

**IPO Details**

<b>Opening Date</b>	May 16, 2023
<b>Closing Date</b>	May 19, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	2000 shares
<b>Issue Price</b>	₹51 to ₹54 per share
<b>Issue Size</b>	3,320,000 Equity Shares
<b>Application Amount</b>	₹ 1,08,000

**IPO Objective**

1. Capital Expenditure for setting up of New Strapping Line
2. Repayment of certain secured borrowings in full
3. General corporate expenses and issue expenses

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	75,54,750	86.34%
Public	11,95,250	13.66%

**Promoter of the Company**

- 1 Mr.LeninKrishnamoorthy balamanikandan
- 2 Mrs. Navaneethakrishnan Saraladevi
- 3 Mrs. Saravanakumar Ramya

**Competitive Strengths**

- 1 Industry leading packaging customization in strapping Colours and logo printing on seals.
- 2 Most advanced first Integrated, fully automated production line.
- 3 Perform a PLC controlled superior Heat treatment process which ensures exceptional consistency throughout the process.

**Company Background**

- Established in the year 2017 at Sivakasi, Tamil Nadu, as “Krishca Strapping Solutions Private Limited”.
- Engaged as the Manufacturer and Wholesaler of Strapping Tool, Strapping Seal, etc.
- Manufacturing processes at every step of the way are leading edge, sophisticated and standardized to ensure consistent quality.
- Testing Laboratories are equipped with the latest and most advanced equipment including a Digital Universal Testing Machine, Digital paint micro thickness meter, Hardness tester, Bend & curl tester and salt spray tester. These are manned by an experienced team of qualified professionals to ensure that quality control processes are standardised across shifts

**Financial Summary**

	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Feb-23
<b>Total Assets</b>	1,292.02	1,544.00	2,696.96
<b>Net Assets</b>	-120.28	159.51	945.26
<b>Total Borrowings</b>	1,337.48	939.28	1,193.01
<b>Total Revenue</b>	971.05	1,871.71	6,351.23
<b>Profit After Tax</b>	-67.25	150.54	785.75

**Tentative Timeline**

<b>Opening Date</b>	May 16, 2023
<b>Closing Date</b>	May 19, 2023
<b>Basis of Allotment</b>	May 24, 2023
<b>Initiation of Refunds</b>	May 25, 2023
<b>Credit of Shares to Demat</b>	May 26, 2023
<b>Listing Date</b>	May 29, 2023

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## Company Overview

Established in the year 2017 at Sivakasi, Tamil Nadu, “Krishca Strapping Solutions Private Limited”, engaged as the Manufacturer and Wholesaler of Strapping Tool, Strapping Seal, etc and products are high in demand due to their premium quality and affordable prices.

At Chennai facility, Heat treated high tensile Steel Straps are manufactured using state-of-the-art equipment and supervised by expert metallurgists and engineers.

- PLC Controlled automatic production line
- Automated heat treatment process–Uniform grain structure
- Pollution free production process – Lead free
- Super Jumbo coils upto 500 Kg

