

IPO Details

Opening Date	Sep 09, 2022
Closing Date	Sep 14, 2022
Stock Exchange	NSE SME
Lot Size	1600 Shares
Issue Price	₹ 80 per share
Issue Size	22,80,000 Equity Shares
Application Amount	₹ 1,28,000

IPO Objective

Funding Working Capital Requirement
Funding the Proposed Joint Venture and/or Acquisition.
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	49,08,593	99.61%
Public	19,250	0.39%

Promoter of the Company

1 Mr. Shantanu Srivastava

Competitive Strengths

- 1 Strong brand presence in South-East Asia.
- 2 Diversification in various sectors ensures steady revenue.
- 3 A combination of experience and expertise.
- 4 Sustainable and Strong Order Book.
- 5 Focus on quality, cost efficiencies and timely implementation.
- 6 High Customer Satisfaction.
- 7 Well Established Supply and Logistic Chain.
- 8 Strong Risk Management.

Company Background

- Company was established in the year 1995 in New Delhi.
- Company is engaged in contracting and building projects that focus on supplying machines, erection/installation, commissioning and operational training for sugar plants, jaggery plants, pharmaceutical plants, hydro power plants and pollution control systems.
- Company also provides high end engineering services and solutions for all types of activities in Hydro Power, Sugar and Jaggery, Pharmaceuticals, Pollution Control Systems.
- Company is an ISO 9001: 2015 certified Company, GoI certified Star Export House.
- As on the date of filing the prospectus, the company had 16 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	2,168.87	1,452.52	1,704.15
Net Assets	619.71	496.25	481.19
Total Borrowings	850.85	730.02	579.66
Total Revenue	2,174.31	2,271.20	2,276.56
Profit After Tax	127.15	15.05	28.42

Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

Company Overview

Ishan International Limited was incorporated in the year 1995 in New Delhi. The company is engaged in the business of contracting and building projects that focus on supplying machines, erection/installation, commissioning and operational training for sugar plants, jaggery plants, pharmaceutical plants, hydro power plants and pollution control systems. Company also provides high end engineering services and solutions for all types of activities in Hydro Power, Sugar and Jaggery, Pharmaceuticals, Pollution Control Systems

Analysis

Being incorporated in the year 1995, the company has good experience in the engineering industry. Company's business model includes getting order from its customers requiring machinery with particular specifications, the company's team analyses the requirement and contact the manufacturers providing them the details of the required machinery. Once the machinery is manufactured, company makes sure that it is properly erected following all the quality parameters.

Company mainly is into exporting business and is also an ISO 9001: 2015 certified Company, GoI certified Star Export House. A brief summary of the domestic vs export sales of the company over the years is given in the table below –

(Amount in Lakh)

Particulars	FY 2022-21		FY 2020-21		FY 2019-20	
	Amount	% of revenue from operations	Amount	% of revenue from operations	Amount	% of revenue from operations
Exports- Products & Services	1297.19	61.41%	979.89	44.12%	1203.62	54.93%
Domestic- Products & Services	815.22	38.59%	1241.17	55.88%	987.56	45.07%

As evident from the table, company's export is increasing gradually Y-o-Y. Company established its first overseas office in 1999 in Vietnam and till 2021, company has established 4 international offices in Philippines, Indonesia, Hanoi (Vietnam), Ho Chi Minh City (Vietnam) and 1 office in Kenya is in process. From analysis of the

prospectus, it is seen that the company's main markets are Philippines, Vietnam and Indonesia.

Company's product segment includes machinery which are mainly useful to pharmaceutical industry, sugar industry and jaggery industry. Company earns revenue from sale of Heavy Machinery, Industrial Fabric, Services and Commission and other sources. A summary of the product wise revenue from sales is given in the table below –

(Amount in Lakh)

Particulars	As on March 31,		
	2022	2021	2020
Heavy Machinery	1,102.98	906.31	1,144.90
Industrial Fabric	557.63	1,062.35	778.93
Services & Commission	325.63	172.58	267.35
Other	126.17	79.82	-

Talking about the revenue of the company, the company has not been able to capitalise on the opportunities as it has only been able to generate a revenue of around Rs. 22 crores even being in the industry for so long. Also the revenue in past three years has been static.

To conclude, the company is operating in a good product segment with good track record of existence and is also export house certified but is lagging behind in generating enough revenue and profits.

