



# AURO IMPEX & CHEMICALS LIMITED

## Review Report On IPO



### IPO Details

<b>Opening Date</b>	May 11, 2023
<b>Closing Date</b>	May 15, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1600 shares
<b>Issue Price</b>	₹ 78 per share
<b>Issue Size</b>	3,470,400 Equity Shares
<b>Application Amount</b>	₹ 1,24,800
<b>Amount Raised</b>	₹27.07 Cr

### IPO Objective

1. To meet the working capital requirements.
2. General corporate purpose.
3. To meet the issue expenses.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	92,79,600	99.99%
Public	1,200	0.01%

### Promoter of the Company

1. Mr. Madhusudan Goenka.
2. Mr. Praveen Kumar Goenka.

### Competitive Strengths

1. Consistent focus on quality and safety.
2. Established manufacturing facilities with over decades of operations in the heavy electrical and engineering industry.
3. Established distribution network and long-term relationship with their customers.
4. Experienced Promoter and strong senior management team with extensive knowledge of the sector.

### Company Background

- Auro Impex & Chemicals Limited commenced operations in the year 1989 under their proprietorship concern Auro Enterprises in Kolkata, West Bengal.
- It is an ISO 9001:2015 certified Company that specializes in the manufacturing of Collecting Electrode, Discharge Electrode Plate steel structures and other internal components of an Electrostatic Precipitator (ESPs).
- Company had set up a Manufacturing facility for manufacturing of Electrostatic precipitator internals for both American and European designs in the state of West Bengal, spread across an area of 2.44 acres of land.
- As on date of filing of this Red Herring Prospectus, company have 47 employees on their payroll.

### Financial Summary

(INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	3,360.58	6,219.56	8,228.09
<b>Net Assets</b>	490.49	1,155.04	1,754.96
<b>Total Borrowings</b>	1,677.24	3,679.97	4,875.92
<b>Total Revenue</b>	7,372.70	15,184.93	23,296.54
<b>Profit After Tax</b>	90.53	230.03	599.92

### Tentative Timeline

<b>Opening Date</b>	May 11, 2023
<b>Closing Date</b>	May 15, 2023
<b>Basis of Allotment</b>	May 18, 2023
<b>Initiation of Refunds</b>	May 19, 2023
<b>Credit of Shares to Demat</b>	May 22, 2023
<b>Listing Date</b>	May 23, 2023



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## Company Overview

Auro Impex & Chemicals Limited an ISO 9001:2015 certified Company commenced its operations in the year 1989 under their proprietorship concern Auro Enterprises in Kolkata, West Bengal that specializes in the manufacturing of Collecting Electrode, Discharge Electrode Plate steel structures and other internal components of an Electrostatic Precipitator (ESPs) - a filtration device used to remove smoke and fine dust particles from flowing gas used in various heavy industries such as Steel Plants, Sponge Iron industry, Cement Plants, Thermal Energy Plants and any other plant where the coal is burnt, as a measure to control Air Pollution. With growing demand to minimize air pollution together with the increased awareness amongst the public and the government initiatives to reduce air pollution, in the year 2011, Company had set up a Manufacturing facility for manufacturing of Electrostatic precipitator internals for both American and European designs in the state of West Bengal, spread across an area of 2.44 acres of land with all the requisite machines and equipment, with the goal of becoming one of the top producers of ESP Internals (Collecting Electrode, Discharge Electrode, Electro- magnetic rapper, Tank Fabrication and Duct Fabrication and ESP Internal spare parts etc).

## Analysis

Being in operations since 1989, the company has a good track record of existence and also the promoters of the company have more than three decades of expertise in the trading & distribution and manufacturing of internal parts of Electrostatic Precipitators (ESPs) and have been directly involved in the Strategic and Financial decision making in the business. Company has ventured into a new project to assemble, test, inspect and sell High Frequency Transformer Rectifier (HFTR) units in the Indian ESP market on behalf an international brand, with the internal parts and engineering details for assembly and testing supplied by the brand itself.

Auro Impex & Chemicals Limited Company is specifically engaged into manufacturing of products such as: -

- (i) Collecting Electrodes of all profiles,
- (ii) Discharge Electrodes,
- (iii) Electro- magnetic rapper,



- (iv) Tank Fabrication and Duct Fabrication, and
- (v) other ESP Internal spare parts, for some Original Equipment Manufacturers (OEM's).

