



# Kalyani Cast-Tech Limited

IPO Note



IPO Details		Company Background					
<b>Opening Date</b>	Nov 08, 2023	<ul style="list-style-type: none"> <li>○ Kalyani Cast-Tech Limited was originally incorporated in the year 2012 and has its registered office in the National Capital Territory of Delhi &amp; Haryana</li> <li>○ The company manufactures a wide product range of castings, including finished components and are specialist in various types of cargo containers.</li> <li>○ The Company has a manufacturing unit situated in Mamaria, Rewari, Haryana.</li> <li>○ As of 02, November 2023, the Company has 138 employees on its payroll</li> </ul>					
<b>Closing Date</b>	Nov 10, 2023						
<b>Stock Exchange</b>	BSE SME						
<b>Lot Size</b>	1,000 Shares						
<b>Issue Price</b>	₹ 137 to ₹ 139 per share						
<b>Issue Size</b>	Aggregating up to 30.11 Cr.						
<b>Fresh Issue</b>	Aggregating up to 30.11 Cr.						
<b>Offer for Sale</b>	-						
<b>Application Amount</b>	₹ 1,39,000						
IPO Objective		Market Capitalization (In Cr.)					
Working Capital Requirements.		<b>Pre-Issue</b>	<b>Post-Issue</b>				
General Corporate Purpose.		₹ 70	₹ 100				
Pre-Issue Shareholding			Financial Summary (In Lacs)				
<b>Category</b>	<b>No. of Shares</b>	<b>% of Total Shares</b>	<b>For the Period Ended</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Jun-23</b>
Promoter & Promoter Group	50,14,500	100.00%	<b>Total Assets</b>	1,367.87	1,599.52	2,420.19	3,059.18
Public	-	-	<b>Net Assets</b>	502.89	620.22	1,424.01	1,717.65
<b>Promoter of the Company</b>			<b>Total Borrowings</b>	498.54	269.87	342.06	581.93
1	Naresh Kumar		<b>Total Revenue</b>	1,135.26	4,947.12	6,336.45	2,467.85
2	Javed Aslam		<b>Profit After Tax</b>	35.36	117.32	803.79	293.64
3	Nathmal Bangani		<b>Tentative Timeline</b>				
4	Kamala Kumari Jain		<b>Opening Date</b>	Nov 08, 2023			
5	Muskan Bangani		<b>Closing Date</b>	Nov 10, 2023			
<b>Competitive Strengths</b>			<b>Basis of Allotment</b>	Nov 16, 2023			
1	Integrated manufacturing facility.		<b>Initiation of Refunds</b>	Nov 17, 2023			
2	Well-developed distribution network.		<b>Credit of Shares to Demat</b>	Nov 20, 2023			
3	Quality Assurance and Control.		<b>Listing Date</b>	Nov 21, 2023			
4	Experienced Promoters.						



### Company Background and Analysis

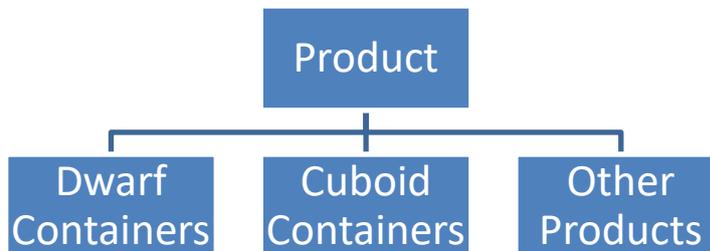
The Company was originally incorporated on September 26, 2012. The company has its registered office in the National Capital Territory of Delhi & Haryana. Initially, the company started with the business of casting for which it had commissioned a casting unit at Rewari in Haryana. The company has a class A foundry and manufactures products such as MG Coupler Components, CI Brake Blocks, Adapter for WDG4 Loco, Bearing housing for electrical loco, Corner casting for Containers motor hub traction motors etc. It caters to a diverse client base such as Indian railways, companies engaged in the Mining Industry, Cement Industry, chemicals and fertilizer and power plants.

