

IPO Details		Company Background					
Opening Date	Dec 26, 2023	<ul style="list-style-type: none"> AIK Pipes and Polymers Limited was originally incorporated in the year 2017 and has its registered office in Jaipur, Rajasthan, India. The company is engaged in manufacturing a comprehensive range of HDPE (High-density polyethylene) pipes, HDPE Fittings, MDPE (Medium density polyethylene) Pipes and PPR (Polypropylene random) Pipes for water distribution, gas transmission, sewerage system and telecom sector. The company is committed towards constant innovations in drinking water piping solutions, irrigation and sewerage technologies to meet the constantly increasing demands. As of 30th June 2023, the Company had 23 employees on its payroll. 					
Closing Date	Dec 28, 2023						
Stock Exchange	BSE SME						
Lot Size	1,600 Shares						
Issue Price	₹ 89 per share						
Issue Size	Aggregating up to 15.02 Cr.						
Fresh Issue	Aggregating up to 15.02 Cr.						
Offer for Sale Application Amount	- ₹ 1,42,400						
IPO Objective							
To meet Working Capital Requirements.							
To meet the Capital Expenditure.							
General Corporate Purpose.							
Pre-Issue Shareholding			Market Capitalization (In Cr.)				
Category	No. of Shares	% of Total Shares	Pre-Issue	Post-Issue			
			₹ 42	₹ 57			
Promoter & Promoter Group	46,75,000	100.00 %	Financial Summary (In Lacs)				
Public	-	-	For the Period Ended	Mar-21	Mar-22	Mar-23	Jun-23
Promoter of the Company			Total Assets	739.74	968.13	1,450.51	1,638.54
1	Imran Khan		Net Assets	84.86	202.76	560.50	662.47
2	Tahira Sheikh		Total Borrowings	382.88	432.17	538.09	429.91
Competitive Strengths			Total Revenue	1,020.55	2,090.84	3,077.92	1,400.42
1	Customer satisfaction and revenues from long-standing customer relationships.		Profit After Tax	27.00	87.90	187.74	101.96
2	Experienced promoter and management expertise.		Tentative Timeline				
3	Scalable business model.		Opening Date	Dec 26, 2023			
4	Cost-effective production and timely fulfilment of orders.		Closing Date	Dec 28, 2023			
5	Existing relationship with suppliers.		Basis of Allotment	Dec 29, 2023			
6	Quality assurance and standards.		Initiation of Refunds	Jan 01, 2024			
			Credit of Shares to Demat	Jan 01, 2024			
			Listing Date	Jan 02, 2024			

Company Background and Analysis

The Company was originally incorporated on 19, September 2017. The company is engaged in manufacturing of comprehensive range of HDPE (High density polyethylene) pipes, HDPE Fittings, MDPE (Medium density polyethylene) Pipes and PPR (Polypropylene random) Pipes for water distribution, gas transmission, sewerage system and telecom sector. The company is committed towards constant innovations in drinking water piping solutions, irrigation and sewerage technologies to meet the constantly increasing demands.

The company is a registered vendor with government organizations such as Public Health Engineering Department and Rajasthan Water Supply & Sewerage Management Board all over Rajasthan. The company has a well-equipped manufacturing facility. The products manufactured are approved by various agencies such as the Bureau of Indian Standards (BIS) and also from organisation, Central Institute of Petrochemicals Engineering and Technology, Indian Oil Corporation, and GAIL.

The company's product portfolio is as follows –

1. HDPE Pipes and Coils – The company offers pipes and fittings in complete range from 50mm to 250mm sizes. The Pipes are available in PN 2.5 to PN 16 Pressure Class in PE 63, PE 80 and PE 100 Grades. Pipes are Manufactured as Per IS:4984.
2. HDPE Sprinkles System – The company offer HDPE Coupled Pipes, Fittings and Accessories, for sprinkler irrigation.
3. PPR Pipe - PP-R is advanced and ideal option, designed for hot and cold water and it is the latest and most suitable system for all plumbing applications.
4. MDPE Pipes – The company supplies it in various diameter sizes from 20mm to 250 Mm depending on its usage. It is also available in various coil sizes of 25m, 50m & 100m.

Product-wise revenue bifurcation of the company for the last three years and period ended June 2023 as per the restated financial statement are as follows:

(Amount in Lacs.)

