



Macro Cables and Conductors Limited

IPO Note



IPO Details		Company Background				
Opening Date	Sept 21, 2023		<ul style="list-style-type: none">Macro Cables and Conductors Limited was originally incorporated in the year 1989 and has its registered office in Maharashtra.The Company is engaged in the business of manufacturing and selling wires, cables wires and conductors in India.The company’s majority of the products are supplied to electricity boards of different states in India.As of 15th July 2023, the Company has 79 employees on its payroll.			
Closing Date	Sept 25, 2023					
Stock Exchange	NSE SME					
Lot Size	3,000 Shares					
Issue Price	₹ 36 per share					
Issue Size	Aggregating up to 18.73 Cr.					
Fresh Issue	Aggregating up to 9.36 Cr.					
Offer for Sale	Aggregating up to 9.36 Cr.					
Application Amount	₹ 1,08,000		Market Capitalization (In Cr.)			
IPO Objective			Pre-Issue		Post-Issue	
			₹ 58		₹ 67	
Capital Expenditure Requirements for the purchase of Solar Power System and 1+12 Rigid Stranding Machine.			Financial Summary (In Lacs)			
Working Capital Requirements.						
General Corporate Purposes.						
Pre-Issue Shareholding						
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23
Promoter & Promoter Group	1,60,98,000	100.00%	Total Assets	5,658.84	5,954.62	6,993.43
Public	-	-	Net Assets	911.25	944.75	1,560.86
Promoter of the Company			Total Borrowings	3,522.22	3,665.19	3,757.73
1	Sumit Sugnomal Kukreja		Total Revenue	4,282.91	5,665.31	5,693.72
2	Sugnomal Mangandas Kukreja		Profit After Tax	12.25	33.49	280.70
3	Komal Sumit Kukreja		Tentative Timeline			
Competitive Strengths			Opening Date		Sept 21, 2023	
1	Qualifying in BQR of Government tenders.		Closing Date		Sept 25, 2023	
2	Assured Quality and High Standard Service.		Basis of Allotment		Sept 28, 2023	
3	Strong Marketing Practices.		Initiation of Refunds		Sept 29, 2023	
4	Customized Product Development.		Credit of Shares to Demat		Oct 03, 2023	
5	Strong Customer Base.		Listing Date		Oct 04, 2023	
6	Experienced Promoters and Management.					
7	Strong Financial Management.					

Company Background and Analysis

The Company was originally incorporated in the year 1989. The company is engaged in the business of manufacturing and selling wires, cables wires and conductors in India. The company commenced its operations with the manufacturing of wires (with aluminium/copper conductor), XLPE /PVC cables, and Aerial Bunched Cables, subsequently included AAAC (All Aluminium Alloy Conductor) and ACSR (Aluminium Conductor Steel Reinforced) Conductors and made the presence in the industry. Over the years the company has developed expertise and upgraded its technology by adding several automatic machineries and equipment to the plant, which has helped them boost the production capacity and the quality of the products.

The company's majority of the products are supplied to electricity boards of different states like Maharashtra, Gujarat, Tamil Nadu, Telangana, Haryana, Chhattisgarh, Madhya Pradesh etc. and turnkey contractors of India. The products cover the entire range of voltage & transmission lines suitable for up to 1.1 KV. The products are also certified as compliant with various quality standards including the Bureau of Indian Standards ("BIS") and the International Organization for Standardization ("ISO"). The company has its manufacturing unit at A-55/56, STICE, Shirdi Road, Sinnar, Nasik – 422103, Maharashtra, India with a combined installed production capacity of 18,000 Kms p.a. as of August 07, 2023, adjacent to that the company also has a warehouse.

The company sells the products through a diversified sales & distribution mix, mainly by -

1. securing government tenders for supply to government projects
2. supply to EPC contractors for turnkey projects and
3. direct sales to a few private companies.

The company's product portfolio includes –

1. LT XLPE Cables – These are ideal for transmission and distribution of power.
2. LT PVC Cables – These are used for the transmission of electrical power.
3. LT Aerial Bunched Cables (ABC) – These are attractive for installation in difficult terrains such as hilly areas forest areas, coastal areas etc.
4. AAAC Conductors – These are used as bare overhead conductors for power transmission and distribution lines, on aerial circuits.
5. ACSR Conductors – These are used as bare overhead transmissions and as primary and secondary distribution cables.

