



PARMESHWAR
METAL LIMITED

IPO Note

Parmeshwar Metal Limited

Recommendation: **APPLY!**



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IPO Details

Opening Date	Jan 02, 2025
Closing Date	Jan 06, 2025
Allotment Date	Jan 07, 2025
Listing Date	Jan 09, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹57 to ₹61
Issue Size	24.74 Cr.
Fresh Issue	24.74 Cr.
Offer for Sale	-
Application Amt	₹ 1,22,000 (2,000 shares)

INDUSTRY - Metal Avg. P/E ratio - 20.30

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Oct-24
Revenue	90,204.45	97,194.01	1,10,022.8	75,576.4
EBITDA	1,152.03	1,365.57	1,112.28	779.88
Net Profit	685.16	889.54	721.92	570.29
RoCE	33.67%	31.54%	24.24%	16.02%*
ROE	32.48%	29.66%	19.40%	13.60%*
P/E	10.02	7.71	9.50	9.57*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
96.33%	70.81%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	6.42	6.37
BVPS	496.11	46.85
P/E	9.50	9.57
P/BV	0.12	1.30
Mkt Cap (In Cr)	68.63	93.37

*Annualized

Lead Managers -

Beeline Capital Advisors Private Limited

Registrar -

Link Intime India Private Limited

Company Background -

- **Incorporation:** Parmeshwar Metal Limited was originally incorporated on Aug 04, 2016. The registered office is located at Gujarat, India.
- **Business Activity:** The company is engaged in the business of manufacturing of copper wire and copper wire rods by recycling of copper scrap.
- **Revenue Stream:** The company derives majority of its revenue from the sale of copper wire rod.
- **Human Resource:** The company has 26 full-time employees and 45 contract labours as on Oct 31, 2024.

Objects of the Issue -

- Setting up a new manufacturing facility at Gandhinagar, Dehgam, Gujarat for manufacturing of Bunched copper wire and 1.6 MM Copper Wire
- Funding of capital expenditure for Furnace renovation
- To Meet Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Shantilal Kailashchandra Shah, Suchitkumar Maheshbhai Patel, Piyush Giriraj Shah, Radheshayam Jankilal Shah, Parth Maheshbhai Patel, Pratik Radheshyam Shah and Kailashben Radheshyam Shah

Rationale for recommendation -

- ✓ The PE ratio post-issue annualized basis is 9.57 which makes it fairly priced.
- ✓ The company's top line has increased over the years.
- ✓ The bottom line and profitability margins have seen a slight increase in FY2023 which was because the copper prices had reduced in that year.
- ✓ The company operates in high volume/ low margin industry so the margins of the company looks sustainable.
- ✓ The company is introducing a new product (Bunched copper wire) which will contribute to its top line.
- ✓ The company is raising funds for renovation of furnace which will improve efficiency.
- ✓ The management of the company is decent.
- ✓ The industry is growing at a CAGR of 6.6%.




Business Overview -

Parmeshwar Metal Limited is engaged in the business of manufacturing of copper wire and copper wire rods by recycling of copper scrap. The company caters to the needs of power cables, building wires, transformers, the automotive industry, household cables as well as bare and enamelled wires.

Manufacturing Unit and Capacity Utilization: The company has one manufacturing unit located at Gandhinagar, Gujarat. The average capacity utilization in FY2022, FY2023, FY2024 and Sep-24 remained at 63.65%, 70.30%, 76.37% and 87.41% respectively.