The Company manufactures a wide product range of castings, including finished components and are specialist in various types of cargo containers such as ISO containers 20', 25', 40', 42' and other special containers including dwarf containers, cuboid containers, special containers for parcel cargo and containers for two & three wheelers. The company has adopted the no-bake system of moulding which has an automatic sand plant starting from knock out, screening, cooling and mixing of sand.

The Company has a manufacturing unit situated in Mamaria, Rewari, Haryana. The manufacturing facility has a total covered area of over 6000 sq. Mt. It has four self-contained workshop sheds, each of these are fully equipped with a wide range of plant and machinery.

### Company's Product Structure -

The company's Product portfolio is as follows -



Capacity Utilization of the company for the FY ended 2021, 2022, and 2023 and Period ended June 2023 are as follows -

Particulars	FY March-21		FY March-22		FY March-23		Period ended June 2023	
	Container (Nos.)	Casting (MT)	Container (Nos.)	Casting (MT)	Container (Nos.)	Casting (MT)	Container (Nos.)	Casting (MT)
Installed Capacity (Nos)	500	1,000	2,000	700	3,000	700	875.00	175.00
Production (Nos)	130	712	1,200	373	1,900	495	655.00	123.00
Capacity Utilization	26%	71%	60%	53%	63%	71%	75%	70%

To conclude, the company was incorporated in the year 2012. The company is engaged in the casting business with an in-house and manufacturing facility. The company is raising total gross proceeds of Rs. 30.11 Cr.



## **Business Strategies**

### **1. Leveraging Market Skills and Relationships –**

The company aims to enhance growth by leveraging the relationships and further enhancing customer satisfaction. And plans to increase customers by meeting orders in hand on time, maintaining customer relationships and renewing the relationship with existing buyers.

### **2. Improving functional efficiencies –**

The Company intends to improve functional efficiencies to achieve cost reductions to have a competitive edge over its peers. Increasing the penetration in existing regions with the new range of products will enable the company to penetrate into new catchment areas within these regions and optimize the infrastructure.

### **3. Enhance customer base and establish long-term relationships –**

The company intends to cater to the increasing demand of the existing customers and also to increase the existing customer base by enhancing the distribution reach of the products in different parts of the country. They propose to increase the marketing and sales team which can focus on different regions and also maintain and establish relationships with customers.

### **4. To build- up a professional organization –**

The company believes in transparency and commitment to the work and with customers. The company will consistently put efforts into its group of experienced employees to transform them into an outstanding team of empowered professionals.

### **5. Expand geographical reach –**

The company intends to expand its presence by identifying markets where it can provide cost-effective and quality products to prospective customers. Further, the company seeks to capitalize on the existing experience and establish contacts with customers and manufacturers.

### **6. Strengthening up the business through effective branding, promotional and digital activities –**

The company seeks to increase the brand awareness through outdoor media, marketing initiatives, new product lines and brand extensions, and effective online marketing strategies. Brand reputation is considered the top criterion in decision-making, with word of mouth, and feedback from customers playing a crucial role.

### **7. Achieving Operational Efficiencies**

The company aims to achieve operational efficiencies through cost reduction. They believe that this could be done through economies of scale and further increasing the areas of operations and continue to invest in the latest technology to ensure operational and management efficiencies, and to standard to quality.



## Competitive Scenario and Peer Mapping

### Competition

The company faces significant competition in this Industry. The company operates in a very niche industry in which there are very few players due to the strong requirement of technical know-how and high capital requirements both in terms of setting up manufacturing facilities and working capital requirements. The company has low entry barriers. The bargaining power with the suppliers is slightly low and for customers, the bargaining power is slightly high in the sector in which the company operates.

