commissioning services.

Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of technology used, product quality, and product price including factors, based on reputation, regional needs, and customer convenience.
2. **Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

1. The company intends to expand its reach to other high-growth industries like biotechnology, semiconductor, nanotechnology, aerospace technology, manufacturing sophisticated medical devices and food processing, amongst others.
2. The company acquired, in aggregate, 26% equity share capital of Advantek, which is engaged in the business of manufacturing Air Handling Units, a critical component essential for the optimal operation of cleanrooms.
3. The company has invested in Kelvin Air Conditioning and Ventilation Systems Private Limited by subscription to Compulsory Convertible Preference Shares which shall represent 33.33% of the shareholding in Kelvin upon its conversion. Kelvin is operating as an integrator for critical HVAC applications catering to a wide spectrum of industries and businesses. They further propose to acquire additional number of equity shares representing at least 18% of equity shares of Kelvin on a fully diluted basis which will facilitate sourcing of HVAC systems internally.
4. The company intends to improve operational efficiency, reduce costs, improve margins, and enhance capital efficiency.

Risk Factors -

The company is highly dependent on pharmaceuticals, healthcare and biotech sectors for its revenue which constitutes 85.50%, 95.70%, 94.36% and 96.65% for Sep-24, FY24, FY23 and FY22 respectively.

The company is highly dependent on top 10 suppliers for their procurement of raw materials which constitutes 67.54%, 63.42%, 59.42% and 59.93% for Sep-24, FY24, FY23 and FY22 respectively.

The company has 4 cases against it for criminal and tax matters amounting to Rs. 3.15 lakhs.

The promoters/ directors have 3 cases against them for criminal, tax and civil matters amounting to Rs. 792.56 lakhs and have filed 3 criminal case amounting to Rs. 52.74 lakhs.

The subsidiaries have 10 cases against it for tax matters amounting to Rs. 9.36 lakhs.

The company has contingent liabilities of Rs. 583.10 lakhs.