And also, they provide services ranging from sourcing of components, designing, manufacturing, quality testing as per the specifications provided by OEMs and service providers.

### **Capacity and Capacity Utilization:**

The company has one manufacturing unit located at Vill - Kanajuli, P.O Goborara, P.S. Gurap, Dhaniakhali, Hooghly- 712305, West Bengal, India which operates in three shifts a day, providing 24\*7 service, with sufficient buffer capacity to ramp up production. Production capacity and utilization including all shifts are given as under:

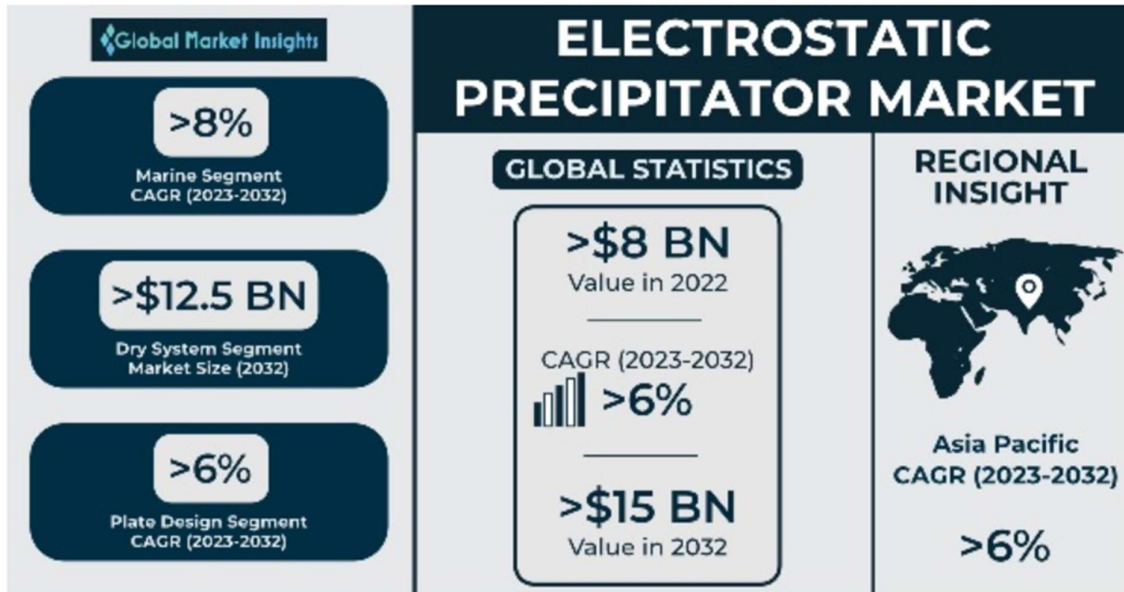
PRODUCTION STREAM	Installed Capacity (in MT)			Actual Capacity (in MT)			% of Capacity Utilization		
	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21
Collecting Electrodes	12,000	10,000	8,000	10,264	7,583	5,813	68.57%	64.52%	63.49%
Discharge Electrodes	2,500	2,500	2,100	2,148	1,992	1,600	14.29%	16.13%	16.67%
Internal EPS Spares and Components	3,000	3,000	2,500	2,653	2,677	1,950	17.14%	19.35%	19.84%
Total Units In MT	17,500	15,500	12,600	15,065	12,252	9,363	100.00%	100.00%	100.00%

To conclude, company operates in a highly competitive atmosphere, whereas the business segment in which company operates has good prospect in the future and they are planning to expand their business by starting a new project. But their client base is concentrated to their top ten customers contributing 95.22%, 94.12% and 94.69% of total sales for the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively on Restated Standalone Basis. The promoters of the company are well experienced in the business company operates in.