### Peer Analysis

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

Particulars	Kalyani Cast Tech Limited	Texmaco Rail & Engineering Limited	Titagarh Rail Systems Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	12.70%	0.89%	3.75%
EBITDA Margin	18.35%	6.39%	7.91%
Return on Capital Employed	66.90%	6.66%	16.90%
Return on Equity	56.45%	1.47%	10.74%
EPS (INR)	16.03	0.62	8.64

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

Particulars	Kalyani Cast Tech Limited	Texmaco Rail & Engineering Limited	Titagarh Rail Systems Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.37%	1.14%	5.48%
EBITDA Margin	4.36%	8.55%	10.96%
Return on Capital Employed	18.04%	6.68%	13.18%
Return on Equity	18.92%	1.39%	8.29%
EPS (INR)	2.34	0.67	6.65

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

Particulars	Kalyani Cast Tech Limited	Texmaco Rail & Engineering Limited	Titagarh Rail Systems Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3.16%	0.71%	5.01%
EBITDA Margin	7.37%	7.14%	12.33%
Return on Capital Employed	3.70%	6.35%	9.27%
Return on Equity	7.03%	1.04%	5.77%
EPS (INR)	0.76	0.52	4.21

Based on the above analysis, the company has performed better than its peers in terms of Profitability margins, RoCE, ROE and EPS for FY 2023.



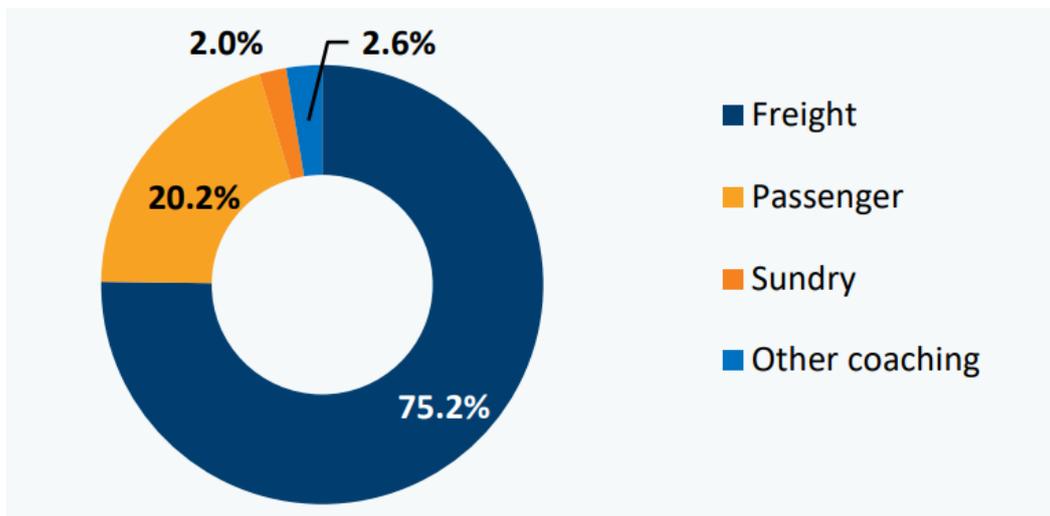
**Industry Overview**

Exhibit 1: Volume of freight carried by Indian railways, in Million Metric Tons, 2012-2021



(Source: prospectus)

Exhibit 2: Revenue breakdown by segment, FY22.



(Source: ibef.org)



### **India Rail Freight Transport Market Analysis –**

The size of the India air freight market is estimated at around USD 15 billion in the current year and is anticipated to register a CAGR of over 4% during the forecast period. The Rail Logistics project will assist India in diverting more traffic from the road to the rail, improving the efficiency of freight transportation while lowering annual GHG emissions by millions of tonnes. Additionally, the project will encourage more private-sector investment in the railroad industry.

The fourth-largest rail network in the world, Indian Railways (IR), moved 1.2 billion tonnes of freight during the fiscal year that ended in March 2020. However, just 17% of India's freight is moved by rail; 71% of it is conveyed by road. Volumes have been constrained, and shipping speeds and reliability have suffered due to IR capacity restrictions.

Since trucks have been gaining market share throughout the years, IR has been losing market share; in 2017–18, its market share was 32%, down from 52% a decade earlier. Road freight accounts for about 95% of the freight sector's emissions, making it the biggest source of GHG emissions. Additionally, trucks were involved in 15.8% of all fatal road transport-related accidents and 12.3% of all traffic fatalities in 2018. Rail emits about one-fifth of the GHG emissions from trucks. With IR expecting to become a net-zero carbon emitter by 2030, rail has the ability to reduce 7.5 million tonnes of carbon dioxide and other greenhouse gases annually.