Industry Charts

Exhibit 1: Indian Engineering Market Size

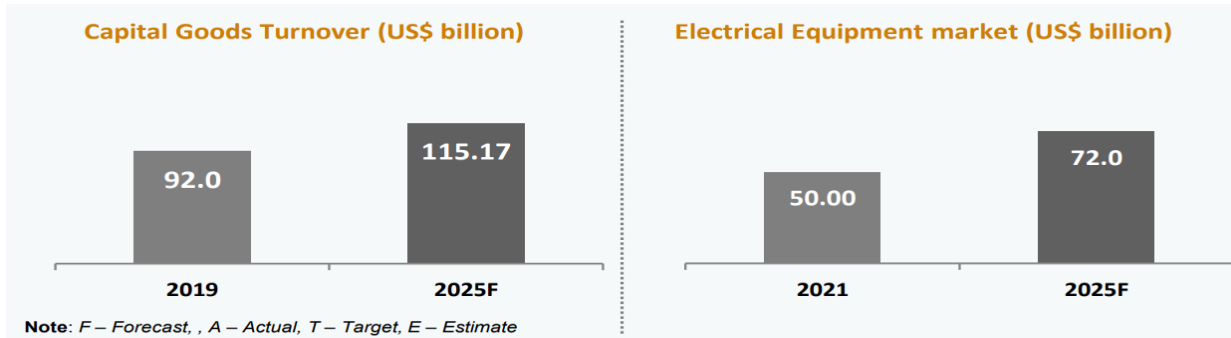


Exhibit 2: Indian Engineering Export Performance

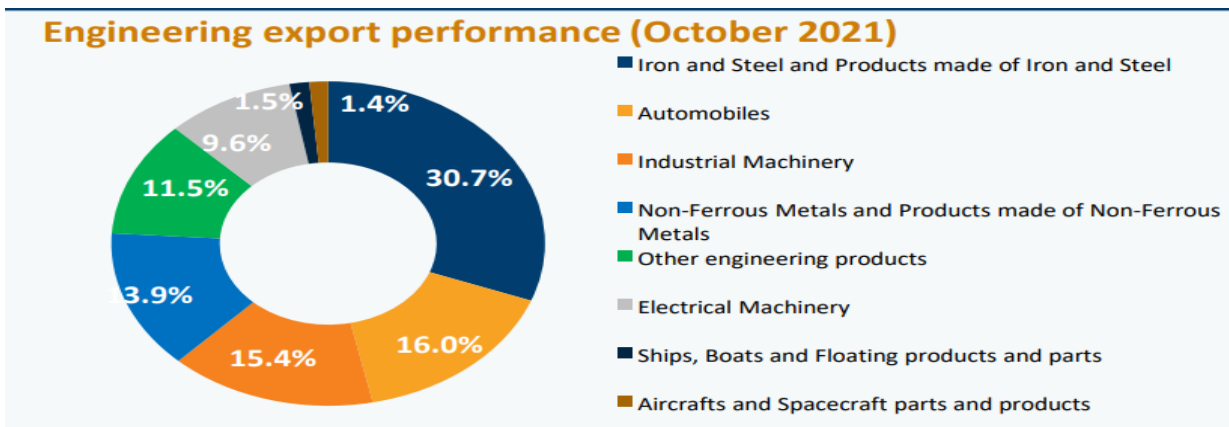
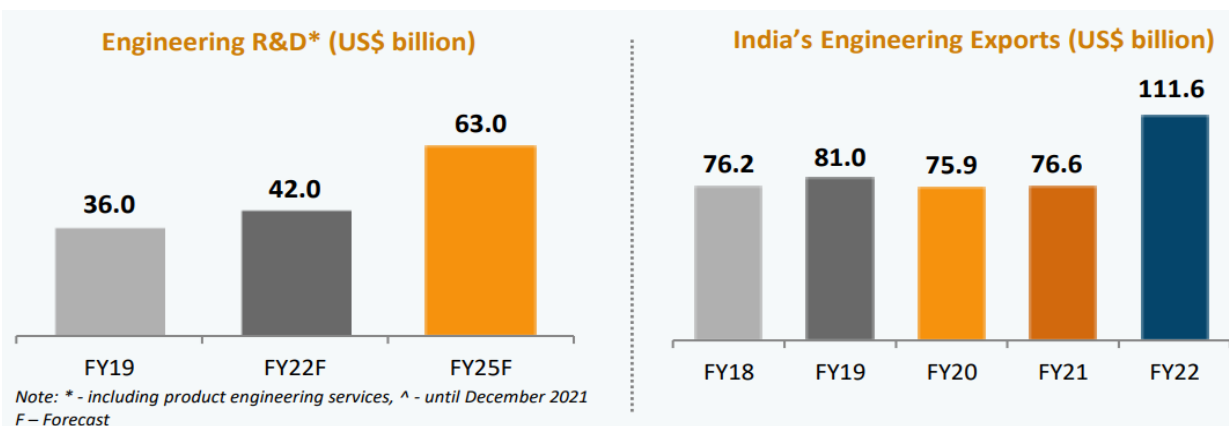