## Industry Charts

Exhibit 1: Global Electrostatic Precipitator Market



(Source - <https://www.gminsights.com>)

Exhibit 2: Global Air Pollution Control Systems Market



(Source - <https://www.databridgemarketresearch.com>)



## **Investment Overview**

### **Global Air Pollution Control Systems Market**

The industries running all over the world use various processing techniques to get the desired end product. After the processing of the raw material, the exhaust generated by the systems contains harmful and toxic pollutants. These can lead to an increase in the impurity of the air and lead to various diseases and damages to flora and fauna surrounding the industry. The exhaust gases can also lead to diseases in human beings. Therefore, the treatment of these exhaust gases forms the major part of any industry, as they ensure cleaner emissions to the atmosphere. The stringent government norms to control air pollution and the rising concerns over the increasing greenhouse gases, ozone depletion, and ecosystem have obliged every industry to use the air pollution control systems mandatorily. The growth of the cement manufacturing industry, power generation industry, oil and gas industry, chemicals industry and metal processing industries which use the air pollution control systems will drive the growth of the global air pollution control system market over the given forecast period.

The key market driver for the global air pollution control systems market is the increasing demand for industrial products and power, which has seen rise in industrial activities taking place all over the world. Also, the strict government regulations regarding the air pollution control will increase the installations of the air pollution control systems and therefore driving the growth of the global air pollution control systems market.

### **KEY INDUSTRY DEVELOPMENTS**

In August 2019, Anguil announced about the contract received for the supply of ventilation air methane (VAM) control system for a coal project to be carried out in China. The contract was awarded by the large coal mining company located in the Shanghai Province. The captured air by VAM would be further used to run a steam turbine to generate electricity.

In August 2019, The Central Government of India designated the Council of Scientific and Industrial Research–National Physical Laboratory (CSIR-NPL) as the National verification agency for certifying equipment and instruments for monitoring emissions and ambient air. CSIR-NPL will be responsible for the



development of the necessary infrastructure, management system, testing, and certification facilities conforming to the international standards.

### **Global Electrostatic Precipitator (ESP) Market**

The global electrostatic precipitator market is estimated to grow at a CAGR of ~4% over the forecast period, i.e., 2022 – 2030. The growth of the market can be attributed to the increasing level of air pollution across the globe, along increasing industrial activities emitting toxic pollutants in the air. According to the data by the World Health Organization, 91% of the global population lives in areas exceeding WHO guideline limits of air pollutants. According to the data by the World Bank, the health damage from ambient air pollution costs over \$5.7 trillion globally, equivalent to 4.8% of global GDP, as of 2020. Electrostatic precipitator uses electricity to charge the particles present in smokes or fumes, and collects these particles on anode or cathode plates. This way, toxic particles present in industrial smoke are not emitted in the atmosphere, in turn, reducing the level of ambient pollution. According to the data by the WHO, over 7 million deaths are caused by air pollution annually. Ambient air pollution causes approximately 4.2 million deaths worldwide.

Growing concerns amongst authorities, regarding the increasing air pollution level, is estimated to increase the demand for electrostatic precipitator. The growing adoption of electrostatic precipitator amongst various end-users, including thermal power plants, cement factories, and chemical industries, is estimated to boost the market growth. Moreover, rising government initiatives to reduce pollution is estimated to boost the market growth. In the past few decades, the level of pollution has significantly decreased, owing to the rising awareness amongst the public. According to the data by the Environment Protection Agency (EPA), the level of carbon monoxide had decreased from -81 percentage points during the period 1980 vs 2020 to -12 percentage points during the period 2010 vs 2020. The market is segmented by application into power & electricity, metals, chemicals, and others out of which, the power & electricity segment is anticipated to hold the notable share in the global electrostatic precipitator market over the forecast period as electricity generation creates large amount of smoke and other greenhouse gases.

*(Source- Prospectus)*



**Addressable market for Auro Impex & Chemicals**

Growing concerns amongst authorities and government initiatives, regarding the increasing air pollution level, is estimated to increase the demand for electrostatic precipitator. The growing adoption of electrostatic precipitator amongst various end-users, including thermal power plants, cement factories, and chemical industries, is estimated to boost the market growth. The market is segmented by application into power & electricity, metals, chemicals, and others out of which, the power & electricity segment is anticipated to hold the notable share in the global electrostatic precipitator market over the forecast period as electricity generation creates large amount of smoke and other greenhouse gases. Company have also had export transaction in the previous year, going forward company can as well explore this option.