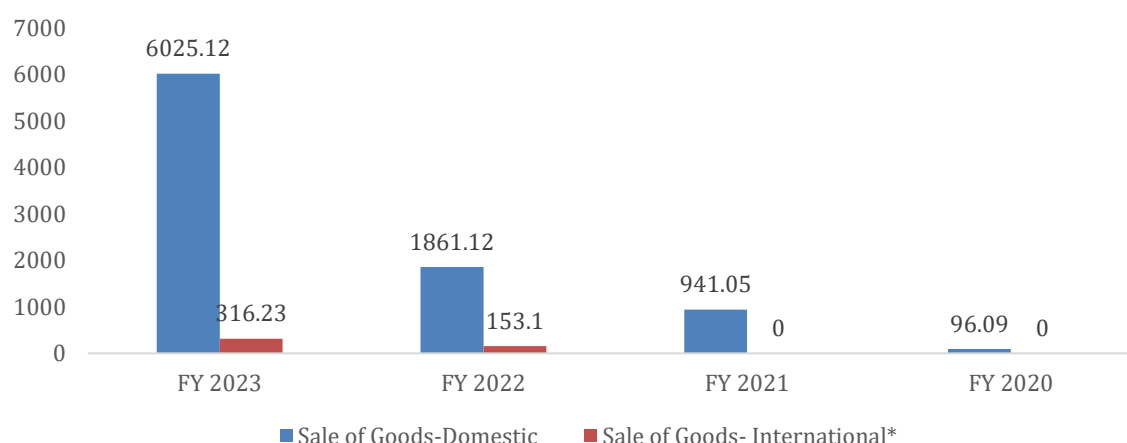
## Analysis

Krishca Strapping Solutions is manufacturer and wholesaler of Strapping Tool, Strapping Seal etc. There are some key control measures they take to ensure consistency raw material, State of The Art Laboratories, Continuous Sampling & Checks, Batch Wise Stock Keeping & Traceability. Their unique features are State of the art production line, Extraordinary Consistency Exceptional steel, In depth testing and tracking, First quality raw material Finest quality strap, Remarkable surface finish and Custom Branding.

A comparison of its geographical revenue up to 15<sup>th</sup> Feb 2023 and for FY 22 vis-à-vis FY 21 & 20 is given in the table below –

### Geographical Revenue:

Particulars	Up to February 15, 2023	FY 2022	FY 2021	FY 2020
Sale of Goods-Domestic	6,025.12	1,861.12	941.05	96.09
Sale of Goods-International	316.23	153.10	-	-
<b>Total</b>	<b>6,341.34</b>	<b>2,014.22</b>	<b>941.05</b>	<b>96.09</b>



The company has started selling goods outside India from FY 21-22 and up to 15<sup>th</sup> Feb 2023 the export sales have almost doubled. Even domestic sales have increased at good pace in the past couple of years this shows the credibility of the business.

### Revenue Distribution:

Revenues	Up to February 15, 2023		FY 2022		FY 2021	FY 2020	
	(Amount in ₹ in Lakhs)	% of Revenue from Operation	(Amount in ₹ in Lakhs)	% of Revenue from Operations	(Amount in ₹ in Lakhs)	(Amount in ₹ in Lakhs)	% of Revenue from Operations
Top 5 Customers	4,068.02	64.15%	965.96	51.90%	668.08	77.51	80.67%
Top 10 Customers	4,735.14	74.67%	1,275.83	68.55%	797.31	91.34	95.06%

The company was getting 80.67% from top 5 customers in year 2020 and in year 2022 they reduced it to 51.90% it's a good sign for a company to not depend on only few customers and In the year 2020 they were getting 95.06% are from top ten customers and then gradually they decreased it to 68.55%. When the company is not dependent on only few companies then they can be stable in any situations and their revenues also won't be much impacted even if top 10 or 5 customers is willing to shift to other companies. If they have huge diversified customers they might also have pricing power sometimes.