### **India Rail Freight Transport Industry Segmentation –**

From a point of loading or a goods station to a point of unloading, goods are transported by rail. These products, such as coal, building supplies, iron, and steel, are frequently large and heavy. Along with the transportation of large items, the rail freight market also offers this service. Service providers provide value-added services and logistics. Loading and documentation, unloading, services, and packaging are a few of them. A complete background analysis of the India Rail Freight Transport Market, including the assessment of the economy and contribution of sectors in the economy, market, overview, market size estimation for key segments, and emerging trends in the market segments, market dynamics, and geographical trends, and COVID-19 impact, is covered in the report.

The India Rail Freight Transport Market is Segmented by Cargo Type (Containerized (Intermodal), Non-containerized, and Liquid Bulk), Destination (Domestic and International) and Service Type (Transportation and Services Allied to Transportation). The report offers market size and forecasts for India Rail Freight Transport Market in value (USD Billion) for all the above segments.

Digitization in Railways have increased the dependency on rail freight transport In the railway sector, AI has a wide range of uses, including asset management, proactive maintenance, and emergency notification. Neural networks and deep learning algorithms help schedule trains more efficiently and cut down on delays. Additionally, cutting-edge passenger information systems enhance transportation services and raise customer satisfaction.

(Source: prospectus)



## Key Managerial Personnel

**Naresh Kumar**, aged 58, is one of the Promoters, Chairman, and Managing Director of the company. He holds a master's degree in technology in Mechanical Engineering. He has more than a decade of vast experience in manufacturing, setting up, casting and running of foundry, forging units and manufacturing of cargo containers. He primarily looks after the overall business operations of the company.

**Javed Aslam**, aged 60, is one of the Promoters of the Company. He has completed a Bachelor of Science in civil engineering. He has been associated with the Company since the year 2019. He looks after the Company's system processing and quality assurance.

**Nathmal Bangani**, aged 67, is one of the Promoters of the Company. He has completed his graduation in B.com. He has more than 25 years of experience in monitoring financial performance and making informed decisions to ensure financial stability.

**Kamala Kumari Jain**, aged 65, is one of the Promoters of the company. She has completed Higher Secondary. She has an experience of more than a decade in Managing budgets.

**Muskan Bangani**, aged 23, is one of the Promoters of the company. She has completed her Master of Law. She brings her legal experience to the Board.

**Jayashree Kumar**, aged 56, is the Whole-Time Director of the company. She holds a master's degree in arts. She is self-motivated, very result-oriented, and skilled in orchestrating tasks and details to achieve overall social service project goals.

**Devender Kumar**, aged 48, is the Non-Executive Director of the company. He holds a master's degree in law. He brings years of business and legal experience to the Board.

**Kumar Sharat Chandra**, aged 63, is the Independent Director of the company. He holds a master's degree in technology in Mechanical Engineering. He is guiding the company with his independent view and impartial opinion.

**Sanjeev Negi**, aged 51, is the Independent Director of the company. He holds bachelor's degree in science. He has guided the companies with his knowledge and rich experience. He sets the company's strategic direction while overseeing all operations and management matters.

To conclude, the company has 5 promoters, and they have vast experience in the fields directly linked to the operations and in the fields which help in the growth of the business. Muskan Bangani is very new to the industry and does not have much experience in the industry. The remaining Directors of the company have good knowledge and experience in their respective fields which helps in the overall growth of the company.