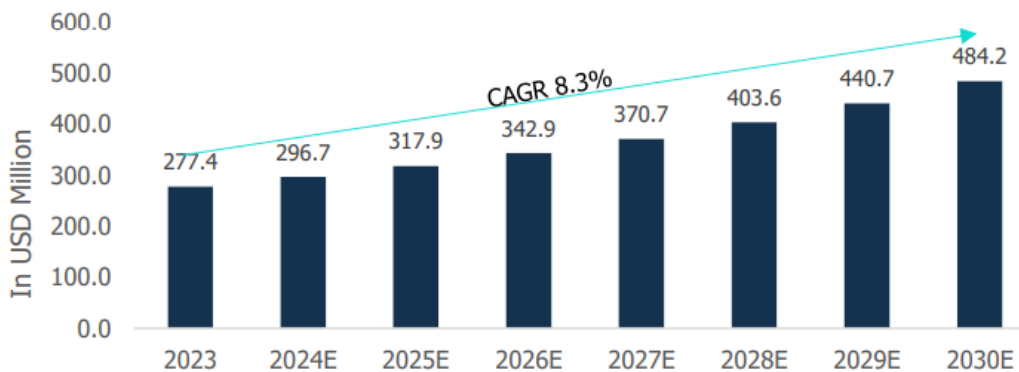
PEER ANALYSIS -

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

INDUSTRY OVERVIEW -

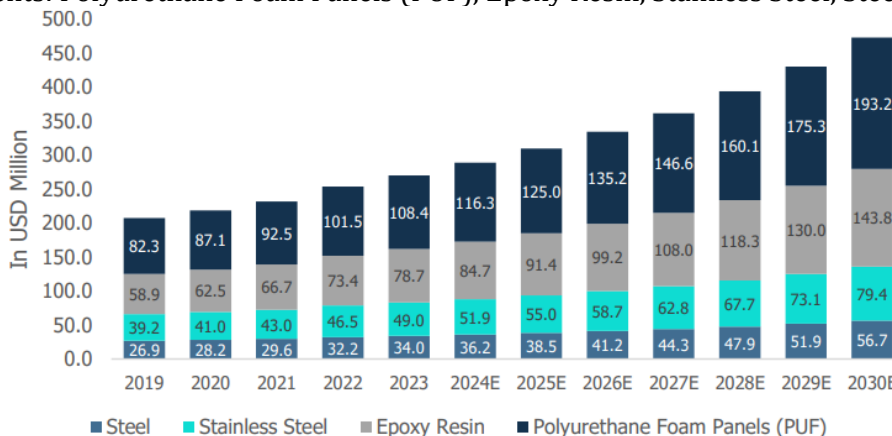
Indian Cleanroom Technologies Industry –

- The Indian Cleanroom Technologies market size, by value, has been on an upward trend since 2019. It grew in value from USD 213.3 million in 2019 to USD 277.4 million in 2023 at a CAGR of 6.8%.
- The Indian cleanroom technologies market is witnessing robust growth, valued at USD 277.4 Million in 2023 and projected to reach USD 484.2 Million by 2030, with a CAGR of 8.3% from 2023 to 2030. It is expected to reach a market size of 822.3 hundred units.



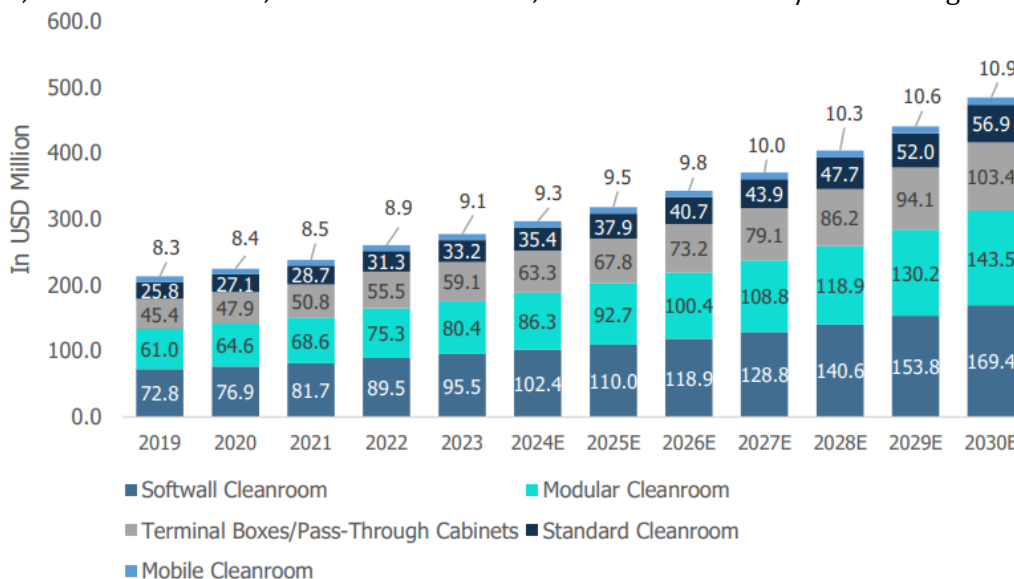
(Source:RHP)

- Based on materials used in construction of cleanrooms, the Indian Cleanroom Technologies market can be divided into four segments: Polyurethane Foam Panels (PUF), Epoxy Resin, Stainless Steel, Steel and Rockwool.



(Source:RHP)

- Based on design/type, the Indian Cleanroom market is segmented into Standard/Drywall Cleanroom, Modular Cleanroom, Mobile Cleanroom, Soft Wall Cleanroom, and Terminal Boxes/Pass-through Cabinets.