* Data provided for the tables mentioned below are provided as per the Audited Financials for the respective year.

Sales mode revenue break up for the fiscal years ended 2021, 2022, and 2023 are given below*

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Tenders	4,017.96	80.33	6,273.17	94.24	5,476.73	81.76
EPC Contractors	969.18	19.38	118.03	1.77	744.33	11.11
Direct Sales	-	0.00	238.60	3.58	421.60	6.29
Others (Sale of Scrap)	14.85	0.30	26.59	0.40	55.94	0.84
Total	5,001.99	100.00	6,656.39	100.00	6,698.60	100.00

State-wise break-up for the fiscal year ended 2021, 2022, and 2023 are given below* -

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Gujarat	1,897.78	47.94	3,487.01	53.01	4,103.15	61.23
Tamil Nadu	752.94	19.02	286.96	4.36	251.20	3.75
Telangana	452.86	11.44	640.47	9.74	973.69	14.53
Maharashtra	362.03	9.15	304.58	4.63	495.23	7.39
Chhattisgarh	493.09	12.46	-	0.00	-	0.00
Haryana	-	0.00	1,837.83	27.94	332.30	4.96
Madhya Pradesh	-	0.00	21.08	0.32	546.10	8.15
Total	3,958.70	100.00	6,577.93	100.00	6,701.67	100.00

Most of the revenue generated for the company is through Gujarat and the percentage contribution from Gujarat has increased over the years whereas, Chhattisgarh's percentage contribution has turned out to be nil over the years. There has been a slight increase in sales from the states of Maharashtra, and Madhya Pradesh.

Product-wise revenue bifurcation for the fiscal year ended 2021, 2022, and 2023 are given below* -

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
LT PVC & LT XLPE Cables	1,970.29	39.39	2,906.48	43.66	2,138.12	31.92
LT Aerial Bunched Cables	2,431.74	48.62	3,004.49	45.14	3,508.58	52.38
Conductors	585.11	11.70	718.82	10.80	995.97	14.87
Others (Sale of Scrap)	14.85	0.30	26.59	0.40	55.94	0.84
Total	5,001.99	100.00	6,656.38	100.00	6,698.61	100.00

As per the product wise the company has made sales majorly from the LT Aerial Bunched Cables and the second would be LT PVC, sales through conductors are very low for the company.

The company receives orders mainly from government tenders which is seen from the above table where most of the percentage contribution towards the revenue from the sales mode is through tenders which majority comprises of government tenders.

To conclude, the company was originally incorporated in the year 1989. The company is engaged in the business of manufacturing and selling wires, cables wires and conductors in India. The company does business mainly with the government tenders. The company is raising total gross proceeds of Rs. 1,873.00 lakhs Out of the gross proceeds of the fresh offer which is Rs. 936.36 lakhs Rs. 80.30 lakhs are to be utilized for issue expenses and the remaining Rs. 856.06 lakhs of net proceeds the company is planning to utilize Rs. 186.54 lakhs towards purchase of Solar power system and 1+12 Rigid Stranding Machine. And Rs. 500 lakhs, and Rs 169.52 lakhs for working capital and general corporate purposes respectively.

Business Strategies

1. Expand the relationships with the existing customers.

The company continues to focus on customers with whom they have long-standing relationships in order to develop and supply more sophisticated, higher-margin products.

2. Broaden the marketing base and increase the geographical reach.

The Company intends to be part of the empanelled suppliers on various government projects as they believe that this will give them a good reputation and steady flow of orders, keeping in tune with the infrastructural development in the country. Further, the company is solely focused on domestic supply and has not yet explored international markets.

3. Focus on manufacturing consistent quality.

The company's core focus area is to maintain high-quality standards for its products and services. The Company continuously works on developing plans to take various steps to ensure adherence to timely fulfilment and to achieve greater cost efficiency as timely fulfilment of the orders is a prerequisite in the industry.

4. Optimal Utilization of Resources.

The company intends to further invest in the activities to develop customized systems and processes to ensure effective management control. The company regularly analyses the existing policies to be carried out for providing the products which enables them to identify the areas of bottlenecks and correct the same.