Product Portfolio:

Product	Description	Applications
1.6 MM Copper Wire 	These are oxygen free copper rod having excellent electrical conductivity and purity, high thermal conductivity & ductility, less surface oxide, high creep resistance, good weld ability.	It is raw material for manufacturing a wide range of electrical cables power transmission, data and signal cables, control and instrumentation cables General wiring in buildings, transformers, motors and enamelled wire, cables and conductors for energy and heat transfer system e.g. solar and thermal panels, Telecom industry cables etc.
8 MM Copper Wire 		
12.5 MM Copper Wire 		

Revenue Bifurcation Product-wise –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Oct-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Copper Wire Rod	78,857.49	88.17%	86,319.40	89.27%	90,656.24	82.73%	64,374.04	85.35%
Copper Scrap	3,985.54	4.46%	3,984.32	4.12%	9,285.13	8.47%	5,233.59	6.94%
Copper Wire	6,451.87	7.21%	3,805.08	3.94%	8,081.22	7.37%	5,590.34	7.41%
Other by product and scraps	146.40	0.16%	2,582.79	2.67%	1,561.93	1.43%	224.85	0.30%
Total	89,441.30	100.00	96,691.59	100.00	1,09,584.52	100.00	75,422.82	100.00

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, technical competence, quality of products, various products line, customer base, pricing and timely delivery etc.
- 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 -

- The company intends to continue to enhance & scale in existing executional capabilities to provide best quality products to customers.
- The company intends to expand their geographical presence in different markets.
- The company's forward integration strategy, to acquire a machinery for manufacturing of bunched copper wire rods from copper wire rods represents a significant move to enhance value creation and strengthen market position.

Risk Factors -

The company derives majority of its revenue from Gujarat which constitutes 53.94%, 63.50%, 69.70% and 62.94% for Sep-24, FY24, FY23 and FY22 respectively.

The company has 12 cases against it for tax matters amounting to Rs. 4,221.80 lakhs.

The directors/ promoters have 4 cases against them amounting to Rs. 0.66 lakhs.

The group companies have 13 cases against it for tax matters amounting to Rs. 116.11 lakhs.

The company has contingent liabilities amounting to Rs. 972.01 lakhs.

The company had negative cash flow from operations for FY23.

PEER ANALYSIS -

Particulars	Parmeshwar Metal Limited			Rajnandini Metal Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.76%	0.92%	0.66%	0.97%	1.32%	1.25%
EBITDA Margin	1.28%	1.40%	1.01%	1.87%	2.85%	2.45%
RoCE	33.67%	31.54%	24.24%	42.19%	53.99%	44.41%
ROE	32.48%	29.66%	19.40%	33.86%	33.02%	26.87%
EPS (INR)	6.09	7.91	6.42	0.04	0.09	0.55
P/E	10.02	7.71	9.50	582.50	124.44	18.73

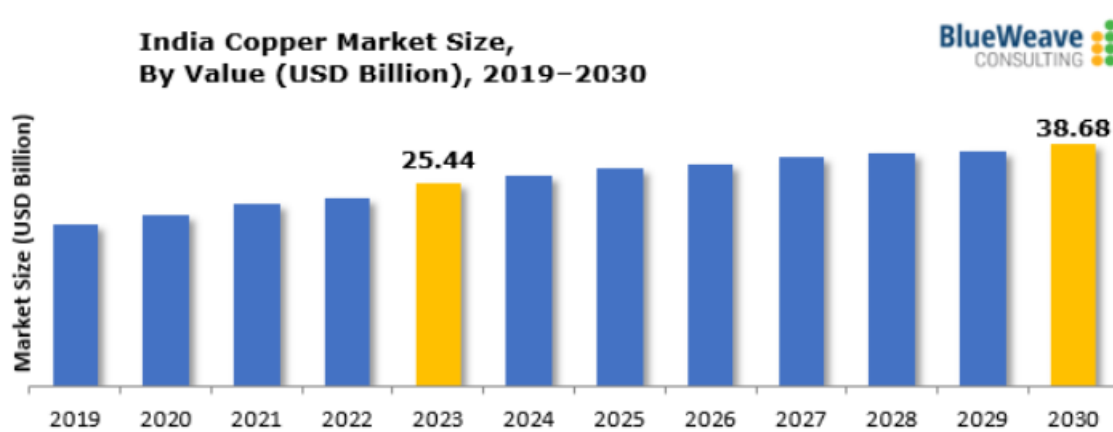
Interpretation -

- The market cap of the company is less compared to its peer.
- The RoE and RoCE of the company is low compared to its peer.
- The NP margin and EBITDA margin of the company and peer has seen a similar trend.
- The PE ratio of the company is better compared to its peer.
- The company has better cash conversion cycle than its peer.