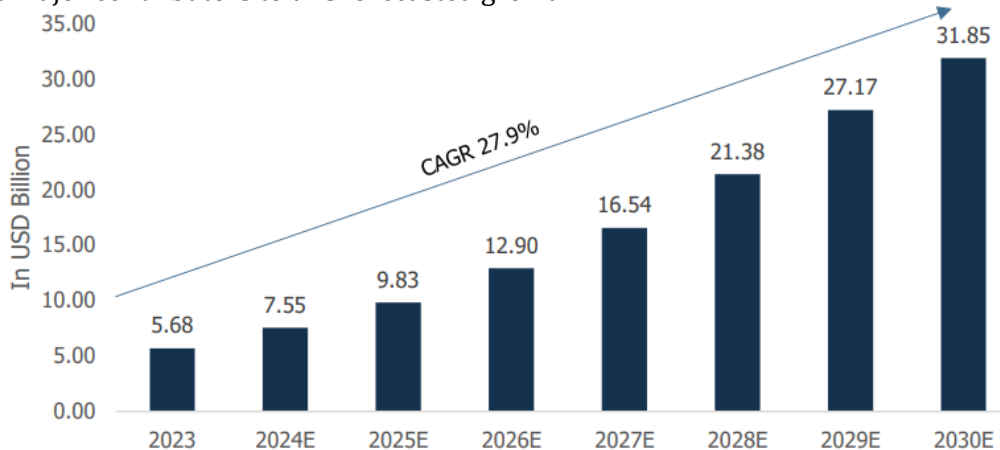


(Source: RHP)

INDUSTRY OVERVIEW -

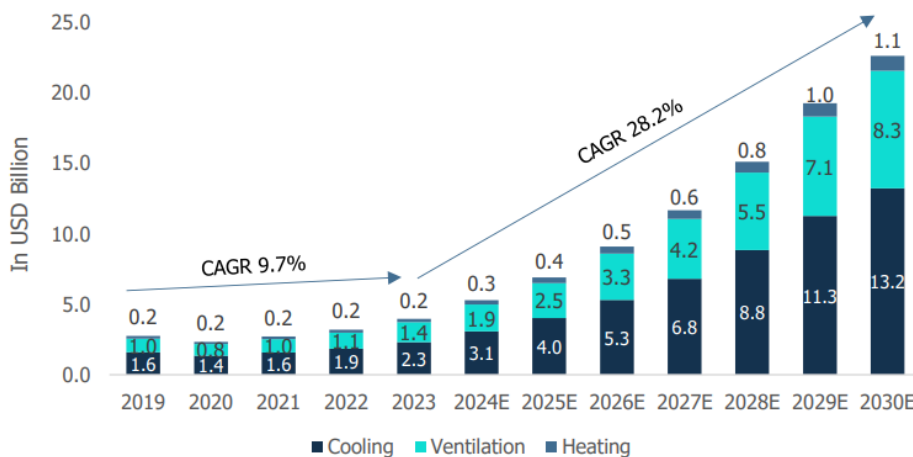
Indian HVAC Industry –

- The Indian HVAC market grew at a CAGR of 9.4% from 2019-2023 from USD 3.97 billion in 2019 to USD 5.68 billion in 2023.
- The Indian HVAC market size is forecasted to grow in an upward trend at a CAGR of 27.9% from 2023- 2030 gaining a market size of USD 31.85 billion by 2030. Increasing urbanisation, higher disposable incomes, growing awareness about indoor air quality and growing demand for energy efficient and technologically advanced modern HVAC systems are the major contributors to this forecasted growth.