**Competition**

The Air Pollution Control Equipment Industry is highly competitive, and they face intense competition both from domestic as well as international players. The principal factors affecting competition include: customer relationships; technical excellence or differentiation; price and many more. There are barriers to entry in air pollution control systems market, as it requires many approvals and a superior technical specialization.





## **PEER ANALYSIS**

As per the Offer Document, the company does not have any listed peer.



## Promoters' Profile and Management Analysis

### Mr. Madhusudan Goenka



- Mr. Madhusudan Goenka, aged 62 years, is the Promoter and Managing Director of the Company.
- He has completed his Bachelor's degree in Commerce from St. Xavier's College, Calcutta.
- He has over 40 years of experience in the transport, manufacturing, and trading sector.

### Mr. Praveen Kumar Goenka



- Mr. Praveen Kumar Goenka, aged 65 years, is the Promoter, an Executive director (Whole-time director) and the Chief Operations Officer of the Company.
- He has completed his Bachelor's degree in Commerce from St. Xavier's College, Calcutta.
- He has over 40 years of experience in the transport, manufacturing, and trading sector.



### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Madhusudan Goenka**, aged 62, is the company's Promoter and Managing Director. He completed his B.com from St. Xavier's College, Calcutta. He has over 40 years of experience in the transport, manufacturing, and trading sector. He currently serves as the managing personnel of the company. All the financial decisions for the Auto Group of Companies are taken by him.

**Mr. Praveen Kumar Goenka**, aged 65, is the Promoter, an Executive director (Whole-time director), and the Chief Operations Officer of the Company. He has completed his bachelor's degree in commerce from St. Xavier College, Calcutta. He has over 40 years of experience in the transport, manufacturing, and trading sector.

**Ms. Vanshika Goenka**, is the Non-Executive Director of the Company. She has completed her degree in Fashion Designing from The Bhawanipur Education Society College and has over 4 years of experience in digital marketing, sales, and client servicing. She will bring her expertise in digital technology to handle client orders and sales and to grow the business in new markets.

**Mr. Sibasis Mitra**, is an Independent Director of the Company. He is an Associate Member of The Institute of Chartered Accountants of India (ICAI) since May 2001 and has a master's degree in commerce from the University of Calcutta. He has 25 years of experience in managing finance, accounts & taxation encompassing strategic financial planning, cost, and working capital management amongst others.

**Mr. Sankar Thakur**, is an Independent Director of the Company. He completed B.Tech in Chemical Engineering from the University of Calcutta in 1983, and M.B.A. in Marketing Management in 1989. He has handled large and medium-sized projects in Power, Steel, Cement, and Chemical plants, and has been responsible for planning, scheduling, procurement, coordination, and implementation of different projects relating to various industries.

To conclude, the company's individual promoters have good experience in the industry to which the company belongs to. The Non- executive director of the company is the daughter of Mr. Madhusudan and has decent experience in the Digital Marketing Field. The remaining Independent Directors of the company are well-experienced in the industry to which the company belongs.



# AURO IMPEX & CHEMICALS LIMITED

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### Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2023
<b><u>Profit and Loss</u></b>			
Revenue from operations	7,350.76	15,065.40	23,198.94
Other income	21.94	119.53	97.60
Total Revenue	7,372.70	15,184.93	23,296.54
Expenses	7,086.63	14,526.65	22,023.20
Depreciation and Amortisation Cost	43.53	52.35	48.79
Finance Cost	148.62	293.91	396.28
	-		
Total Expenses	7,278.78	14,872.91	22,468.27
PBT	93.92	312.02	828.27
PBT Margin	1.28%	2.07%	3.57%
EBITDA	264.13	538.75	1,175.74
EBITDA Margin	3.59%	3.58%	5.07%
Net Profit	90.53	230.03	599.92
Net Profit Margin	1.23%	1.53%	2.59%
<b><u>Balance Sheet</u></b>			
Total Borrowings	1,677.24	3,679.97	4,875.92
Net Worth	490.49	1,155.04	1,754.96
Fixed Assets	52.62	927.53	1,185.50
Net Working Capital	576.77	1,358.58	1,759.68
<b><u>Financial Measures (Annualised)</u></b>			
Inventory Turnover Ratio	8.41	6.75	8.29
Receivables Turnover Ratio	5.58	9.07	15.51
Payables Turnover Ratio	7.20	8.76	19.14
Fixed Assets Turnover Ratio	139.70	16.24	19.57
Return on Capital Employed	17.48%	21.25%	37.54%
Return on Equity	18.46%	19.92%	34.18%
Debt-Equity Ratio	3.42	3.19	2.78