Exhibit 3: Key Trends in Indian Engineering Market



(Source: ibef.org)

Investment Overview

Engineering Industry

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. India's engineering sector has witnessed a remarkable growth over the last few years, driven by increased investment in infrastructure and industrial production. The engineering sector, being closely associated with the manufacturing and infrastructure sectors, is of strategic importance to India's economy. India became a permanent member of the Washington Accord (WA) in June 2014. It is now a part of an exclusive group of 17 countries who are permanent signatories of the WA, an elite international agreement on engineering studies and mobility of engineers.

Electrical equipment market is forecasted to grow at 12% CAGR to reach US\$ 72 billion by 2025 from US\$ 48-50 billion in 2021. Electrical equipment export market is forecasted to reach US\$ 13 billion by 2025, from US\$ 8.62 billion in 2021. Indian machine tool production and consumption were estimated at Rs. 6,602 crores (US\$ 879.38 million) and Rs. 12,036 crores (US\$ 1.6 billion), respectively, in FY21. The boiler industry's market size stood at US\$ 146 million in 2019 and is expected to grow at a CAGR of 6% to reach US\$ 194 million by 2025. Export of boilers stood at US\$ 106.53 million between April-November 2020, with around 72 million units exported. The market size of high voltage switchgear (including panels) and low voltage switchgear (including panels) stood at Rs. 4,793 crores (US\$ 679.95 million). In FY22, India exported engineering goods worth US\$ 111.63 billion, a 45.51% increase YoY. India exports engineering goods mostly to US and Europe, which account for over 60% of the total exports. The Index of Industrial Production (IIP) for the electrical equipment manufacturing industry stood at 98.3 in May 2022.

(Source: ibef.org)

Addressable Market for Ishan Interntional Limited

The company is majorly an export oriented company supplying majorly to the ASEAN countries especially in Vietnam, Indonesia and Philippines and in near term it could try to increase its presence in other parts of the world as well. Company also sells its products domestically.

Competition

Company operates in a highly competitive environment. The industry is highly fragmented and the bargaining power of the company is low. As the company operates in export environment as well, the competition is not only from domestic players but also from international players. There is also a threat of new entrant but the same is not that high. However, there are existing big and renowned players already established in the industry.

Peer Analysis

As Mentioned in the prospectus, the company has 4 peers viz. Lokesh Machines Limited, Ador Fontech Limited, Anup Engineering Limited and ISGEC Heavy Engineering Limited. A summary on key figures as compared to these companies is given in the table below –

Company	Ishan International Limited	Lokesh Machines Limited	Ador Fontech Limited	Anup Engineering Limited	ISGEC Heavy Engineering Limited
Net Profit (INR Cr)	1.27	6.35	25.44	62.85	108.81
EBITDA (INR Cr)	3.03	30.58	37.76	74.54	324.6
Return on Capital Employed	39.02%	11.66%	25.09%	18.34%	10.73%
Return on Equity	20.52%	4.25%	18.21%	15.93%	5.13%
EPS (INR)#	1.76	3.87	5.25	60.03	15.37
P/E* (Times)	45.48	34.81	16.57	14.80	31.48

Post-IPO Basis

***As on 07/09/2022**

Promoters' Profile and Management Analysis

Mr. Shantanu Srivastava



- **Mr. Shanatau Srivastava** is the Promoter and Managing Director of the Company.
- He has done his Mechanical Engineer from the Indian Institute of Technology, Kanpur.
- He has worked as a diplomat at the Indian Embassy in Hanoi, Vietnam for over 5 years during the early part of his career.
- He is the Founder Chairman of Indian Business Chamber in Vietnam (INCHAM) in 1998.
- He was the Chairman of India – ASEAN Business Promotion Council at ASSOCHAM and member of India – Thailand CEO's Forum.