## Industry Charts

Exhibit 1: Total crude steel production and consumption of finished steel

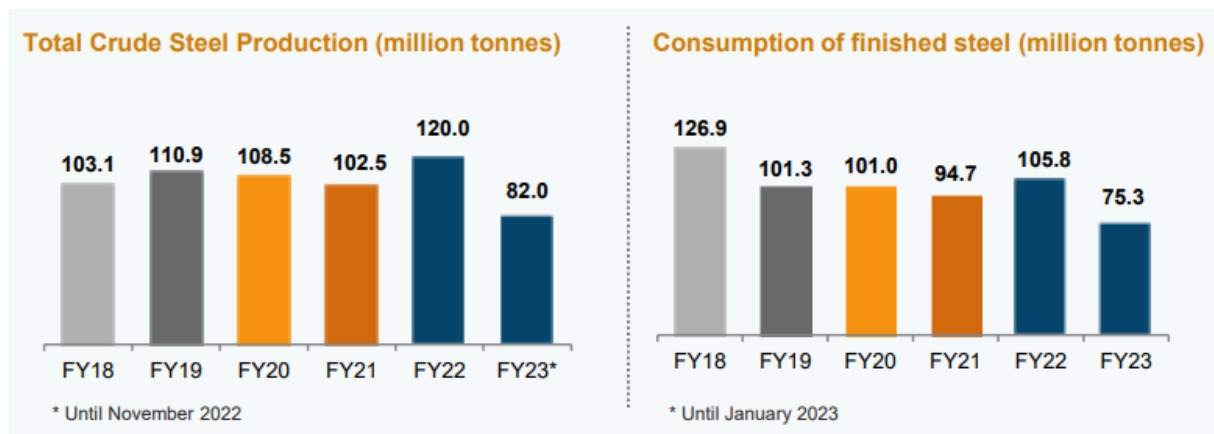


Exhibit 2: Steel

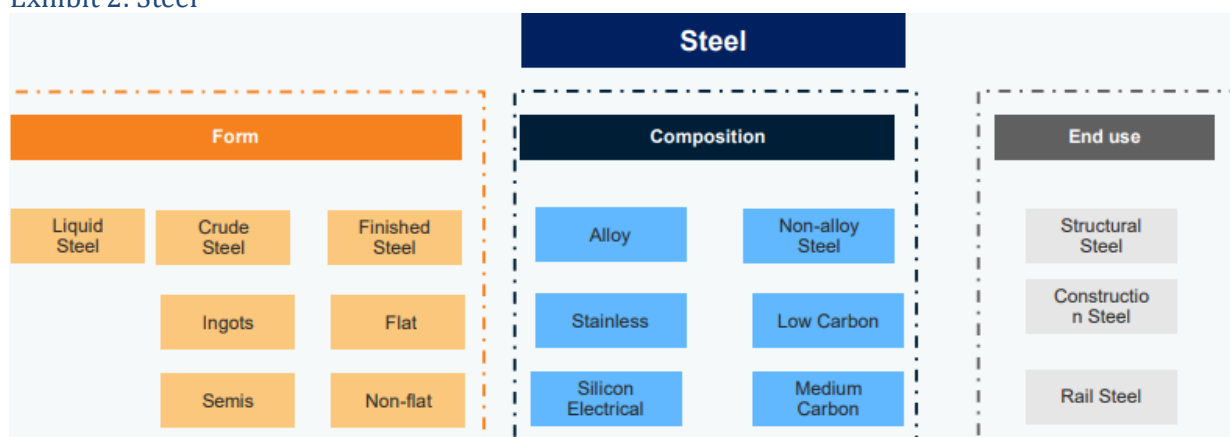
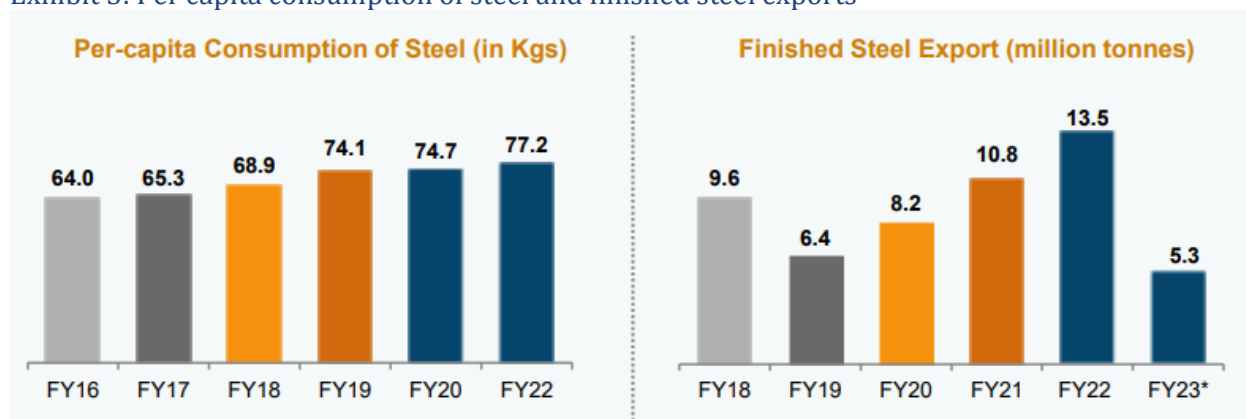


