

### IPO Details

<b>Opening Date</b>	July 03, 2023
<b>Closing Date</b>	July 06, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	1200 shares
<b>Issue Price</b>	₹96 per share
<b>Issue Size</b>	13,41,600 Equity Shares
<b>Application Amount (@upper band for retail investors)</b>	₹ 1,15,200
<b>Amount Raised (Issue Type)</b>	₹12.88 Cr (Fresh Issue- ₹12.88 Cr)

### IPO Objective

1. To meet Working Capital Requirements.
2. To meet the Issue Expenses.
3. General Corporate Purposes.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	37,53,000	100%
Public	-	0%

### Promoter of the Company

1. M/S. Alphalogic Techsys Limited

### Competitive Strengths

1. Well-defined organizational structure.
2. Smooth flow of operations.
3. Quality assurance and accreditations.
4. Diversified product portfolio.
5. Organizational stability along with management expertise.

### Company Background

- Alphalogic Industries Limited was incorporated in the year 2020.
- The company is engaged in Design, Manufacturing, Supply and Installation of Industrial and Institutional Storage Systems i.e. Compactor Storage System, Heavy Duty Storage Racks, Cantilever Racks, Lockers, Mezzanine Floors, Metal Pallets & Crates, Library Stacks, Book Case, Book Trolley, Periodical Display Rack, School Lockers, Book Support etc.
- The company has only one manufacturing facility in Maharashtra.
- As on date of filing of Red Herring Prospectus, company have 16 employees on their payroll.

### Market Capitalization (INR In Cr.)

1. Pre-Issue	36.03
2. Post-Issue	48.91

### Financial Summary (INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	76.90	373.94	917.73
<b>Net Assets</b>	18.29	85.46	433.58
<b>Total Borrowings</b>	55.75	168.24	370.83
<b>Total Revenue</b>	322.33	784.33	1,823.14
<b>Profit After Tax</b>	8.29	30.51	219.41

### Tentative Timeline

<b>Opening Date</b>	July 03, 2023
<b>Closing Date</b>	July 06, 2023
<b>Basis of Allotment</b>	July 11, 2023
<b>Initiation of Refunds</b>	July 12, 2023
<b>Credit of Shares to Demat</b>	July 13, 2023
<b>Listing Date</b>	July 14, 2023

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## Company Overview

Alphalogic Industries Limited was incorporated in the year 2020. The company is engaged in Design, Manufacturing, Supply and Installation of Industrial and Institutional Storage Systems i.e., Compactor Storage System, Heavy Duty Storage Racks, Cantilever Racks, Lockers, Mezzanine Floors, Metal Pallets & Crates, Library Stacks, Bookcase, Book Trolley, Periodical Display Rack, School Lockers, Book Support etc. The company's manufacturing facility is located at Pune. The company is an ISO 9001:2015, 14001:2015, 45001:2018 and BIFMA certified storage solution manufacturing company. The company, Alphalogic Industries Limited is a subsidiary of M/s. Alphalogic Techsys Limited, which was listed on Startup Segment of SME Platform of BSE Limited. The company manufactures compact products with simple designs which facilitates transport and assembling at the site. The company's manufacturing process includes both through In-house manufacturing and outsourcing model. The company has designed and delivered storage solutions for the automobile industry, e-commerce companies, food industry, logistics companies, engineering companies, pharmaceutical organizations, educational institutes, IT companies, etc. In Fiscal Year 2023, the company has served over 150 clients in different industries.

## Analysis

The company was incorporated very recently, and they are very new to the industry. The company is into manufacturing of compactor storage system, Heavy Duty Storage racks, Mezzanine Floors, Metal Pallets etc. The vision of the company is about getting a global recognition in innovative, high-quality industrial storage and racking systems, and to do so the company has implemented quality control checks by conducting load testing to assess the strength and stability of the finished products before and after installation process promptly and effectively. The raw materials required for the manufacturing process are majorly sourced from Mild Steel which are procured from the company's group entity M/s. Neo Mega Steel LLP (trader of Mild Steel) which gives the company a cost advantage and the remaining other materials are sourced from local suppliers with whom they don't maintain long-term agreements instead are entered into short term agreements/purchase orders.