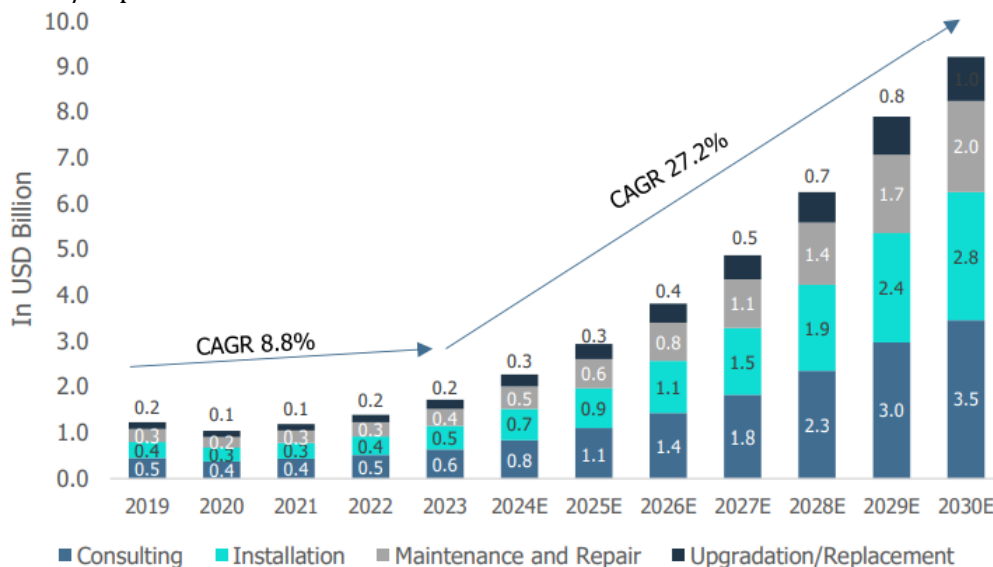
(Source:RHP)

- Based on equipment used, the Indian HVAC market can be divided into three segments: Cooling, Ventilation and heating.



(Source:RHP)

- Based on services, the Indian HVAC market is segmented into consulting, installation, maintenance and repair and upgradation/ replacement.



(Source: RHP)

Key Management -



Key Management Persons Name -	Aasif Ahsan Khan
Age	55
Designation	Promoter, Chairman and Non-Executive Director, 30+ years of experience in cleanrooms and biopharmaceutical engineering
Qualification	Diploma degree in Mechanical Engineering
Responsibility	Responsible for fostering future growth and strategic decision-making processes
Other Directorships	Fabtech Technologies International Private Limited, Fillpac Solutions Private Limited, G7 Universal LLC etc.

Key Management Persons Name -	Ausaf Ahmed Usmani
Age	56
Designation and No. of years of experience	Whole-time Director, 10+ years of experience in engineering and sales sectors and other strategic matters
Qualification	Completed higher secondary
Other Directorships	-

Key Management Persons Name -	Amjad Adam Arbani
Age	48
Designation	Executive Director and CFO
Qualification	Completed higher secondary
Responsibility	Looks after the banking relations and legal affairs of the Company
Other Directorships	“T” Square Enterprises Private Limited, Channel U Entertainment Private Limited etc.

Key Management Persons Name -	Chirag Himatlal Doshi
Age	42
Designation and No. of years of experience	Non-Executive Director, 5+ years of experience in financial and business consultancy
Qualification	Member of ICAI
Other Directorships	Fabtech Technologies Limited, Energize Management Private Limited etc.

Key Management Persons Name -	Rupal Dhiren Haria
Age	56
Designation	Non-Executive Independent Director
Qualification	Bachelor’s degree in commerce and member of ICAI
Other Directorships	Livint Green Technologies Limited and Ganesh Infracore Limited

Key Management Persons Name -	Shyam Nagorao Khante
Age	71
Designation	Non-Executive Independent Director
Qualification	Master’s degree in Pharmacy and a diploma in Business Management
Other Directorships	Fabtech Technologies Limited and Gansons Private Limited