INDUSTRY OVERVIEW -

Metal and Mining Industry –

India is a significant global player in the metals and mining sector, producing 95 minerals, including fuel (4), metallic (10), non-metallic (23), atomic (3), and minor minerals (55). Key reserves include iron ore, bauxite, chromium, manganese, baryte, rare earths, and mineral salts. In FY23, mineral production was valued at ₹1,18,246 cr. (US\$ 14.37 billion).



Key Growth Drivers

- **Production Growth:**
 - Coal production reached 997.25 MT in FY24, growing 12% from the previous year.
 - Iron ore production increased by 7.4% to 277 MMT in FY24.
 - Aluminium production stood at 4.07 MT in FY23.
 - Key minerals showing significant growth include Gold (+86%), Copper Concentrate (+28.7%), and Bauxite (+21%) in February 2024 over February 2023.
- **Government Initiatives:**
 - Enactment of the Mines and Minerals (Development and Regulation) Amendment Act, 2021, allowing captive mine owners to sell up to 50% of production in the open market.
 - PLI scheme for Specialty Steel, attracting ₹42,500 crore (US\$ 5.1 billion) investment to enhance capacity and create 70,000 jobs.
 - Vision 2030: Target of 300 MTPA crude steel capacity by 2030–31.
- **Infrastructure Development:**
 - Steel demand is expected to grow by 10% due to increased infrastructure projects like roads, railways, and airports.
 - Zinc demand is anticipated to double over the next 5–10 years with growing infrastructure investments.
- **Energy Transition:**
 - Copper demand is projected to rise due to its critical role in electric vehicles (EVs), renewable energy, and urban electrification.

Future Outlook

- **Market Expansion:**
 - Steel production is projected to grow by 4–7% to 123–127 MT in FY24.
 - Aluminium production deficit globally positions India for increased export potential.
 - Domestic crude steel capacity to reach 300 MTPA by 2030–31.
- **Increased Per Capita Consumption:**
 - India's copper consumption is set to grow from 0.6 kg to 1 kg, with the global average at 3.2 kg, indicating significant domestic growth opportunities.
- **Sustainability Focus:**
 - Emphasis on non-ferrous metal recycling and reducing environmental impact through frameworks like the Non-Ferrous Metal Import Monitoring System (NFMIMS).

Key Management -

Key Management Persons Name -	Shantilal Kailashchandra Shah
Age	48
Designation	Promoter and Managing Director, 8+ years of experience in metal industry
Qualification	Bachelor of Commerce
Other Directorships	-
Key Management Persons Name -	Suchitkumar Maheshbhai Patel
Age	37
Designation and No. of years of experience	Promoter and Whole-time Director, 6+ years of experience in metal industry
Qualification	Completed his fifth semester in Diploma in Civil Engineering
Other Directorships	Fortunate Metal Private Limited
Key Management Persons Name -	Piyush Giriraj Shah
Age	42
Designation and No. of years of experience	Promoter, Chairman and Non-Executive Director, 6+ years of experience in metal industry
Qualification	L.L.B. degree
Other Directorships	Mascot Organisers Private Limited and Mangalam Chemicals Private Limited
Key Management Persons Name -	Dipak Shantilal Jagetiya
Age	37
Designation and No. of years of experience	Non-Executive Independent Director, 13+ years of experience in Accounting and Taxation
Qualification	Qualified CA, Bachelor of Commerce, Master of Commerce, Professional Programme of ICSI
Other Directorships	Giriraj Iron Limited and DNK Advisory Services Private Limited
Key Management Persons Name -	Mayura Dinesh Marathe
Age	34
Designation and No. of years of experience	Non-Executive Independent Director, 8+ years of experience in corporate law, secretarial and compliance.
Qualification	Bachelor of Commerce, Master of Commerce, Professional Programme of ICSI and completed law course
Other Directorships	Health Fintech Private Limited and Danube Industries Limited