The company operates in only domestic sales and has not yet ventured into the international markets. The sales which were made during the Fiscal year 2021 and 2022 was only to Maharashtra and Telangana, whereas in fiscal year 2023 there has been an increase in the diversification of domestical boundaries which has led the way for the increase in revenues for the company. The bifurcation of the revenue state wise for FY 2021, FY 2022, and FY 2023 is given below-

(Amount in Lakhs)

State	31st March		
	2021	2022	2023
Maharashtra	321.24	727.35	1,361.97
Karnataka	-	-	168.51
Telangana	-	14.52	103.62
Tamil Nadu	-	-	43.88
Kerala	-	-	42.17
Gujarat	-	-	33.95
Goa	-	-	21.77
Andhra Pradesh	-	-	18.07
Madhya Pradesh	-	-	6.69
Delhi	-	-	1.22
Total	321.24	741.87	1,801.85

To conclude, the company operates in a very highly competitive industry. They have entered only the domestic market as of now and can increase their revenue by venturing into the global market. The company is diversified in terms of products manufactured and domestic boundaries.

## Industry Charts

Exhibit 1: Total Crude Steel Production (million tonnes)



Exhibit 2: Consumption of finished steel (million tonnes)



*(Source -ibef.com)*

## Investment Overview

### **INDUSTRIAL STEEL INDUSTRY**

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. 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

20301931. 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. 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-prospectus)*

## **Addressable market for Alphalogic Industries Limited**

The company as of now operates only in India and can increase their revenue by expanding their boundaries in and outside India. To contribute to the vision of the company to be globally recognized, the company must have a strong client base and strong impact in the domestic market before exploring into the foreign market. As the company is very new to the industry it has a large scope in exploring the markets and the products manufactured (innovation) along with the already diversified products to increase the growth of the company.

## **Competition**

The Company operates in a highly competitive industry with no barrier to entry. The company faces competition in India with many unorganized players and less of organized players. The company does have an upper hand in the global market with India being the 2<sup>nd</sup> largest producers of steel (China being the number one manufacturer of steel in FY-23).

## **PEER ANALYSIS**

As per the offer document the company does not have any listed peers.

## Promoters' Profile and Management Analysis

### M/s. Alphalogic Techsys Limited

#### M/s. Alphalogic Techsys Limited

- Alphalogic Techsys Limited was originally incorporated in the year 2016.
- M/s. Alphalogic Techsys Limited was listed on Start-up Segment of SME Platform of BSE Limited
- M/s. Alphalogic Techsys Limited is engaged in the business of providing Information Technology (IT) and related services.

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

**M/s. Alphalogic Techsys Limited**, is the promoter of the company. Alphalogic Techsys Limited was originally incorporated in the year 2016. M/s. Alphalogic Techsys Limited was listed on Start-up Segment of SME Platform of BSE Limited. Alphalogic Techsys Limited is engaged in the business of providing Information Technology (IT) and related services.

**Mr. Vedant Goel**, aged 30, is the Managing Director of the Company. He holds a bachelor's degree in commerce and has over 9 years of experience in the field of marketing, sales, and management in various industries.

**Mr. Montubhai Gandhi**, aged 37, is the Executive Director and Chief Executive Officer of the Company. He is an accomplished leader with a background in Mechanical Engineering and 12-year tenure in the racking and shelving industry. He looks after the comprehensive management of the company's manufacturing operations.

**Mrs. Krina Gandhi**, aged 33, is the Executive Director and Chief Financial Officer of the Company. She has over 9 years of experience in leading teams and managing finances. She has a bachelor's degree in finance and a master's degree in human resource development. She is responsible for all aspects of the company's financial operations.

**Mr. Anshu Goel**, aged 38, is the Non-Executive Director of the company. He holds a degree in Computer Engineering and has over 17 years of experience in building and running multiple businesses. He brings a wealth of experience and knowledge to the table and a trusted advisor to the CEO and other members of the management team.