5. Technology enhancements.

The company plans to continue investing in in-house technology capabilities to create customized systems and processes that ensure effective management control. The company's priority is to strengthen the operational and fiscal controls further.

Competitive Scenario and Peer Mapping

Competition

The company faces competition from various players in the market. The industry in which the company operates is fragmented consisting of large established players and small niche players. The barrier to entry in such an industry is low. The bargaining power with the suppliers is moderate and the bargaining power with the customers is relatively high in such sectors.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Macro Cables & Conductors Limited	V-Marc India Limited	Ultracab(India) Limited	Relicab Cable Manufacturing Limited	Dynamic Cables Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	4.94%	4.08%	5.61%	4.32%	4.63%
EBITDA Margin	16.50%	10.61%	11.21%	10.68%	9.27%
Return on Capital Employed	32.59%	21.78%	28.21%	18.55%	28.27%
Return on Equity	17.98%	12.50%	18.75%	13.67%	17.51%
EPS (INR)	10.34	4.59	0.61	1.49	14.09

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Macro Cables & Conductors Limited	V-Marc India Limited	Ultracab(India) Limited	Relicab Cable Manufacturing Limited	Dynamic Cables Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.59%	2.79%	3.53%	0.65%	5.50%
EBITDA Margin	10.66%	8.38%	10.59%	5.86%	10.64%
Return on Capital Employed	25.32%	14.42%	21.62%	10.43%	29.89%
Return on Equity	3.54%	7.14%	11.54%	2.32%	20.95%
EPS (INR)	1.98	2.19	0.33	0.22	14.04

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Macro Cables & Conductors Limited	V-Marc India Limited	Ultracab(India) Limited	Relicab Cable Manufacturing Limited	Dynamic Cables Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.29%	3.49%	2.86%	-5.55%	2.92%
EBITDA Margin	12.39%	8.72%	10.00%	5.69%	7.58%
Return on Capital Employed	22.47%	25.99%	18.75%	4.79%	11.92%
Return on Equity	1.34%	14.29%	8.70%	-8.76%	8.55%
EPS (INR)	0.16	3.45	0.21	-0.80	4.47

Based on the above analysis, the company's RoCE, and ROE have been slightly higher when compared to its peer companies on an average basis for all three consecutive years. The Net Profit Margin and EBITDA margins are slightly lower when compared to its peer companies. The EPS of the company is high for the year 2023 and has been lower in the previous years compared to its competitors.

Industry Overview

Exhibit 1: Quarterly estimates of GVA at current prices (US\$ billion)