Particulars	Mar-21		Mar-22		Mar-23		Jun-23	
	Amt	%	Amt	%	Amt	%	Amt	%
HDPE Pipe and Coils	910.95	90.35	1,854.81	90.82	2,962.56	97.19	1,352.35	98.20
HDPE Sprinkles System	60.74	6.02	66.21	3.24	18.22	0.60	3.45	0.25
MDPE Pipes	22.28	2.21	83.08	4.07	67.45	2.21	21.37	1.55
PPR Pipes	14.28	1.42	38.15	1.87	-	-	-	-
Total	1,008.25	100.00	2,042.25	100.00	3,048.23	100.00	1,377.17	100.00

To conclude, the company was incorporated in the year 2017 and has relatively less experience in the industry it operates. The company generates the majority of its revenue from the HDPE Pipe and Coils segment. The company is raising total gross proceeds of Rs. 1,502 Lakhs.

Business Strategies

1. Expand the current business relationships -

The company plans to continue to expand the scope and range of products provided to existing customers by continuing to build its expertise and extend its capabilities.

2. Improving operational efficiencies -

The company intends to improve efficiencies to achieve cost reductions so that they can be competitive. The company believes that this can be done through domestic presence and economies of scale.

3. Optimal utilization of resources -

The company constantly endeavours to optimize the utilization of resources. The company have invested significant resources and intends to further invest in the activities to develop customized systems and processes to ensure effective management control.

4. Improve capacity utilization -

The company continues to identify various strategic initiatives to improve operational efficiencies and reduce operating costs. The company continues to adopt best practices and standards across the production facilities, drawing on the machines and management's expertise.

5. Enhancing existing production and product quality -

The company intends to have close interaction with the customers in a bid to strengthen its relationships with them. The company believes that its quality products have earned the goodwill from its customers which has resulted in repeat service orders from many of them.

6. To build up a professional organization -

The company believes in transparency and commitment in the work among the workforce and with the suppliers, customers, government authorities, banks, financial institutions etc.

Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive industry that experiences rapid technological developments, and changes in customer requirements. The company may face competition from companies that grow in size or scope as the result of strategic mergers or acquisitions, which may result in larger competitors with significant resources that benefit from economies of scale and scope. The company faces competition from various domestic players. The company has a low barrier to entry. The bargaining power with the customers is medium in the sector in which the company operates. The bargaining power with the suppliers is medium in this sector.

Peer Analysis

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

Particulars	AIK Pipes and Polymers Limited	Rex Pipes and Cables Industries Limited	Prince Pipes and Fittings Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	6%	3%	4%
EBITDA Margin	9%	8%	9%
Return on Capital Employed	43%	26%	12%
Return on Equity	33%	17%	9%
EPS (INR)	4.13	4.21	10.98

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

Particulars	AIK Pipes and Polymers Limited	Rex Pipes and Cables Industries Limited	Prince Pipes and Fittings Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	2%	9%
EBITDA Margin	5%	6%	16%
Return on Capital Employed	37%	20%	27%
Return on Equity	43%	10%	20%
EPS (INR)	3.51	2.22	22.56

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

Particulars	AIK Pipes and Polymers Limited	Rex Pipes and Cables Industries Limited	Prince Pipes and Fittings Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.7%	1.7%	10.7%
EBITDA Margin	3.9%	8.3%	17.6%
Return on Capital Employed	26.7%	15.8%	28.7%
Return on Equity	31.8%	9.1%	21.3%
EPS (INR)	1.93	1.82	20.16

Industry Overview

Exhibit 1: India’s Plastics and Linoleum Exports (US\$ billion)