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	11,369.89	12,466.63	9,739.15	6,192.95
Other Income	24.96	43.52	60.11	29.94
Total Income	11,394.85	12,510.15	9,799.26	6,222.89
Expenses				
Cost of Material Consumed	8,265.84	8,277.96	6,659.59	4,320.29
Changes in inventories of finished goods and WIP	150.82	119.63	-125.01	-194.25
Employee Benefit Expenses	607.27	725.79	704.97	356.21
Finance Cost	62.36	112.31	103.24	19.87
Depreciation and Amortization Expense	58.01	52.75	49.54	30.06
Operating expenses	1,119.96	1,263.41	1,055.73	612.44
Selling, General and administrative expense	616.71	803.42	598.17	373.79
Total Expenses	10,880.97	11,355.27	9,046.23	5,518.41
EBITDA	609.29	1,276.42	845.70	724.47
EBITDA Margin	5.36%	10.24%	8.68%	11.70%
Profit/(Loss) before tax	513.88	1,154.88	753.03	704.48
Tax Expense				
Current tax	127.13	309.57	184.18	183.00
Excess/ Short Provision of tax for prior years	-1.65	45.60	-	-
Deferred Tax	23.73	-0.79	3.64	2.41
Total Tax	149.21	354.38	187.82	185.41
Profit/(Loss) for the year	364.67	800.50	565.21	519.07
Net Profit Margin	3.21%	6.42%	5.80%	8.38%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	278.59	278.59	278.59	905.54
Reserves and surplus	3,479.13	4,275.41	4,886.69	5,299.93
Total Shareholder's Fund	3,757.72	4,554.00	5,165.28	6,205.47
Minority Interest	55.36	60.63	69.74	73.62
Total Equity	3,813.08	4,614.63	5,235.02	6,279.09
NON-CURRENT LIABILITIES				
Long-term borrowings	25.96	20.58	125.73	80.12
Long-Term Provisions	93.52	93.31	62.02	80.67
Total Non-current liabilities	119.48	113.89	187.75	160.79
3. Current liabilities				
Short-term Borrowings	824.22	545.88	448.90	239.91
Trade Payables				
(i) Total outstanding dues of MSME	228.00	131.89	280.22	428.37
(ii) Total outstanding dues of creditors other than MSME	2,181.76	1,745.22	1,897.64	1,454.79
Other Current Liabilities	969.11	740.62	815.18	776.22
Short-term provisions	51.96	165.54	47.04	99.79
Total Current liabilities	4,255.05	3,329.15	3,488.98	2,999.08
Total Liabilities	4,374.53	3,443.04	3,676.73	3,159.87
Total Equity and Liabilities	8,187.61	8,057.67	8,911.75	9,438.96
ASSETS				

Particulars	FY 22	FY 23	FY 24	Sep-24
1. Non-current assets				
Property, Plant and Equipment	438.00	407.30	510.94	499.06
Capital Work in Progress	13.00	-	-	-
Non-Current Investments	3.73	4.77	104.94	454.63
Long-Term Loans and Advances	19.96	20.75	17.11	14.69
Deferred tax assets (net)	55.78	75.05	73.51	79.04
Total Non-Current assets	530.47	507.87	706.50	1,047.42
2. Current assets				
Current Investments	-	-	-	405.26
Inventories	1,446.16	1,308.74	1,571.29	1,940.89
Trade Receivables	5,149.14	4,908.60	5,159.80	4,521.68
Cash & Cash equivalents	530.23	965.27	990.58	897.68
Short term loans & advances	525.18	357.80	476.31	619.77
Other current assets	6.43	9.39	7.27	6.26
Total Current assets	7,657.14	7,549.80	8,205.25	8,391.54
Total Assets	8,187.61	8,057.67	8,911.75	9,438.96

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	272.84	798.17	276.32	411.91
Net Cash Flow from Investing Activities	-358.74	-314.46	-151.69	-581.03
Net Cash Flow from Financing Activities	73.72	-396.23	-94.01	226.71