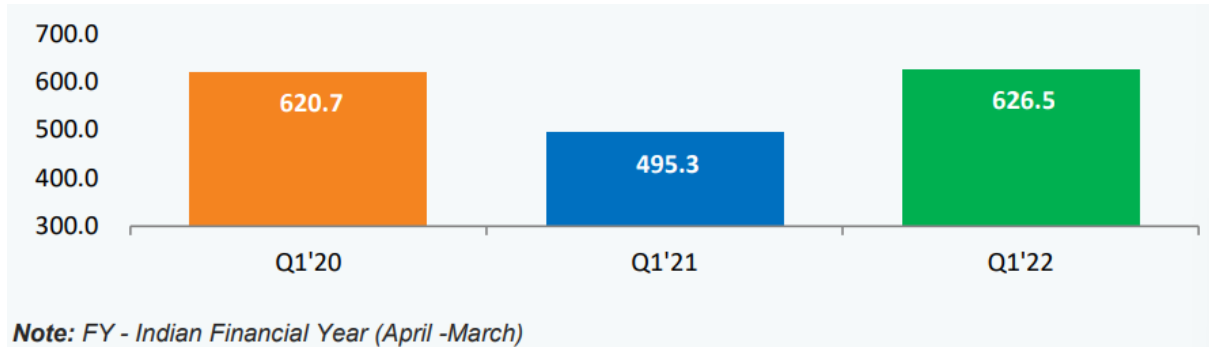


Exhibit 2: Annual Growth Rates of IIP (%) at Sectoral Level

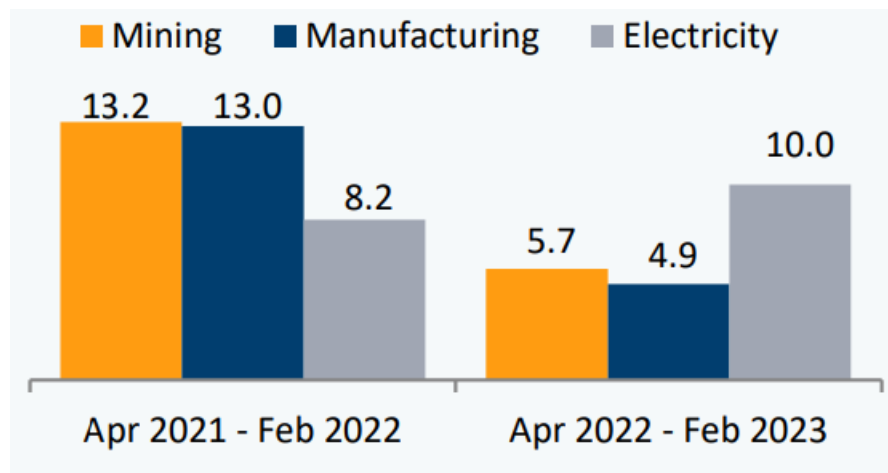
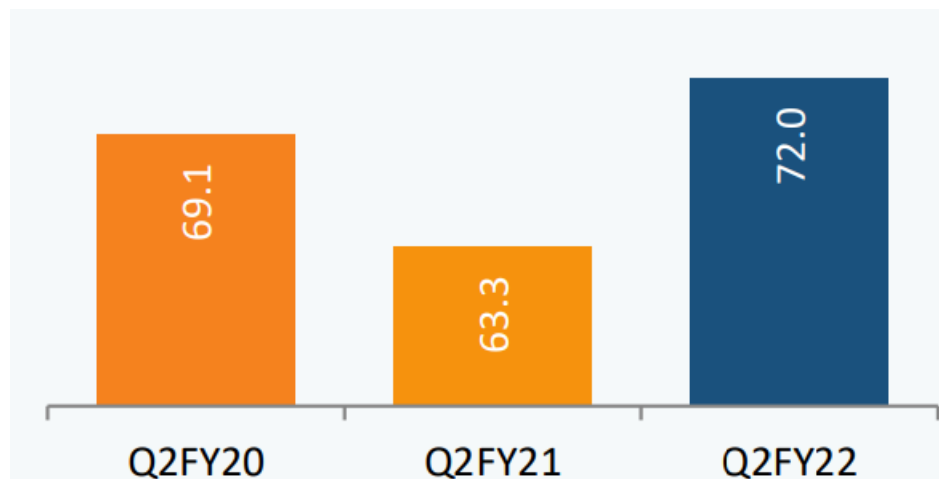


Exhibit 3: Capacity utilization in Manufacturing Sector (%)



(Source: ibef.com)

Indian Wires and Cables Industry –

The last two to three decades are probably the fastest infrastructure-growing years in India, and so it is for the Wire and cable industry. The rapid urbanization and industrial development have contributed to the exponential growth of the electrical cable industry in the country. According to a study – the global wire and cable market is growing at a CAGR of 6.45%. It predicts that the global market size of this industry is expected to reach USD 332.65 bn by 2026 from USD 201.76 bn in 2018. The Indian wire and cable market is growing at an even faster pace. With a whopping CAGR 15% growth rate, the rising Indian market reflects the rapid developments in the power and infrastructure sector. And it's not going to slow down any time soon. With the advent of Industrial Revolution 4.0, global investors are eyeing the potential Indian market specific to the high-voltage (HV) and extra-high-voltage (EHV) cables product line.

Indian Manufacturing Industry –

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest-growing sectors. The machine tool industry was literally the nuts and bolts of the manufacturing industry in India.

Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market. Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity. India has the capacity to export goods worth US\$ 1 trillion by 2030 and is on the road to becoming a major global manufacturing hub.

Indian Electrical Conductors Industry –

The India semiconductor materials market size reached US\$ 4.5 Billion in 2022. Looking forward, IMARC Group expects the market to reach US\$ 6.5 Billion by 2028, exhibiting a growth rate (CAGR) of 6.3% during 2023-2028. Semiconductor materials are crystalline solids that have a conductivity range between conductors and insulators. These materials can conduct electricity only when they are exposed to heat or light during the doping process. On account of their distinct features, such as wide temperature limits, high electron mobility and low energy consumption, semiconductor materials are extensively used in India to manufacture various electronic components.