To conclude, the company has one promoter which is Alphalogic Techsys Limited. The overall management have vast knowledge and good experience in the fields which are related directly and in the fields which help in the growth of the business.

**Financial Snapshot**

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, March 2023
<u>Profit and Loss</u>			
Revenue from operations	322.33	784.33	1,801.85
Other income	-	-	21.29
Total Revenue	322.33	784.33	1,823.14
<u>Expenses</u>			
Depreciation and Amortisation Cost	0.09	1.09	8.42
Finance Cost	6.18	31.27	38.82
Total Expenses	311.26	743.29	1,529.93
PBT	11.07	41.04	293.21
PBT Margin	3.43%	5.23%	16.27%
EBITDA	17.34	73.40	319.16
EBITDA Margin	5.38%	9.36%	17.71%
Net Profit	8.29	30.51	219.41
Net Profit Margin	2.57%	3.89%	12.18%
<u>Balance Sheet</u>			
Total Borrowings	55.75	168.24	370.83
Net Worth	18.29	85.46	433.58
Fixed Assets	0.62	28.14	105.18
Net Working Capital	-57.22	-135.84	16.49
<u>Financial Measures</u>			
Inventory Turnover Ratio	-	13.09	8.37
Receivables Turnover Ratio	268.61	9.71	7.53
Payables Turnover Ratio	661.33	7.60	50.20
Fixed Assets Turnover Ratio	519.89	27.87	17.13
Return on Capital Employed	94.11%	84.04%	71.45%
Return on Equity	45.33%	35.70%	50.60%
Debt-Equity Ratio	3.05	1.97	0.86

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

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

The EBITDA has increased from Rs. 17.34 lacs in 2021 to Rs. 73.40 lacs in 2022, and has again increased to 319.16 lacs in 2023. The EBITDA margin in 2021 was at 5.38%, 9.36% in 2022, and 12.18% in 2023. The increase in EBITDA during the FY-23 is due to the increase in Revenue from Operations for the company. The increase in EBITDA margin in FY-23 is due to decrease in the percentage contribution towards cost of material consumed.

### **Net Profit**

The Net Profit of the company has increased from Rs. 8.29 lacs in 2021 to Rs. 30.51 lacs in 2022, and has increased to Rs. 219.41 lacs in 2023. The Net Profit margin in 2021 is at 2.57%, 3.89% in 2022, and 12.18% in 2023. The increase in the Net Profit margin during FY-23 is due to Substantial increase in the revenue and other income for the company. The Net Profit margin in FY-23 has increased due to the decrease in the percentage contribution towards Finance Cost.

### **Finance Cost**

The company's finance cost mainly comprises of Interest on Unsecured Loan, and Bank Overdraft.

### **Financial Measures/Ratios**

The RoCE of the company in FY-23 is at 71.45%, 84.04% in 2022, 94.11% in 2021. The decrease in the RoCE during FY-23 is due to increase in the capital employed (total assets) for the company. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

The ROE of the company in 2021 was at 45.33%, 35.70% in 2022, and 50.60% in 2023. The increase in the ROE for the company during FY-23 is due to the increase in the percentage contribution towards Net Profit for the company. The ROE on post IPO basis is expected to come down.

The Inventory turnover ratio in 2021 was nil but has increased to 13.09 times in 2022, and 8.37 times in 2023. There is no proper trend in the inventory turnover ratio to come to any conclusion.

The Receivables turnover ratio has decreased from 268.61 times in 2021 to 9.71 times in 2022 and has decreased to 7.53 times in 2023. The decrease in the turnover ratio is indicating that the company receiving its cash has reduced to 7.53 times in FY-2023.