Analysis on the Company's Promoter and Board of Directors

Mr. Shantanu Srivastava, Promoter, Managing Director and CEO of the company is the guiding force behind the business decisions of the company. He has done his Mechanical Engineer from the Indian Institute of Technology, Kanpur. He has worked as a diplomat at the Indian Embassy in Hanoi, Vietnam for over 5 years during the early part of his career. He is the Founder Chairman of Indian Business Chamber in Vietnam (INCHAM) in 1998. He was the Chairman of India – ASEAN Business Promotion Council at ASSOCHAM and member of India – Thailand CEO's Forum. He has been a guest speaker at a large number of management institutes in the country as also Indian Council of World Affairs (ICWA), Federation of Indian Export Organizations (FIEO), Engineering Export Promotion Council (EEPC), CII, ASSOCHAM and FICCI. He has also been awarded with prestigious award from Vietnam Government as well as from IIT Kanpur.

Mr. Neelam Gupta is the Executive Director and CFO of the company. She is in charge of back-end operations of the company. She is M. Com from C.S.J.M. Kanpur University, P.G.D.C.A from Board of Technical Education, Lucknow and M.B.A from Symbiosis, Pune. She brings 16 years of experience in the table and had joined the company in 2008 and is heading the Finance, Accounts and Project Management Division of the company.

The independent directors of the company include Mr. Mandyam Komandur Srinivas, **Tennis Star – Mr. Mahesh Bhupati** and Mr. Vipin Ganpatrao Goje and among them only Mr. Mandyam has relevant background.

To conclude, the promoter of the company seems to be a known face in the market of Vietnam and a very influential person as he has served on board at the Indian Embassy in Vietnam for 5 years. He has good relationship with top authorities and also has relevant educational background. Mrs. Neelam also has good experience and her educational qualification supports her role. The management outlook is positive.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	2,191.18	2,221.06	2,112.41
Other income	81.38	50.14	61.90
Total Revenue	2,272.56	2,271.20	2,174.31
Expenses	2,175.31	2,157.38	1,871.09
Depreciation and Amortisation Cost	7.70	6.21	5.46
Finance Cost	51.32	87.52	87.38
Total Expenses	2,234.33	2,251.11	1,963.93
PBT	38.23	20.09	210.38
PBT Margin	1.74%	0.90%	9.96%
EBITDA	97.25	113.82	303.22
EBITDA Margin	4.44%	5.12%	14.35%
Net Profit	28.42	15.05	127.15
Net Profit Margin	1.30%	0.68%	6.02%
Balance Sheet			
Total Borrowings	579.66	730.02	850.85
Net Worth	481.19	496.25	619.71
Fixed Assets	173.94	167.73	161.58
Net Working Capital	291.08	251.68	440.13
Financial Measures			
Inventory Turnover Ratio	-	989.99	872.81
Receivables Turnover Ratio	3.74	4.20	2.55
Payables Turnover Ratio	3.13	8.72	8.84
Fixed Assets Turnover Ratio	12.60	13.24	13.07
Return on Capital Employed	14.01%	16.09%	39.02%
Return on Equity	5.91%	3.03%	20.52%
Debt-Equity Ratio	1.20	1.47	1.37

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 97.25 lacs in 2020 to 303.22 lacs in 2022 growing at a CAGR of 76.58%. The EBITDA margin in 2022 was 14.35%, 5.12% in 2021 and 4.44% in 2020 showing supernormal growth just before the IPO, raising eyebrows.

Net Profit

The net profit of the company has grown from Rs. 28.42 lacs in 2020 to Rs. 127.15 lacs in 2022 growing at a CAGR of 111.52%. The net profit margin of the company was 1.30% in 2020, 0.68% in 2021 and 6.02% in 2022 which like EBITDA shows an extra-ordinary growth in the bottom line and the same seems to be unsustainable.

Finance Cost.

The company has incurred finance cost mainly towards the short-term and long-term facilities availed from the Banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 39.02% in 2022 vs 14.01% in 2020. The RoCE has increased because of substantial increase in EBIT. Such a growth in operating profit is not expected in future and also with new capital being introduced via IPO, RoCE is expected to decrease.