(Source: prospectus)

Key Managerial Personnel

Sumit Sugnomal Kukreja, aged 36, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his Bachelor of Commerce. He has over 18 years of experience in the wire and cable industry. He oversees the operations of the Company's marketing, quality control, purchases, production, compliance departments etc. He is also responsible for planning and executing the expansions and diversification of the Company.

Sugnomal Mangandas Kukrej, aged 63, is one of the Promoters, and Whole-Time Director of the company. He has over 34 years of working experience in the Company. He has completed his SSC (Secondary Education). He manages the company's accounts, finance, human resources functions etc.

Komal Sumit Kukreja, aged 33, is one of the Promoters, and Non-Executive Director of the company. She has completed matriculation education. She does not hold valid experience in the industry.

Ajay Vijay Singh, aged 51, is the Non-Executive Independent Director of the company. He holds a master's degree in business administration and a bachelor's degree in commerce. He does not hold valid experience in the industry.

Giriraj Bhutra, aged 35, is the Independent Director of the Company. He has completed a Bachelor of Commerce is a Chartered Accountant by profession and is an Associate member of the Institute of Chartered Accountants of India.

To conclude, the company has 3 promoters, and 2 of the promoters have good experience in the fields in which the company operates and the other promoters do not have any valid experience in the industry. The Independent Director has good knowledge in the fields which help in the growth of the business and the Non-Executive Independent Director do not have any valid experience in the industry.

Financial Snapshot

Profit and Loss Statement (In Lacs)			
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	4,239.18	5,641.00	5,676.79
Other Income	43.73	24.31	16.93
Total Income	4,282.91	5,665.31	5,693.72
Expenses			
Cost of Operations	3,572.19	4,545.84	4,459.90
Changes in Inventories	-176.83	77.45	-138.18
Employee benefits expense	91.23	82.01	93.67
Finance costs	502.77	528.60	529.14
Depreciation and Amortization expense	53.96	49.37	48.05
Other expenses	227.43	334.31	388.66
Total Expenses	4,270.75	5,617.58	5,381.24
Earnings Before Interest, Taxes, Depreciation & Amortization	525.16	601.39	936.56
EBITDA Margin	12%	11%	16%
Profit before exceptional and extraordinary items and tax	12.16	47.73	312.48
Profit on sale of property	-	-	63.82
Profit/(Loss) before tax	12.16	47.73	376.30
Tax Expense			
Current Tax	2.26	15.48	99.03
MAT Credit	-	-	-
Income Tax from earlier years	-3.28	1.10	-
Deferred tax (net)	0.93	-2.34	-3.43
Total Tax Expense	-0.09	14.24	95.60
Profit/(Loss) for the year	12.25	33.49	280.70
Net Profit Margin	0.29%	0.59%	4.93%

Balance Sheet (In Lacs)			
Particulars	FY 21	FY 22	FY 23
EQUITY AND LIABILITIES			
Equity			
Share Capital	289.41	289.41	321.96
Reserves and Surplus	621.84	655.34	1,238.90
Total Equity	911.25	944.75	1,560.86
Liabilities			
Non-current liabilities			
Borrowings	1,079.83	1,124.15	1,049.30
Deferred Tax Liabilities (Net)	35.37	33.03	29.60
Long term provisions	70.74	78.43	86.58
Total Non-current liabilities	1,185.94	1,235.61	1,165.48
Current liabilities			
(i) Short Term Borrowings	2,442.39	2,541.04	2,708.43
(ii) Trade Payables			
i) Due to micro and small enterprises	64.57	65.49	3.69
ii) Due to other than micro and small enterprises	885.17	990.15	1,234.84
Other Current Liabilities	159.76	152.47	202.96
Short-Term Provisions	9.76	25.12	117.18
Total Current liabilities	3,561.65	3,774.27	4,267.10
Total Liabilities	4,747.59	5,009.88	5,432.58
Total Equity and Liabilities	5,658.84	5,954.63	6,993.44
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	567.34	525.44	489.31
Intangible assets	-	-	-