## Financial Snapshot

<b>Profit and Loss Statement</b>				
<b>(In Lacs.)</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>
Revenue from Operations	1,120.01	4,945.34	6,327.01	2,464.08
Other Income	15.25	1.78	9.44	3.77
<b>Total Income</b>	<b>1,135.26</b>	<b>4,947.12</b>	<b>6,336.45</b>	<b>2,467.85</b>
<b>Expenses</b>				
Cost of Materials Consumed	1,365.58	4,103.82	5,212.04	1,768.17
Changes in inventories	-427.66	374.36	-512.30	172.76
Employee benefits expense	38.59	73.66	103.32	57.67
Finance costs	27.33	31.19	17.76	2.07
Depreciation and Amortization expense	53.67	60.53	71.03	15.39
Other expenses	60.94	178.08	362.88	55.20
<b>Total Expenses</b>	<b>1,118.45</b>	<b>4,821.64</b>	<b>5,254.73</b>	<b>2,071.26</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>82.56</b>	<b>215.42</b>	<b>1,161.07</b>	<b>410.28</b>
<b>EBITDA Margin</b>	<b>7%</b>	<b>4%</b>	<b>18%</b>	<b>17%</b>
<b>Profit/(Loss) before tax</b>	<b>16.81</b>	<b>125.48</b>	<b>1,081.72</b>	<b>396.59</b>
<b>Tax Expense</b>				
Current Tax	-	7.66	278.97	103.25
Deferred tax	-18.55	0.50	-1.04	-0.30
Total Tax Expense	-18.55	8.16	277.93	102.95
<b>Profit/(Loss) for the year</b>	<b>35.36</b>	<b>117.32</b>	<b>803.79</b>	<b>293.64</b>
<b>Net Profit Margin</b>	<b>3%</b>	<b>2.37%</b>	<b>12.69%</b>	<b>11.90%</b>

<b>Balance Sheet</b>				
<b>(In Lacs)</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
(a) Share Capital	501.45	501.45	501.45	501.45
(b) Reserves and surplus	1.44	118.77	922.56	1,216.20
<b>Total Equity</b>	<b>502.89</b>	<b>620.22</b>	<b>1,424.01</b>	<b>1,717.65</b>
<b>2. non-current liabilities</b>				
(a) Long Term Borrowings	284.86	241.55	203.37	255.94
(b) Long Term Provisions	2.01	4.74	10.61	16.43
(c) Deferred Tax Liabilities (Net)	(8.21)	(7.71)	(8.75)	(9.06)
<b>Total Non-current liabilities</b>	<b>278.66</b>	<b>238.58</b>	<b>205.23</b>	<b>263.31</b>
<b>3. Current liabilities</b>				
(a) Financial Liabilities				
(i) Short-term borrowings	213.68	28.32	138.69	325.99
(ii) Trade payables				
Due to MSME	-	-	-	-
Due to Others	304.82	436.41	278.59	296.28
(b) Other Current Liabilities	67.83	275.99	163.25	352.01
(c) Short-term provisions	0.01	0.02	210.42	103.94
<b>Total Current liabilities</b>	<b>586.34</b>	<b>740.74</b>	<b>790.95</b>	<b>1,078.22</b>
<b>Total Liabilities</b>	<b>865.00</b>	<b>979.32</b>	<b>996.18</b>	<b>1,341.53</b>
<b>Total Equity and Liabilities</b>	<b>1,367.89</b>	<b>1,599.54</b>	<b>2,420.19</b>	<b>3,059.18</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
(a) Property, Plant and Equipment				



<b>Balance Sheet</b>					<b>(In Lacs)</b>
(i) Tangible Assets	432.63	561.03	535.17	619.04	
(ii) Intangible assets	0.04	0.02	0.01	0.01	
(iii) Capital Work-In-Progress	-	-	19.87	32.25	
(b) Financial Assets					
(c) Long-term loans and advances	29.37	29.46	29.45	29.45	
(d) Other Non-Current Assets	-	-	-	-	
<b>Total Non-Current assets</b>	<b>462.04</b>	<b>590.51</b>	<b>584.50</b>	<b>680.75</b>	
<b>2. Current assets</b>					
(a) Inventories	587.04	248.43	972.48	899.53	
(a) Trade receivables	233.22	607.43	161.91	415.06	
(b) Cash and cash equivalents	11.50	138.00	539.74	901.36	
(d) Short-term loans and advances	27.03	11.19	82.69	79.57	
(e) Other Current Assets	47.04	3.96	78.87	82.91	
<b>Total Current assets</b>	<b>905.83</b>	<b>1,009.01</b>	<b>1,835.69</b>	<b>2,378.43</b>	
<b>Total Assets</b>	<b>1,367.87</b>	<b>1,599.52</b>	<b>2,420.19</b>	<b>3,059.18</b>	