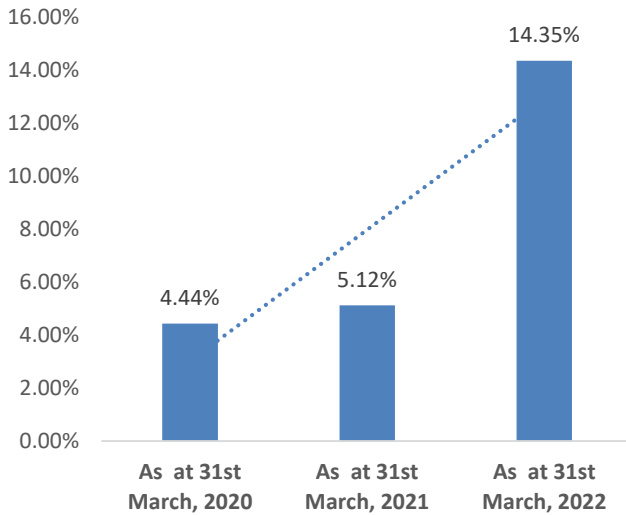
ROE of the company in 2022 was 20.52% vs 5.91% in 2020. The growth in the ROE of the company has been attributed to substantial increase in the net profit of the company. The analysis and forecast of the same can be set forth as that of RoCE.

The company is not keeping much inventory in its place and therefore the Inventory Turnover Ratio is very high. Talking about the Receivables and Payables management, the company has to be more effective.

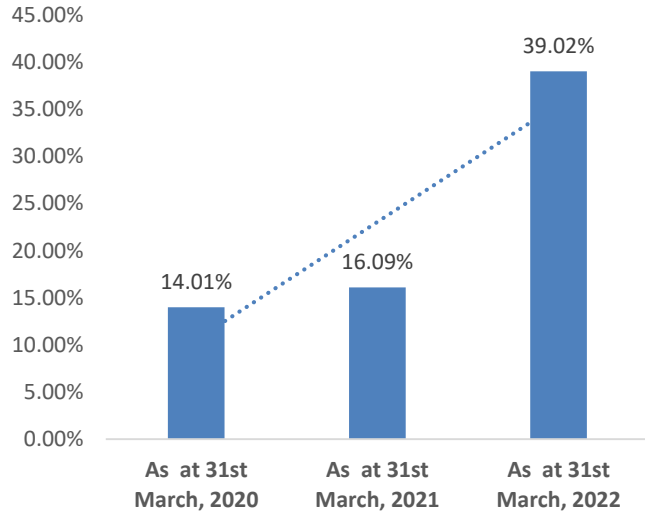
The company has debt-equity ratio of around 1.37 times. The company has been constantly maintaining the ratio at around this range and in future we believe it to be the same looking at the debt structure of the company in past 3 years.