(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 increased from Rs. 264.13 lacs in 2021 to Rs. 538.75 lacs in 2022 and in 2023 it was Rs. 1,175.74 lacs. The EBITDA has shown exponential growth when annualized with a CAGR of 110.98%. The EBITDA margin in 2021 was 3.59%, 3.58% in 2022, and 5.07% up to 31st March 2023. CAGR appears not to be sustainable in long-run with good EBITDA margins. The increase in EBITDA and Margin is due to an increase in Revenue from operations and a decrease in the percentage contribution of direct expenses towards EBITDA.

**Net Profit**

The net profit of the company has grown from Rs. 90.53 lacs in 2021 to Rs. 230.03 lacs in 2022 and as on March 2023 it was Rs. 599.92 lacs and growing at a CAGR of 157.42%, CAGR appears not to be sustainable. The net profit margin in 2021 was 1.23%, 1.53% in 2022, and 2.59% up to March 2023. The net profit margin of the company has shown good growth over the years. The increase in net profit margin from March 2022 to March 2023 is due to the increase in revenue (ex. Sales of products, Service Charges) and decrease in financial charges.

**Finance Cost.**

The company's finance costs mainly comprise interest on term loans, bank charges, and others.

**Financial Measures/Ratios**

The RoCE of the company up to 31st March 2023 is 37.54% vs 21.25% in 2022 and 17.48% in 2021. The RoCE increased to 37.54% in March 2023 due to exponential increase in the EBIT of the company in FY 22-23. The RoCE is expected to fall post-IPO due to increase Equity Share Capital.

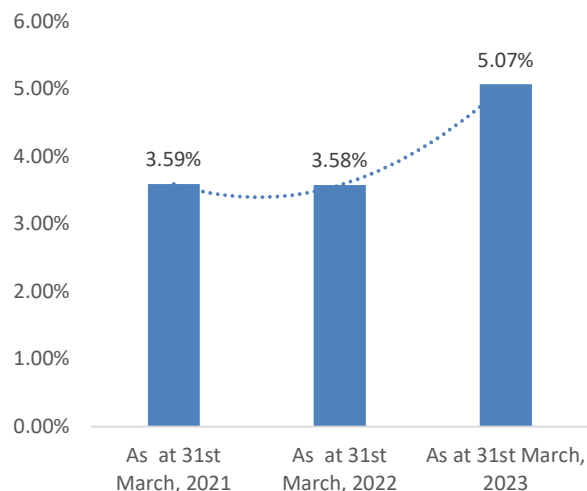
ROE of the company in 2021 was 18.46%, 19.92% in 2022, and 34.18% up to March 2023. The ROE has maintained a similar phase during FY 2021 – 2022 and has increased in FY 2022-2023. The ROE has grown at a CAGR of 36.09%.

The company has a debt-equity ratio of 2.78 as of March 2023 which shows the company is highly leveraged. The debt-equity ratio is going to come down to around 0.81 post-IPO.