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	4.31	9.53	6.92	14.52	EV/EBITDA	6.78	3.30	5.70	-0.27
BV per share	136.87	165.64	187.91	83.17	Market Cap / Sales	0.21	0.19	0.24	0.84
Operating Ratios					P/E	19.72	8.92	12.28	5.86
EBITDA Margins	5.36%	10.24%	8.68%	17.73%	Price to Book Value	0.62	0.51	0.45	1.02
PAT Margins	3.21%	6.42%	5.80%	14.42%	Solvency Ratios				
Inventory days	46.55	38.42	59.05	50.34	Debt / Equity	0.23	0.12	0.11	0.03
Debtor days	165.75	144.11	193.91	159.35	Current Ratio	1.80	2.27	2.35	2.35
Creditor days	103.00	83.17	117.27	95.03	Quick Ratio	1.46	1.87	1.90	1.90
Return Ratios					Asset Turnover	1.39	1.55	1.09	1.39
RoCE	14.02%	25.88%	14.68%	20.76%	Interest Coverage Ratio	8.84	10.90	7.71	53.76
RoE	9.70%	17.58%	10.94%	17.45%					

*Annualized

INTERPRETATION –

- The top line has remained slightly inconsistent over the years. It increased by 9.65% in FY2023 which was due to increase in sales of products. In FY2024 it decreased by 21.88% which was due to change in sales mix of products. The Company produces two types of cleanroom panels: rockwool and puff panels. Rockwool panels are more fire-resistant but require more manual effort and production time, leading to lower output compared to puff panels. In fiscal 2024, higher orders for rockwool panels from key clients led the Company to adjust its product mix, resulting in reduced overall production output.
- The net profit had also remained inconsistent as it increased by 9.79% in FY23 and decreased by 21.67% in FY24.
- The EBITDA margin and PAT margin have also seen a dip in FY2024.
- The PE ratio has increased in FY2024.
- The RoCE and RoE have seen a dip in FY2024.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Vivro Financial Services 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 –

Vivro Financial Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ganesh Infracore Limited	98.58	83.00	Dec 06, 2024	160.60
2.	Shiv Texchem Limited	101.35	166.00	Oct 15, 2024	340.00
3.	Bondada Engineering Limited	42.72	75.00	Aug 30, 2023	608.50
4.	K. P. I. Global Infrastructure Limited	39.94	80.00	Jan 22, 2019	828.90
5.	ICE Make Refrigeration Limited	23.71	57.00	Dec 08, 2017	762.65
6.	Capacite Infracore Limited	400.00	250.00	Sep 25, 2017	443.40
7.	Raj Television Network Limited	91.70	257.00	Mar 16, 2007	79.25

The company has handled 3 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 2nd Jan 2025.

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

Recommendation -

Fabtech Technologies Cleanrooms Limited, a part of the Fabtech Group established in 1996, has been operational in the cleanroom manufacturing industry since 2015, showcasing nearly a decade of experience in the sector.

The P/E on a post-IPO annualized basis is around 5.86 times which makes it fairly priced.

While the management's overall performance is decent, it is worth noting that the CFO does not possess the requisite educational qualifications, which could be a point of concern for some investors.

The company's top line, bottom line and profitability margins have reflected a decline in FY2024. This dip impacted RoCE and RoE as well. The downturn was primarily attributed to a shift in product mix favoring rockwool panels, which require higher manual effort and production time. Additionally, some anticipated orders were delayed, exacerbating the performance challenges.

However, the projected annualized figures for FY2025 indicate signs of recovery, supported by positive cash flows from operations sustained over the past three years.

Fabtech has strategically invested in Kelvin Air Conditioning and Ventilation Systems Private Limited, enabling internal sourcing of HVAC systems—a move that could enhance operational efficiency and cost management.

The company also boasts a robust client base and operates in a sector poised for growth, with the cleanroom industry expected to expand at a CAGR of 8.3%.

If the company effectively addresses the challenges posed by its product mix adjustments, it holds strong potential for exponential growth.

Thus, investors can **APPLY** to this IPO for a long term basis.

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