Financial Charts

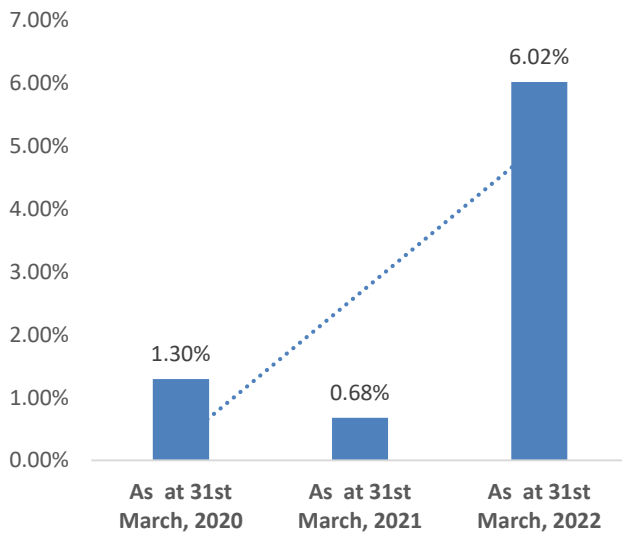
EBITDA Margin



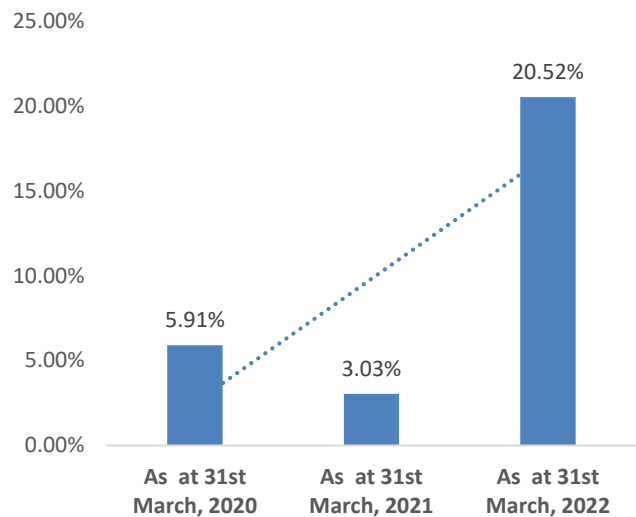
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 185.22 lacs, which if determined against them, can affect financial conditions of the company.
2. Statutory Auditor of the company has included certain emphasis of matters as depicted below –

Sr. No.	Emphasis of Matters
1	The inventories of stock -in- Trade of Rs.1.76 Lacs represent the old stocks, however as the same is not perishable items. The management is confident of sale the stock in in due course of time. In light of this during the Period under review no provision has been made in the current period against the inventories of stock in trade.
2	<p>We draw your attention to Note 34 the financial statement for March 31, 2022; As per Ind AS 109 “Financial Instruments” the company is required to consider “Provision for Expected Credit Loss” on financial assets on the basis of expected probability of recoverability of such financial instrument.</p> <p>During the Period, the company has provided Rs. NIL as Expected Credit Loss (ECL) and has written off in the financial statement. As per management explanations the receivables and advances of Rs.1,84,01,181/- is in dispute, and for the balance receivable and advances the management is following up with the parties and is hopeful for recovery. But in absence of adequate basis/supporting documents, we are unable to comment on the measurement of carrying amount of all the financial assets appearing in the financial statement as on 31st March, 2022. Further the company is also required to amortize financial assets as per the business model selected by the company, but in the absence of proper terms and conditions, amortization is not possible and the financial assets appear at carrying amount on 31st March, 2022.</p>
3	We draw your attention to Note No.35 of notes to account of the financial statement March 31, 2022, balances of trade payables, trade receivables, advances received, advances given, are subject to reconciliation and confirmation. The management is in the process of reconciling the same.
4	The Company has not obtained registration under Professional tax act and (i) has not deducted professional tax from salaries and (ii) not paid the professional tax payable by the Company.

Track Record of Lead Manager

The lead manager to the issue is First Overseas Capital Limited and the previous issue details have been taken from the prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
Novateor Research Laboratories Ltd	4.49	13-09-2019	24.00	10.65
Janus Corporation Ltd	7.99	06-02-2020	50.00	8.25
RO Jewels Limited	4.91	25-03-2020	36.00	22.05
Party Cruisers Limited	7.75	05-03-2021	51.00	321.15
BEW Engineering Limited	3.97	16-09-2021	58.00	957.45
Nidan Healthcare & Laboratories Limited	50.00	12-11-2021	125.00	67.25
Precision Metaliks Limited	21.93	01-02-2022	51.00	34.10
Vaidya Sane Ayurved Laboratories Limited	20.22	23-02-2022	73.00	138.25
Veerkrupa Jewellers Limited	8.10	18-06-2022	27.00	73.25

#CMP is taken as on 08th September 2022

This is the 10th IPO of the Lead Manager, out of the last 9 listings, 3 opened at par, 1 at discount and rest at premium.

Financial Snapshot

Being incorporated in the year 1995, the company has a good track record of existence. The company is into engineering industry which has a good prospect in coming future but requires continuous innovation.

The revenue of the company has been static from past three years. Although established in 1995, the company has not been able to generate good bottom line and also sudden increase in the margins is a matter of concern.

The promoter of the company has good experience and education background. The promoter of the company has served in good posts earlier and therefore seems to be an influential person.

To conclude, the company has not been able to increase its revenue in these years and also being in the industry for so long, the company has not been able to capture the opportunities to generate a good bottom line which gives a possibility that the company might not be able to generate good profits in the coming years as well. So it is better to skip and **avoid** applying in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.