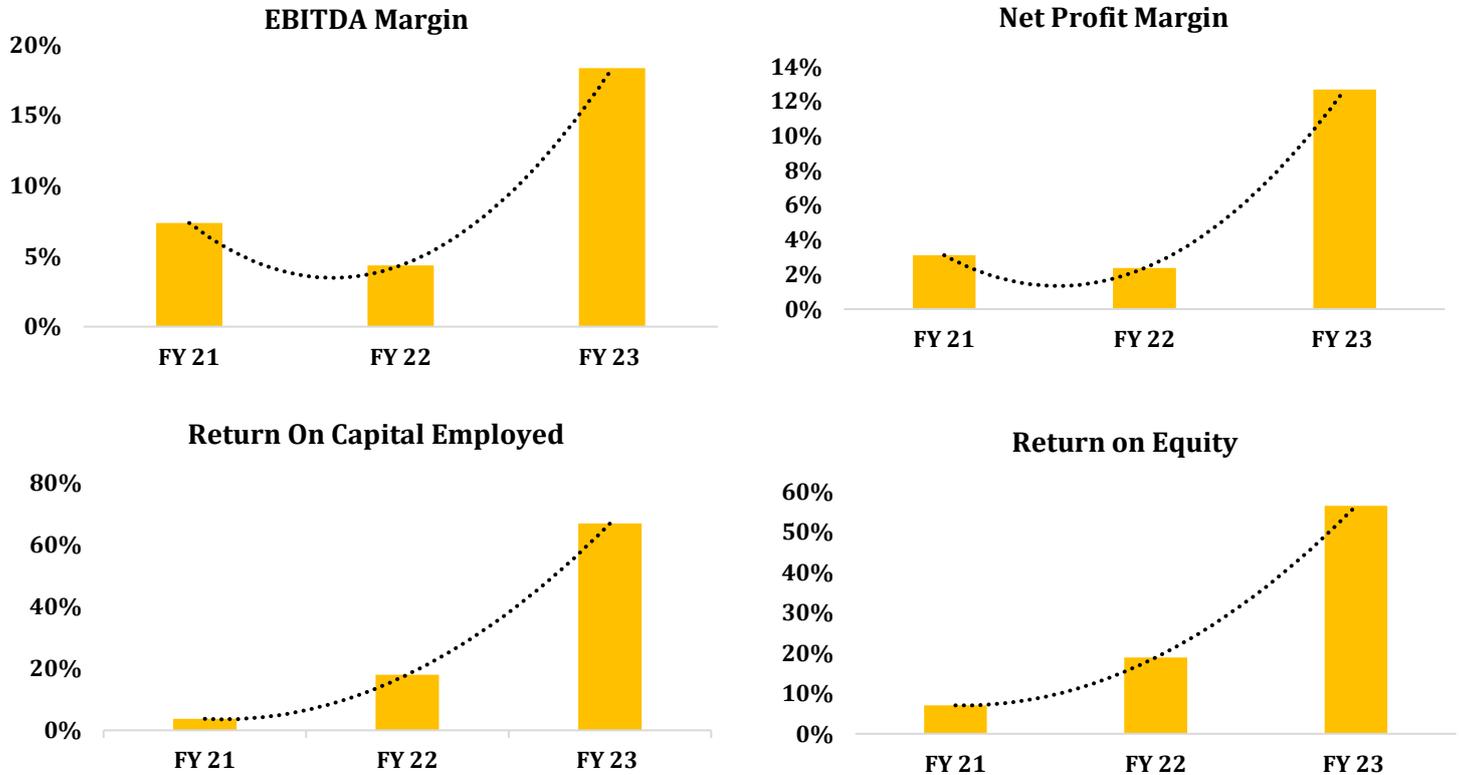
<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>	
Net Cash Flow from Operating Activities	38.22	574.10	402.93	231.69	
Net Cash Flow from Investing Activities	-49.44	-187.74	-55.62	-107.87	
Net Cash Flow from Financing Activities	-21.75	-259.86	54.42	237.80	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>
<b>Per Share Data</b>				
Diluted EPS	0.76	2.34	16.03	5.86
BV per share	7.00	8.64	19.83	78.08
<b>Operating Ratios</b>				
EBITDA Margins	7.37%	4.36%	18.35%	16.65%
PAT Margins	3.11%	2.37%	12.69%	11.90%
Inventory days	191.31	18.34	56.10	33.22
Debtor days	76.00	44.83	9.34	15.33
Creditor days	137.44	45.78	22.67	17.19
<b>Return Ratios</b>				
RoCE	4%	18%	67%	26%
RoE	7%	19%	56%	21%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	11.99	3.49	1.06	3.21
Market Cap / Sales	8.91	2.02	1.58	1.01
P/E	182.89	59.40	8.67	23.72
Price to Book Value	19.85	16.09	7.01	1.78
<b>Solvency Ratios</b>				
Debt / Equity	0.99	0.44	0.24	0.34
Current Ratio	1.54	1.36	2.32	2.21
Quick Ratio	0.54	1.03	1.09	1.37
Asset Turnover	0.82	3.09	2.61	3.22
Interest Coverage Ratio	1.06	4.97	61.38	763.07