Exhibit 3: Per capita consumption of steel and finished steel exports



(Source: ibef.org)

## Investment Overview

One of the primary forces behind industrialization has been the use of metals. Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, it would not be an exaggeration to argue that the steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers. As of December 2022, India was the world's second-largest producer of crude steel. In FY22, the production of crude steel and finished steel stood at 133.596 MT and 120.01 MT, respectively. In April-November 2022, the production of crude steel and finished steel stood at 81.96 MT and 78.09 MT respectively. The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels.

### Market Size

In the past 10–12 years, India's steel sector has expanded significantly. Production has increased by 75% since 2008, while domestic steel demand has increased by almost 80%. The capacity for producing steel has grown concurrently, and the rise has been largely organic. In FY22, the production of crude steel and finished steel stood at 133.596 MT and 120.01 MT, respectively. The consumption of finished steel stood at 105.751 MT in FY22. Between April-December 2022, India's finished steel consumption stood at 75.34 MT. In April-July 2022, the production of crude steel and finished steel stood at 40.95 MT and 38.55 MT respectively. In FY23 (until January 2023), the exports of finished steel stood at 5.33 MT, while the imports stood at 5 MT. In FY22, exports and imports of finished steel stood at 13.49 MT and 4.67 MT, respectively. In FY22, India's export rose by 25.1% YoY, compared with 2021. In FY21, India exported 9.49 MT of finished steel. In December 2022 exports of finished steel stood at 4.42 lakh tonnes. The annual production of steel is anticipated to exceed 300 million tonnes by 2030–2031. By 2030–31, crude steel production is projected to reach 255 million tonnes at 85% capacity utilisation achieving 230 million tonnes

of finished steel production, assuming a 10% yield loss or a 90% conversion ratio for the conversion of raw steel to finished steel. With net exports of 24 million tonnes, consumption is expected to reach 206 million tonnes by the years 2030–1931. As a result, it is anticipated that per-person steel consumption will grow to 160 kg.

### **Road Ahead**

The steel industry has emerged as a major focus area given the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India. With the industry accounting for about 2% of the nation's GDP, India ranks as the world's second-largest producer of steel and is poised to overtake China as the world's second-largest consumer of steel. Both the industry and the nation's export manufacturing capacity have the potential to help India regain its favourable steel trade balance. The National Steel Policy, 2017 envisage 300 million tonnes of production capacity by 2030-31. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31. As per Indian Steel Association (ISA), steel demand will grow by 7.2% in 2019-20 and 2020-21.

Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

(Source: ibef.org)

### **Addressable market for Krishca strapping Limited**

Company is planning to get in to business of manufacturing, trading, importing, exporting and dealing in all kinds of articles for packing material sand in particular plastic straps, clips for packing of Corrugated and carton boxes, wooden boxes, sacks along with metal rings, holders, storage tanks and other industrial, household and Consumer goods or products used in packing and the business of manufacture.

There is huge scope in India for packing industry so if the company is able to gain market in this area it might perform well in future.