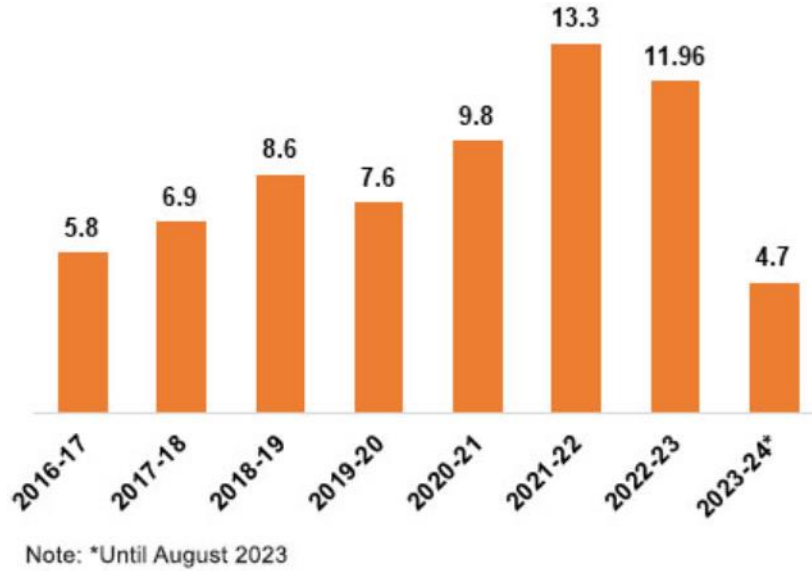
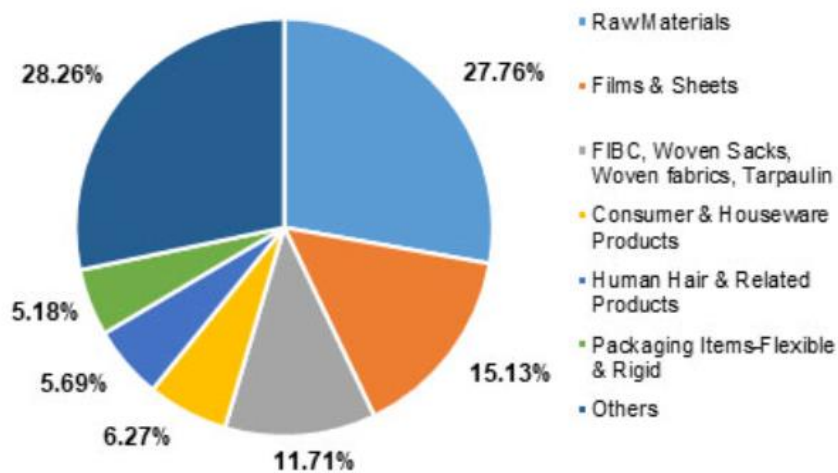


Exhibit 2: India’s product-wise share of plastics exports (2022-23)



(Source: ibef.org)

Plastic Industry in India -

Due to the enormous potential of the Indian market, local businesses have been encouraged to develop their technical skills, meet high-quality requirements, and expand their capabilities across a wide range of sectors of the growing plastics industry. There have been phenomenal advancements in the petrochemical industry and combined with the progress in the plastic machinery sector, they have helped forward the plastic processing industry immensely.

This has made it easier for plastic processors to increase their capacity to serve both the domestic and international markets. Currently, the Indian plastic processing industry comprises approximately 30,000 units that use injection molding, blow molding, extrusion, and calendaring to create a wide range of products. Plastic material is becoming increasingly important across various industries, and per capita consumption is rising quickly. Traditional materials are being quickly replaced by plastic technology, processing equipment, expertise, and cost-effective manufacturing.

The ability to serve international markets results from the skills developed in most of this industry's areas combined with inherent abilities. The Indian plastics industry has advanced significantly over the past few decades, becoming one of the nation's most significant sectors with a considerable base. The consumption of plastics in India has significant regional variation, with Western India accounting for 47%, Northern India for 23%, and Southern India for 21%.

The end-use sectors of automotive, packaging (including bulk packaging), plastics applications, electronic appliances, etc., account for the majority of consumption in Northern India and are located mostly in Uttar Pradesh and Delhi-NCR. However, other regions, including Rajasthan, Punjab, Haryana, Uttarakhand, J&K, and Himachal Pradesh, are anticipated to see growth in plastic processing due to increasing feedstock supply and a greater focus on the manufacturing sector.

The use of plasticulture can significantly reduce costs, which can result in increased crop quality and yield. Applications of plasticulture provide advantages in terms of conservation of water, water use efficiency and fertiliser use efficiency. Each application can significantly reduce water use by 30% to 100%. The total loss of water due to seepage may be reduced to zero in the case of agricultural ponds walled with plastic film, which is very advantageous.