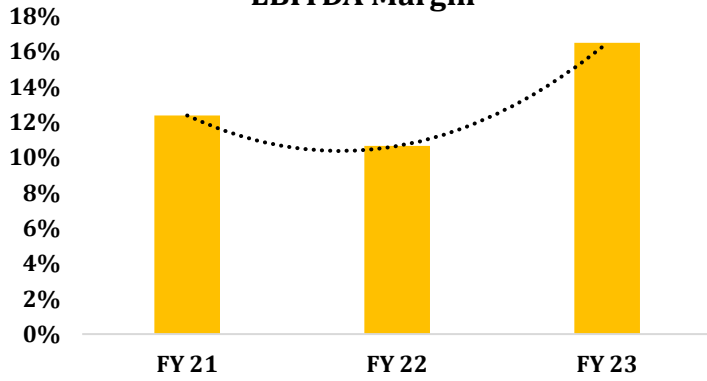
Balance Sheet (In Lacs)			
Capital WIP	-	-	-
Deferred tax assets (Net)	-	-	-
Other Non-Current Assets	1.43	1.43	-
Total Non-Current Assets	568.77	526.87	489.31
Current Assets			
Inventories	2,565.14	2,498.45	2,707.02
Trade Receivables	1,596.79	2,018.46	2,851.18
Cash and Cash Equivalents	449.13	365.13	353.95
Short-Term Loans and Advances	56.65	56.47	56.16
Other current assets	422.36	489.24	535.81
Total Current assets	5,090.07	5,427.75	6,504.12
Total Assets	5,658.84	5,954.62	6,993.43

Cash Flow Statement (In Lacs)			
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	-507.39	309.10	36.68
Net Cash Flow from Investing Activities	-0.82	-7.47	53.33
Net Cash Flow from Financing Activities	294.04	-385.63	-101.19

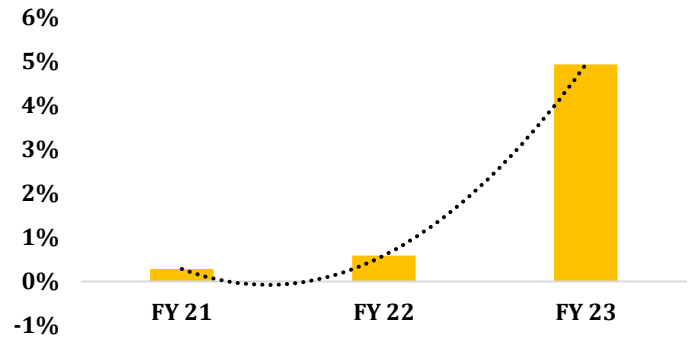
Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	0.08	0.21	1.78
BV per share	4.87	5.05	8.35
Operating Ratios (%)			
EBITDA Margins	12%	11%	16%
PAT Margins	0%	1%	5%
Inventory days	220.86	161.66	174.05
Debtor days	137.49	130.60	183.32
Creditor days	108.61	91.70	108.44
Return Ratios (%)			
RoCE	22%	25%	33%
RoE	1%	4%	18%
Valuation Ratios (x)			
EV/EBITDA	7.59	7.06	5.30
Market Cap / Sales	1.59	1.19	1.19
P/E	450.00	171.43	20.22
Price to Book Value	7.39	7.13	4.31
Solvency Ratios			
Debt / Equity	3.87	3.88	2.41
Current Ratio	1.43	1.44	1.52
Quick Ratio	0.71	0.78	0.89
Asset Turnover	0.75	0.95	0.81
Interest Coverage Ratio	0.94	1.04	1.68