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.
- Vijay Kumar Shaileshbhai Shah (CFO) has 12+ years of experience in accountancy and finance.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
Revenue from Operations	90,204.45	97,194.01	1,10,022.81	75,576.41
Other Income	23.02	76.61	223.54	154.42
Total Income	90,227.47	97,270.62	1,10,246.35	75,730.83
Expenses				
Cost of Material Consumed	84,282.21	91,404.46	1,03,093.77	72,470.77
Purchase if stock-in-trade	2,873.60	2,628.22	3,641.58	2,002.22
Changes in inventories of finished goods and WIP	158.29	-47.08	-34.22	-1,207.57
Employee Benefit Expenses	236.96	214.53	241.35	92.49
Finance Cost	159.75	171.49	254.12	115.13
Depreciation and Amortization Expense	69.74	79.82	86.53	55.30
Other expenses	1,501.36	1,628.31	1,968.05	1,438.62
Total Expenses	89,281.91	96,079.75	1,09,251.18	74,966.96
EBITDA	1,152.03	1,365.57	1,112.28	779.88
EBITDA Margin	1.28%	1.40%	1.01%	1.03%
Profit/(Loss) before tax	945.56	1,190.87	995.17	763.87
Tax Expense				
Current tax	233.92	297.68	267.79	191.39
Deferred Tax Liabilities/ Asset	26.48	3.65	5.46	2.19
Total Tax	260.40	301.33	273.25	193.58
Profit/(Loss) for the year	685.16	889.54	721.92	570.29
Net Profit Margin	0.76%	0.92%	0.66%	0.75%
Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	750.00	750.00	750.00	1,125.00
Reserves and surplus	1,359.37	2,248.90	2,970.83	3,166.13
Total Equity	2,109.37	2,998.90	3,720.83	4,291.13
2. Non-current liabilities				
Long-term borrowings	1,016.08	973.92	401.58	575.74
Deferred Tax Liabilities	72.75	76.40	81.86	84.05
Long-term provisions	16.55	27.38	27.04	27.14
Total Non-current liabilities	1,105.38	1,077.70	510.48	686.93
3. Current liabilities				
Short-term Borrowings	367.63	686.10	1,787.28	893.25
Trade Payables				
(i) Total outstanding dues of MSME	-	-	276.27	151.21
(ii) Total outstanding dues of creditors other than MSME	128.46	314.18	435.95	330.48
Other Current Liabilities	159.96	36.00	12.39	175.40
Short-term provisions	242.08	299.54	267.07	204.27
Total Current liabilities	898.13	1,335.82	2,778.96	1,754.61
Total Liabilities	2,003.51	2,413.52	3,289.44	2,441.54
Total Equity and Liabilities	4,112.88	5,412.42	7,010.27	6,732.67
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	997.47	1,123.37	1,171.13	1,183.94

Particulars	FY 22	FY 23	FY 24	Oct-24
Intangible Assets	0.55	0.14	0.11	0.11
Non-Current Investments	83.34	117.70	157.93	83.93
Other Non- current Assets	64.21	12.64	14.15	41.56
Total Non-Current assets	1,145.57	1,253.85	1,343.32	1,309.54
2. Current assets				
Current Investments	100.00	8.00	29.68	89.58
Inventories	638.78	1,023.91	2,042.04	2,401.40
Trade Receivables	1,601.50	2,118.92	2,075.88	2,018.75
Cash & Cash equivalents	308.72	7.78	247.11	27.06
Short term loans and advances	22.80	621.06	592.14	206.50
Other Current Assets	295.51	378.90	680.10	679.84
Total Current assets	2,967.31	4,158.57	5,666.95	5,423.13
Total Assets	4,112.88	5,412.42	7,010.27	6,732.67