\*Ratio sheet for June-23 is annualized.



## Financial Charts



## Key Risk Factors

1. There are outstanding litigation proceedings involving the Company, Promoters, Directors and Group Companies amounting to Rs. 7.27 lakhs. Any adverse decision in such proceeding may have a material adverse effect on business, results of operations and financial condition.
2. The company have certain contingent liabilities amounting to Rs 5.39 Lakhs.
3. The company is dependent on the sale of the products to certain key customers and the top 7 customers accounted for 97% and 96% of revenue from the sale of products for fiscals 2023 and 2022 respectively. The loss of such customers could materially adversely affect the business, results of operations and financial condition.



### Track Record of Lead Manager

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

#### Gretex Corporate Service Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shelter Pharma Limited	16.03	42.00	August 23, 2023	39.7
2.	Comrade Appliances Limited	12.30	54.00	June 13, 2023	143.00
3.	Innokaiz India Limited	21.17	78.00	May 11, 2023	120.0
4.	Retina Paints Limited	11.10	30.00	May 03, 2023	60.0
5.	Sudarshan Pharma Industries Ltd	50.10	73.00	March 22, 2023	77.6
6.	ResGen Limited	28.20	47.00	March 13, 2023	76.8
7.	Steelman Telecom Limited	26.02	96.00	October 10, 2022	181.0
8.	Reetech International Cargo and Courier Ltd	11.71	105.00	October 10, 2022	53.0
9.	Shantidoot Infra Services Limited	4.02	81.00	September 19, 2022	78.0
10.	Jayant Infratech Limited	6.19	67.00	July 13, 2022	83.6

\*CMP for the above-mentioned companies is taken as of 6<sup>th</sup> November 2023.

As per the offer document Gretex Corporate Service Limited has had 16 mandates in the last three fiscal years. Gretex Corporate Service Limited's above-mentioned mandates 6 has opened at a premium and 4 has opened at a discount on the listing day.



### **Recommendation**

The company has been in the industry since 2012 and has good experience in the industry. The company has seen consistency in its top line. There was a huge surge in the margins for FY 23 which may or may not sustain going forward.

The P/E on a post-IPO basis is 12.42 times which seems to be fairly priced by looking at the performance of the company. The Sector P/E is 36.2 times.

The company's operations are highly in demand in the market. The company's financial outlook is satisfactory. The company has performed better than its peers. The company's outlook is good, and the overall operations are in demand. Thus, we recommend **APPLY** to this IPO.

### **Disclaimer**



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