## **Competition**

Their top customers revenue is decreasing by every quarter even then they are able to make good profits its shows that the company is diversifying their business. There are many competitors for this business and the company doesn't have any long-term agreements with the top customers to whom they are supplying most of their products so it is very difficult for them to sustain in this competitive business. Company products are prepared by steel so steel is a commodity and if prices of steel goes up, to compete with the peers might result in having losses. The threat of entry is not high and the bargaining power of the company also seems to be low.

The Competitors of the company as given in the prospectus are: -

1. Usha Martin Ltd
2. Metal Coatings India Ltd.

## **Peer Analysis**

As per the prospectus, the company has given 2 listed peers viz., Usha Martin Ltd and Metal Coatings India Ltd. An analysis of the same has been given in the table below

Peer Analysis As on 31st March, 2022			
Company	KRISHCA STRAPPING SOLUTIONS LIMITED	Usha Martin Ltd.	Metal Coatings India Ltd.
Net Profit (INR Cr)	1.51	351.00	1.87
EBITDA (INR Cr)	3.10	10.30	9.24
Return on Capital Employed	29.81%	21.30%	9.21%
Return on Equity	94.38%	18.80%	8.62%
EPS (INR)	15.54	11.50	2.55
Leading P/E* (Times)	3.93	20.01	38.14

**\*Leading PE Post IPO**

**#EPS is on Post IPO Basis**

(Source of data: screener and prospectus)



## Promoters' Profile and Management Analysis

### Mr. Lenin Krishnamoorthy Balamanikandan



- Mr. Lenin Krishnamoorthy Balamanikandan is the Promoter, Managing Director and the chairman of the Company.
- He is the Founder of Krishca Strapping Solutions Limited. He holds the degree of Bachelor in Engineering in Electronics and Communication from Anna University and a Master of Science (Information Security) degree from the University of London.
- He was Appointed as Managing Director from December 12, 2022

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

**Mr. Lenin Krishnamoorthy Balamanikandan** aged 30 years, is Promoter, Managing director and the Chairman of Company. He is the Founder of Krishca Strapping Solutions Limited. He holds the degree of Bachelor in Engineering in Electronics and Communication from Anna University and a Master of Science (Information Security) degree from the University of London, UK where he specialized in advanced cyber security, corporate security & privacy practices. He has over 3 years of work experience as a cyber-security consultant in UK where he has handled several cyber security compliance projects for companies such as Visa and Samsung. He has performed a detailed market research on steel strapping for almost a year between 2017-2018 for setting up this Company. He has played a key role in growth and development of the Company.

**Mrs. Navaneethakrishnan Saraladevi** aged 32 years, is the Whole Time Director cum Chief Financial Officer of Company. She holds MBA (Marketing) degree from Madurai Kamaraj University. She has over 5 years of experience in Sales and Finance

**Mr. Achaya Kumarasamy** aged 55 years, is the non-Executive director of Company. He has done PG Diploma in SCM from Indian Institute of Management, Calcutta (IIMC). He has over 27 years of experience in operations with Automotive and Glass verticals and also held Leadership positions in strategic areas with reputed Indian and Multinational Companies. He has also played the vital roles in production, Sales and Distribution capabilities for Glass manufacturing with Saint Gobain Glass India and established the country wide Customer service and Logistics with Saint Gobain Glass. He worked as Head of SCM with EICL (Thappar Group), worked in the key areas like Planning, Procurement Strategy, strategic Sourcing, Vendor Management, Inventory control, Customer Service, Logistics and Distribution Planning. He is currently working as an advisor to PRM Group of companies.

**Mrs. Saravanakumar Ramya** aged 38 years is the non-Executive director of Company. Mrs. Ramya Saravanan, possess Master of Business Administration (Human Relations and Finance) from Anna University in 2007. She has got more than seven years of work experience in the field of Marketing and Business Administration with various Organizations. Mrs. Ramya Saravanan, heading the

Overseas Sales and Marketing for Krishca and has been supporting from the year 2018.