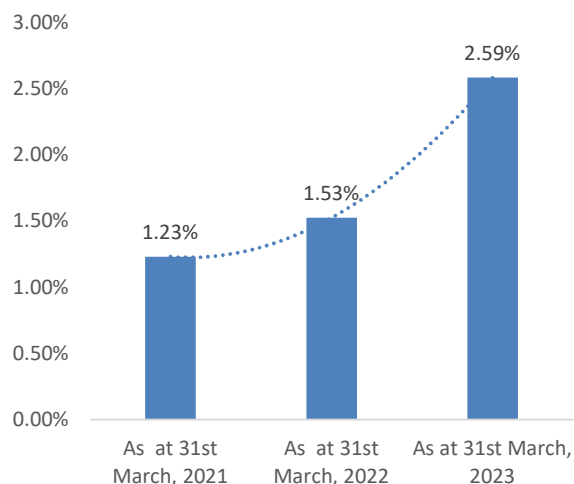


## Financial Charts

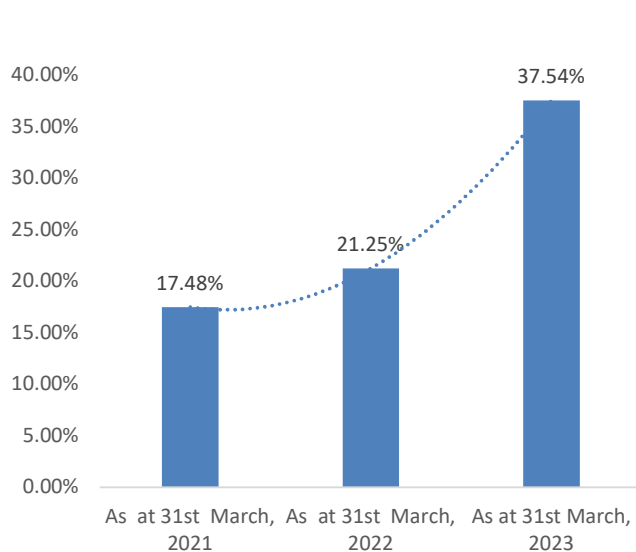
**EBITDA Margin**



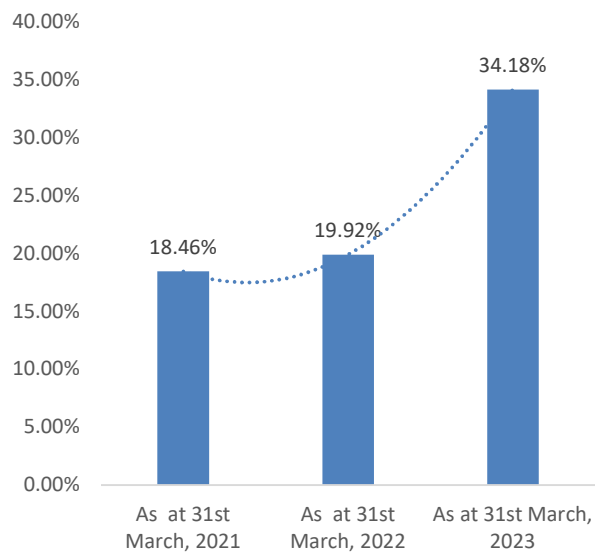
**Net Profit Margin**



**Return on Capital Employed**



**Return on Equity**





## Key Risk Factors

1. Business is dependent on a few customers and the loss of, or a significant reduction in purchases by such customers could adversely affect the business. Top ten customers contribute 95.22%, 94.12% and 94.69% of total sales for the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively on Restated Standalone Basis.
2. Company is also dependent on a few suppliers for raw materials. Any failure by suppliers to make timely delivery of raw materials will affect their business. Top ten suppliers contribute 93.72%, 94.96% and 85.77% of total purchase and for the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively on Restated Standalone Basis.
3. The company has a negative cash flow from operating activity for the period ended as of Mar 31st, 2023 in restated standalone financial information, amounting to Rs. (485.04) lacs.
4. There are outstanding legal proceedings involving Company, Promoters and Directors amounting to Rs. 8.59 lacs.





## **Track Record of Lead Manager**

As per the offer document Affinity Global Capital Market Private Limited have not had any mandates last four years. This will their first mandate.



## Recommendation

The company has been into this industry since 1989 and have a good track record. However, the company has also managed to increase its revenue exponentially, along with decent EBIT margins and net profit margins and their growth.

The company face intense competition both from domestic as well as international players.

The management outlook of the company looks decent, as their promoters and top managerial personnel's have a good experience relating to the company operates in.

The company is getting listed with a P/E of around 13.29 times which seems fairly priced, looking at the performance of the company over the past years.

In conclusion, the company has ventured into a new project as mentioned in the business analysis, whereas they are not utilizing the funds for the same but for other purposes. They have been regularly postponing their issue. Also, there is not much transparency in the details given in the prospectus. Earlier when we saw, there were anchor investors, but now there are no anchor investors. The lead manager of the company is not much experienced as this is their first mandate. Since there is no proper transparency, the financial growth of the company cannot be relied upon. Since, all these factors raises question on the reliability of the offer document making this stock a risky bet and one should wait and **Avoid** applying for this 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.**