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
Net Cash Flow from Operating Activities	464.66	-224.79	128.43	629.64
Net Cash Flow from Investing Activities	-200.68	-180.98	-163.8	-14.69
Net Cash Flow from Financing Activities	-84.56	104.82	274.72	-835.00

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	6.09	7.91	6.42	6.37	EV/EBITDA	2.45	3.41	5.09	6.45
BV per share	281.25	399.85	496.11	63.74	Market Cap / Sales	0.10	0.10	0.08	0.07
<u>Operating Ratios</u>					P/E	10.02	7.71	9.50	9.57
EBITDA Margins	1.28%	1.40%	1.01%	1.03%	Price to Book Value	0.22	0.15	0.12	0.96
PAT Margins	0.76%	0.92%	0.66%	0.75%	<u>Solvency Ratios</u>				
Inventory days	6.50	7.98	6.91	5.72	Debt / Equity	0.48	0.55	0.59	0.20
Debtor days	2.59	3.86	6.79	6.80	Current Ratio	3.30	3.11	2.04	3.09
Creditor days	0.54	1.22	2.42	1.40	Quick Ratio	2.59	2.35	1.30	1.72
<u>Return Ratios</u>					Asset Turnover	21.93	17.96	15.69	11.23
RoCE	33.67%	31.54%	24.24%	16.02%	Interest Coverage Ratio	4.57	7.50	4.04	10.76
RoE	32.48%	29.66%	19.40%	13.60%					

*Annualized

INTERPRETATION –

- The top line has increased consistently over the years. It increased by 8% in FY2023 and by 13% in FY2024. This increase is due to increase in sale of products.
- The net profit had seen an increase by 29% in FY2023 and decrease by 19% in FY2024. The increase in FY2023 was because there was a decrease in purchase of stock-in-trade and employee benefit expenses.
- The EBITDA margin and PAT margin have increased in FY2023 which is because there was a decline in copper prices.
- The PE ratio has improved over the years.
- The RoCE and RoE have consistently decreased over the years.
- The company had negative cash flow from operations for FY2023.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Beeline Capital Advisors 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 –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mamata Machinery Limited	179.39	243.00	Dec 27, 2024	540.20
2.	Toss The Coin Limited	9.17	182.00	Dec 17, 2024	541.95
3.	Nisus Finance Services Co Limited	114.24	180.00	Dec 11, 2024	515.15
4.	C2C Advanced Systems Limited	99.07	226.00	Dec 03, 2024	857.15
5.	SD Retail Limited	64.98	131.00	Sep 27, 2024	172.80
6.	Mach Conferences and Events Limited	125.28	225.00	Sep 11, 2024	238.90
7.	Indian Phosphate Limited	67.36	99.00	Sep 03, 2024	79.65
8.	Positron Energy Limited	51.21	250.00	Aug 20, 2024	318.35
9.	Ashapura Logistics Limited	52.66	144.00	Aug 06, 2024	91.00
10.	V.L. Infraprojects Limited	18.52	42.00	Jul 30, 2024	54.00

The company has handled 52 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 all have opened at a premium on the listing day.

Recommendation -

Parmeshwar Metal Limited has been in the industry since 2016 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO annualized basis is around 9.57 times which makes it fairly priced.

The company's top line has increased consistently over the years. The bottom line and profitability margins have also seen an increase in FY2023 which is because the expenses had reduced during that period as the copper price had declined. The margins are low as the company operates in a high volume/ low margin segment. The peer company has also seen a similar trend. The cash conversion cycle of the company is also better than its peer.

The company is raising funds through IPO for expansion purpose and introducing a new product (bunched copper wire) which will significantly contribute to the growth of top line in the future. They are also renovating their furnace which will improve efficiency.

Thus, investors can **APPLY** to this IPO.

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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