The promoter of the company does not have much relevant experience in the segment in which the company is operating into. The Non-Executive Directors although experienced would not take part into the day-to-day operations of the company. So the management outlook is not very positive.

**Financial Snapshot**
**(Amount in Lakhs)**

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 15th Feb, 2023	As at 31st March, 2023 (Annualised)
<b><u>Profit and Loss</u></b>				
Revenue from operations	941.05	1,861.12	6,341.34	10,870.87
Other income	30.00	10.59	9.88	20.30
Total Revenue	971.05	1,871.71	6,351.22	10,891.16
Expenses	884.07	1,550.78	5,257.74	9,013.27
Depreciation and Amortisation Cost	80.72	94.75	108.03	185.19
Finance Cost	73.51	54.47	64.71	110.93
Total Expenses	1,038.30	1,700.00	5,430.48	9,309.39
PBT	-67.25	171.71	920.74	1,581.77
PBT Margin	-7.15%	9.23%	14.52%	14.55%
EBITDA	56.98	310.34	1,083.60	1,857.60
EBITDA Margin	6.05%	16.67%	17.09%	17.09%
Net Profit	-67.25	150.54	785.75	1,347.00
Net Profit Margin	-7.15%	8.09%	12.39%	12.39%
<b><u>Balance Sheet</u></b>				
Total Borrowings	1,337.48	939.28	1,193.01	483.39
Net Worth	-120.28	159.51	945.26	2,439.51
Fixed Assets	614.29	591.43	599.87	414.68
Net Working Capital	421.15	723.15	1,433.80	2,457.94
<b><u>Financial Measures</u></b>				<b><u>(Annualised)</u></b>
Inventory Turnover Ratio	4.81	12.72	7.16	8.19
Receivables Turnover Ratio	4.10	3.32	6.65	11.41
Payables Turnover Ratio	10.40	11.76	17.24	29.56
Fixed Assets Turnover Ratio	1.53	3.15	10.57	26.22
Return on Capital Employed	-5.64%	29.81%	68.04%	75.56%
Return on Equity	55.91%	94.38%	83.13%	55.22%
Debt-Equity Ratio	-11.12	5.89	1.26	0.20

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

The EBITDA of the company has increased from Rs. 56.98 lacs in 2021 to Rs. 310.34 lacs in 2022 and on 15<sup>th</sup> Feb 2023 it was Rs.1,083.60 lacs and if we annualise the same it would be around Rs. 1,238.40 lacs. The EBITDA on annualised basis has grown at a CAGR of 366.20%. The EBITDA margin in 2021 was 6.05%, 16.67% in 2022 and 17.09% up to 15<sup>th</sup> Feb 2022. CAGR is very high. EBITDA in 2022 has increased due to increase in revenue and same performance may not be sustainable in future.

### **Net Profit**

The net profit of the company has grown from Rs 67.25 lacs in 2021 to Rs. 150.54 lacs in 2022 and as on 15<sup>th</sup> Feb 2022 it was Rs. 785.75 lacs and if we annualise the same it would be around Rs. 898 lacs growing at a CAGR of 265.42%. The net profit margin in 2021 was -7.15%, 8.09% in 2022 and 12.39% up to 15<sup>th</sup> Feb 2022. The Net Profit Margin of the company has increased over the years but the CAGR is very high and unsustainable.

### **Finance Cost.**

The company's finance cost is mainly due to short terms borrowings and long-term borrowings availed by the company.