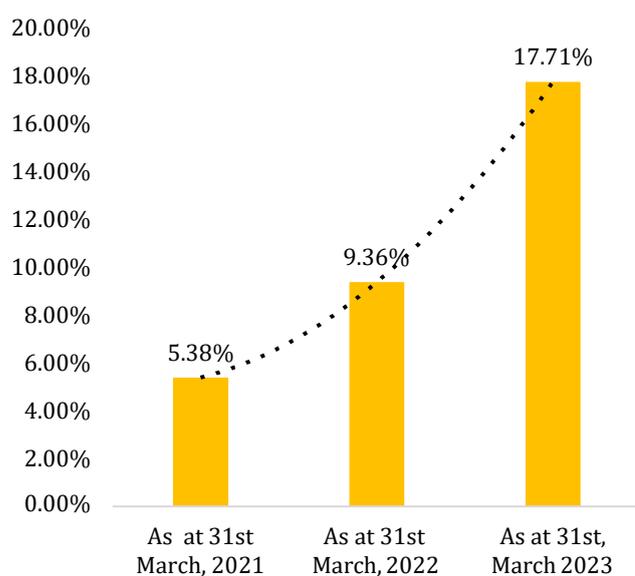
The Payables turnover ratio has decreased from 661.33 times in 2021 to 7.60 times in 2022 and has increased to 50.20 times in 2023. The increase in the turnover ratio in FY-23 is indicating that the company paying back to its creditors has increased to 50.20 times showing not so effective working capital management.

The Fixed Asset Turnover ratio in 2021 was at 519.89 times, 27.87 times in 2022, and has decreased to 17.13 times in 2023. The ratio has decreased from FY 22 to FY 23 showing that the company has not been able to utilize its fixed assets as it did.

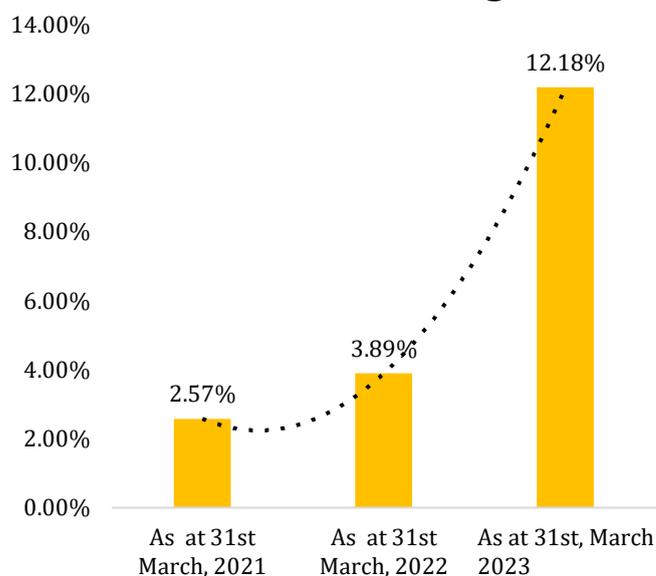
The Debt – equity in 2021 was at 3.05 times, 1.97 times in 2022, and has reduced to 0.86 times in 2023. The decrease in the Debt-Equity ratio of the company is a good indicator.