Financial Charts

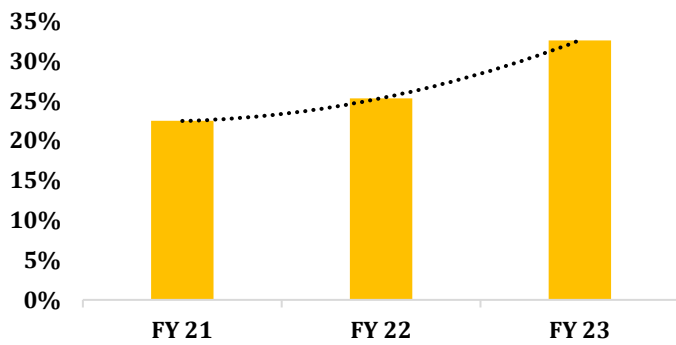
EBITDA Margin



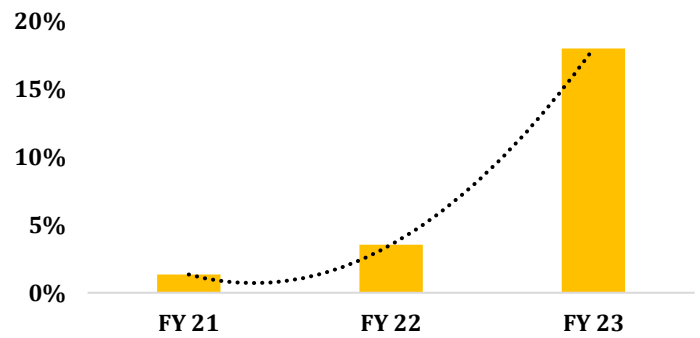
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. The Company has outstanding legal proceedings involving the Company. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition. 1 case regarding the statutory, 6 cases regarding the tax matters against the company amounting to Rs. 16.01, and Rs. 26.64 lakhs respectively. 1 case regarding tax matters against the promoter's amount involved Rs. 0.66 lakhs.
2. The company derives a significant part of its revenue from the top 10 customers and does not have long-term contracts with these customers. In the company's revenue from operations for the financial year ended March 31, 2023, 2022 and 2021, the top 10 customers contributed approximately 96.78%, 94.84% and 94.22%, respectively.
3. The company derives a significant part of its revenue from Government entities, and customers, and they do not have long-term contracts with these customers. In the company's revenue from operations for the financial year ended March 31, 2023, 2022 and 2021, the government entities customers contributed approximately 81.76%, 94.24% and 80.33%, respectively.
4. The company had negative cash flows in the past years specifically for FY 21. Sustained negative cash flow could impact the growth and business.
5. The company has certain contingent liabilities and commitments, which, if they materialize, may adversely affect the results of operations, financial condition, and cash flows. For the financial year ended 2023, the total contingent liabilities were Rs. 943.42 lakhs.

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares 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 –

Shreni Shares Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	CPS Shapers Limited	11.10	185.00	September 07, 2023	466.80
2.	AccelerateBS India Limited	5.69	90.00	July 19, 2023	247.60
3.	Global Pet Industries Limited	13.23	49.00	July 10, 2023	77.45
4.	Veefin Solutions Limited	46.73	82.00	July 05, 2023	222.70
5.	Sancode Technologies Limited	5.15	47.00	April 18, 2023	103.55
6.	Bright Outdoor Media Limited	55.48	146.00	March 24, 2023	468.50
7.	Srivasavi Adhesive Tapes Limited	15.50	41.00	March 09, 2023	138.50
8.	Arihant Academy Limited	14.72	90.00	December 29, 2022	125.0
9.	PNGS Gargi Fashion Jewellery Limited	7.80	30.00	December 20, 2022	299.0
10.	Amiable Logistics (India) Limited	4.37	81.00	November 16, 2022	84.0

*CMP for all the above-mentioned companies is taken as of 18th September 2023.

As per the offer document, Shreni Shares Private Limited has had 20 mandates in the last three fiscal years. For Shreni Shares Private Limited from the above-mentioned mandates, 1 opened at a discount and remaining all the remaining mandates have opened at premiums ranging from 6.12% to 143.24% on the listing date.

Recommendation

The company has been in the industry since 1989 and has vast experience in the industry. The company has seen consistency in its increase of top-line financial. The bottom line and the margin have seen a sudden surge for FY 2023 which might be sustained going forward.

The PE on an annualised and post-IPO basis is 23.98 times which seems to be slightly overvalued when compared to its peer companies. The peer companies' P/E average is around 15.73 times.

The company operates in a competitive segment. The management outlook of the company is decent. The company has seen an increase in its revenues and the overall outlook of the finances looks decent as well. By expanding the geographical reach, the company can be looking at decent growth. With the continued tenders the company will be profitable in the future but the sustainability of the same cannot be assured. Knowledgeable and experienced investors can **APPLY** to this IPO.



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