### **Financial Measures/Ratios**

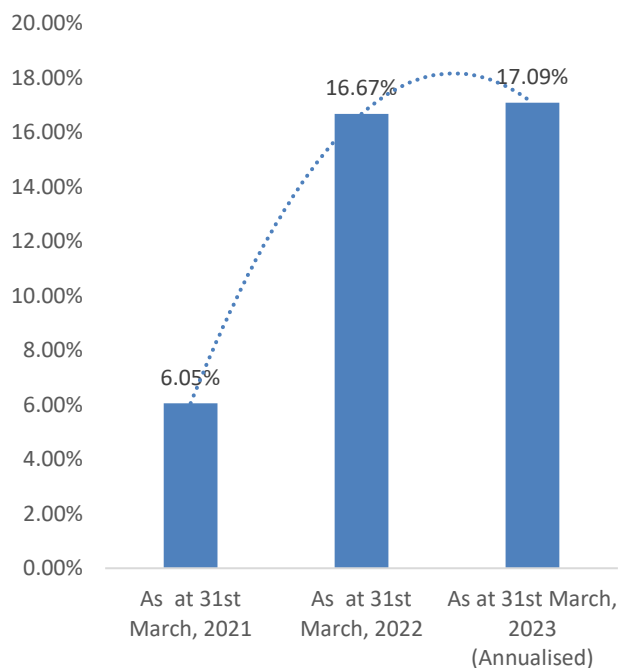
RoCE of the company up to 15<sup>th</sup> Feb 2022 is 68.04% vs 29.81 % in 2022 and -5.64% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 63.20%.

ROE of the company in 2021 was 55.91%, 94.38% in 2022 and 83.13% up to Feb 2023, if annualised, ROE would be around 45.11%. The ROE has seen a decrease and the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -10.17%.

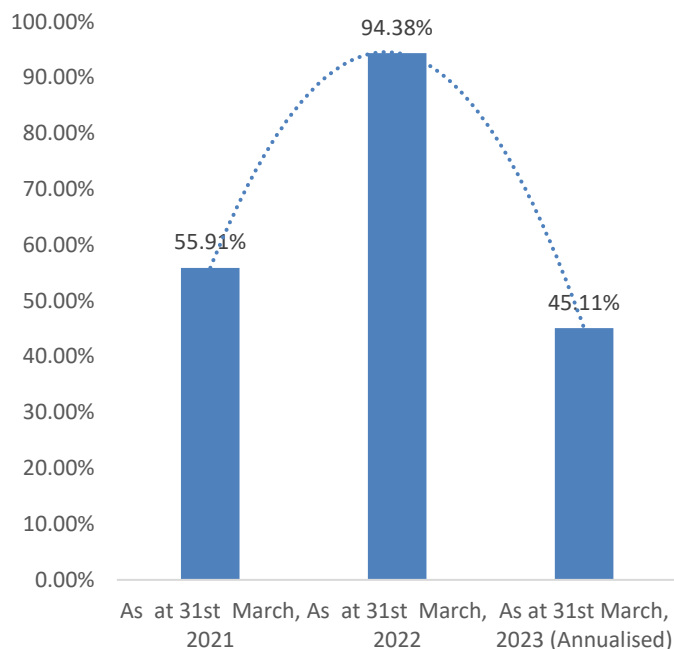
The company has a debt-equity ratio of 1.26 which shows the company is leveraged properly. The debt-equity ratio is going to go down to around 0.24 times post IPO and the turnover ratios is uneven because of the cyclical nature of the business.