## Financial Charts

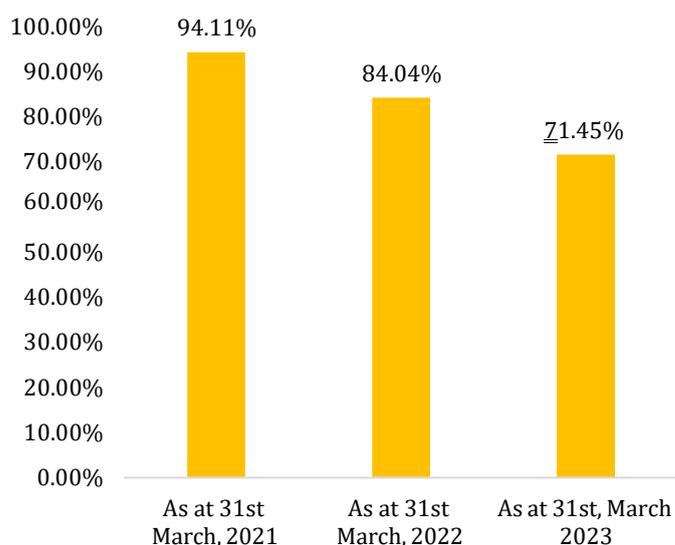
### EBITDA Margin



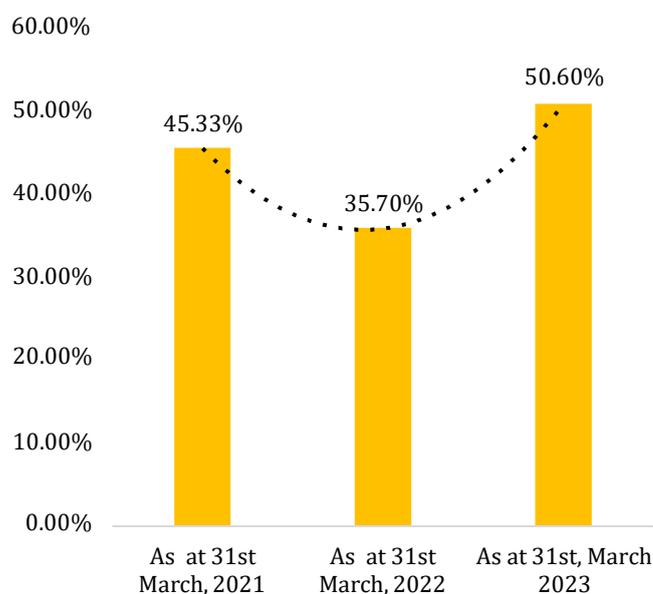
### Net Profit Margin



### Return on Capital Employed



### Return on Equity



## Key Risk Factors

1. The business is dependent on a few customers and the loss of, or a significant reduction in orders by such customers could adversely affect the business. The top ten customers have contributed 85.58%, 99.10%, 100.00% of the revenues for the period ended Fiscal 2023, 2022, and 2021.
2. The business is dependent on a few suppliers for the supply of the raw materials. If these suppliers are unable or unwilling to supply raw materials on time or otherwise fail to meet the requirements, the business will be harmed.
3. The Directors are parties to certain legal proceedings amounting to ₹ 69,680. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
4. The Company had negative cash flow in recent fiscal 2023, Sustained negative cash flow could adversely impact the business, financial condition and results of operations.

### Track Record of Lead Manager

The lead manager to the issue is Finshore Management Services Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

#### Finshore Management Services Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1	ITCONS E-Solutions Limited	8.67	51.00	March 13, 2023	39.98
2	Indong Tea Company Limited	13.01	26.00	February 21, 2023	27.40
3	Arham Technologies Limited	9.58	42.00	December 15, 2022	88.50
4	AMBO Agritec Limited	10.20	30.00	December 02, 2022	24.97
5	Containe Technologies Limited	2.62	15.00	September 30, 2022	63.00**
6	Mega Flex Plastics Limited	11.40	40.00	September 19, 2022	37.00
7	Naturo Indiabull Limited	10.92	30.00	September 02, 2022	12.75
8	Upsurge Seeds of Agriculture Limited	22.81	120.00	August 11, 2022	422.70
9	Agni Green Power Limited	5.25	10.00	August 01, 2022	23.00
10	Healthy Life Agritec Limited	10.00	10.00	July 26, 2022	6.55

\*CMP is taken as on 28<sup>th</sup> June 2023.

\*\* Containe Technologies Limited CMP is taken as on 27<sup>th</sup> June 2023.

As per the offer document Finshore Management Services Limited have had 20 mandates in the last three fiscal years. For Finshore Management Services Limited out of the last 10 that are mentioned above, 4 opened at discount and rest all opened at premiums ranging from 16.67% to 150% on the listing date. Thus, has a good track record.

## Recommendation

The company has been in the industry since 2020 and is very new to the industry yet has generated good profitability margins over the years.

The company faces high competition from the big players inside India but does have an advantage when talked about the global markets.

The management outlook of the company is good with knowledgeable and experienced people in the top management.

The company is getting listed with a leading PE of around 16.72 times which is priced fairly.

In conclusion, the company has shown good profitability margins which can be sustained going forward. The company operates in a highly competitive industry but does have an advantage in the global markets and through innovation and increase in boundaries the company can be looking at a good growth. Yet the company is very new to the market, and it will take couple of years for the company to show its true potential. Thus, we have a **neutral** opinion on 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.**