## Financial Charts

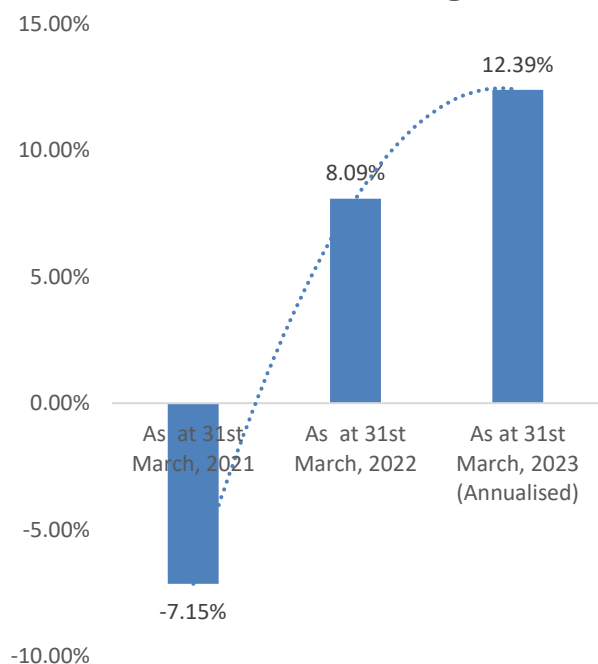
**EBITDA Margin**



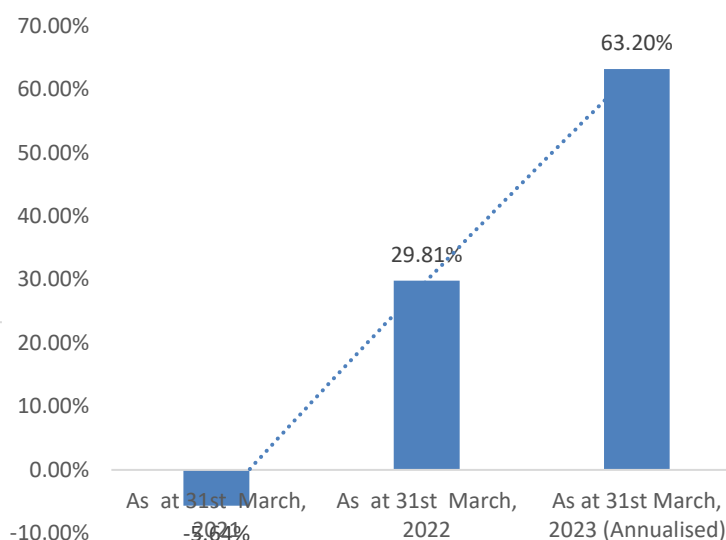
**Return on Equity**



**Net Profit Margin**



**Return on Capital Employed**



## Key Risk Factors

1. They may not be able to manage the current growth of business and operations in future.
2. If they are unable to successfully implement proposed expansion plans results of operations and financial condition could be adversely affected.
3. Profitability will suffer if they are not able to maintain pricing, control costs or continue to grow the business through higher client engagements.
4. The steel industry is highly cyclical and volatility in steel prices may have an adverse effect on the Company's results of operations and financial condition.
5. Generally they do business with customers on purchase order basis and do not enter into long term contracts with most of them. Inability to maintain relationships with customers could have an adverse effect on business, prospects, results of operations and financial condition.



## Track Record of Lead Manager

The lead manager to the issue is Share India Capital Services Private Limited. 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 –

### Share India Capital Services Private Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1	A G Universal Limited	8.72	60	April 24, 2023	55.6
2	Exhicon Events Media Solutions Limited	21.12	64	April 17, 2023	104.11
3	Maiden Forgings Limited	23.84	63	April 06, 2023	64.02
4	Humming Bird Education Limited	2.15	132	March 28, 2019	250.5
5	Anmol India Limited	10.23	33	Feb 21, 2019	225.1
6	Quicktouch Technologies Limited	9.33	61	May 2nd, 2023	110.9

### **CMP is taken as on 9<sup>th</sup> MAY 2023**

This is the 7th mandate from Share India Capital in the last six fiscals (including the ongoing one). Out of the last 6 listings, 4 opened at par and the rest with a premium of 1.82% on the listing date.

## Recommendation

Since the Company is established in 2017 there is no long track record for the company but till date its performance is good financially and company is trying to expand its business and we can see that they are gradually decreasing their revenue percentage from top 5 and top 10 customers and claiming new customers it's a good sign because even if one of their top customers go away from them their revenue doesn't affect much and the concern is all the promoters are related to same family if something goes wrong as an outsiders its very difficult for us track it. To conclude, the company does look good therefore **Risk Averse Investors should wait and Risk Seekers should apply.**

## 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.**