Additionally, effective fertiliser usage may reduce expenses, which is again beneficial to farmers. The plastics industry is currently home to about 50,000 industries, most of which are micro, small, and medium-sized enterprises (MSMEs). These enterprises contribute Rs. 3.5 lakh crore (US\$ 42.89 billion) to India's economy and employ more than 50,000 people. The country recycles plastic at a rate of 60%, which is higher than that of developed nations.

(Source: prospectus)

Key Managerial Personnel

Imran Khan, aged 39 years, is one of the Promoters, Chairman and Managing Director of the Company. He holds a master's degree in mechanical engineering. He possesses experience of 5 years in the production and manufacturing-related activities of the Company's business. He is playing a vital role in formulating business strategies and effective implementation of the same. He is responsible for the expansion and overall management of the business of the Company.

Tahira Sheikh, aged 34 years, is one of the Promoters, and Whole-Time Director of the Company. She holds the degree of Bachelor of Business Administration and has done Post Graduate Diploma in Rural Management (PGDRM). She is having experience of 06 years with the Life Insurance Corporation of India in the class II cadre (Development Officers). She looks after the general administration in the Company.

Ajayraj Singh Khangarot, aged 39 years, is the Executive Director of the Company. He holds a degree in Bachelor of Engineering and a Master of Business Administration. He has experience of 04 years with the Company.

Mohammad Hanif Khan, aged 74 years, is the Non-Executive Director of the Company. He holds a degree in Bachelor of Laws. He has wide experience of over 47 years as a practising Advocate and has experience in legal matters.

Pradeep Kumar Agarwal, aged 34 years, is an Independent Director of the Company. He has a degree of Bachelor of Commerce having experience of more than 05 years in accounts-related work.

Bhagat Singh Shekhawat, aged 35 years, is an Independent Director of the Company. He holds a bachelor's degree in information technology having experience of 13 years in technology, training and skill development activities with M/s. Acme Enterprises

To conclude, the company has 2 promoters, and they have decent experience in the operations of the company. The Directors of the company have good experience in different industries which helps in the growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Revenue from Operations	1,008.26	2,042.25	3,048.23	1,377.17
Other Income	12.29	48.59	29.69	23.25
Total Income	1,020.55	2,090.84	3,077.92	1,400.42
Expenses				
Cost of Material Consumed	853.97	1,852.02	2,824.13	1,111.08
Purchase of Stock in Trade	-	-	-	-
Change in inventories of finished goods, work in progress and stock in trade.	3.25	-10.33	-229.28	82.96
Employee benefits expense	56.62	55.71	80.18	23.07
Finance costs	7.12	14.80	34.04	9.56
Depreciation and Amortization expense	8.22	9.58	19.01	6.00
Other expenses	55.02	42.01	98.96	31.28
Total Expenses	984.20	1,963.79	2,827.04	1,263.95
Earnings Before Interest, Taxes, Depreciation & Amortization	39.40	102.84	274.24	128.78
EBITDA Margin	4%	5%	9%	9%
Profit/(Loss) before tax	36.35	127.05	250.88	136.47
Tax Expense				
Current Tax	8.99	37.87	58.29	33.50
Deferred Tax	0.36	1.28	4.85	1.01
Total Tax Expense	9.35	39.15	63.14	34.51
Profit/(Loss) for the year	27.00	87.90	187.74	101.96
Net Profit Margin	3%	4%	6%	7%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	40.00	70.00	127.50	467.50
Reserve and Surplus	44.86	132.76	433.00	194.97
Total Equity	84.86	202.76	560.50	662.47
Minority Interest				
Total Equity and Liabilities	84.86	202.76	560.50	662.47
2. Non-current liabilities				
Long Term Borrowings	26.01	44.70	13.84	12.79
Long-Term Provisions	0.37	0.79	1.39	1.39
Deferred Tax Liabilities (Net)	5.49	6.77	11.62	12.63
Total Non-current liabilities	31.87	52.26	26.85	26.81
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	356.87	387.47	524.25	417.12
Trade payables				
Due to MSME				
Due to Others	234.42	277.33	278.28	421.53
Other Current Liabilities	22.73	10.39	2.29	18.80
Short-term Provisions	8.99	37.92	58.33	91.83
Total Current liabilities	623.01	713.11	863.15	949.28

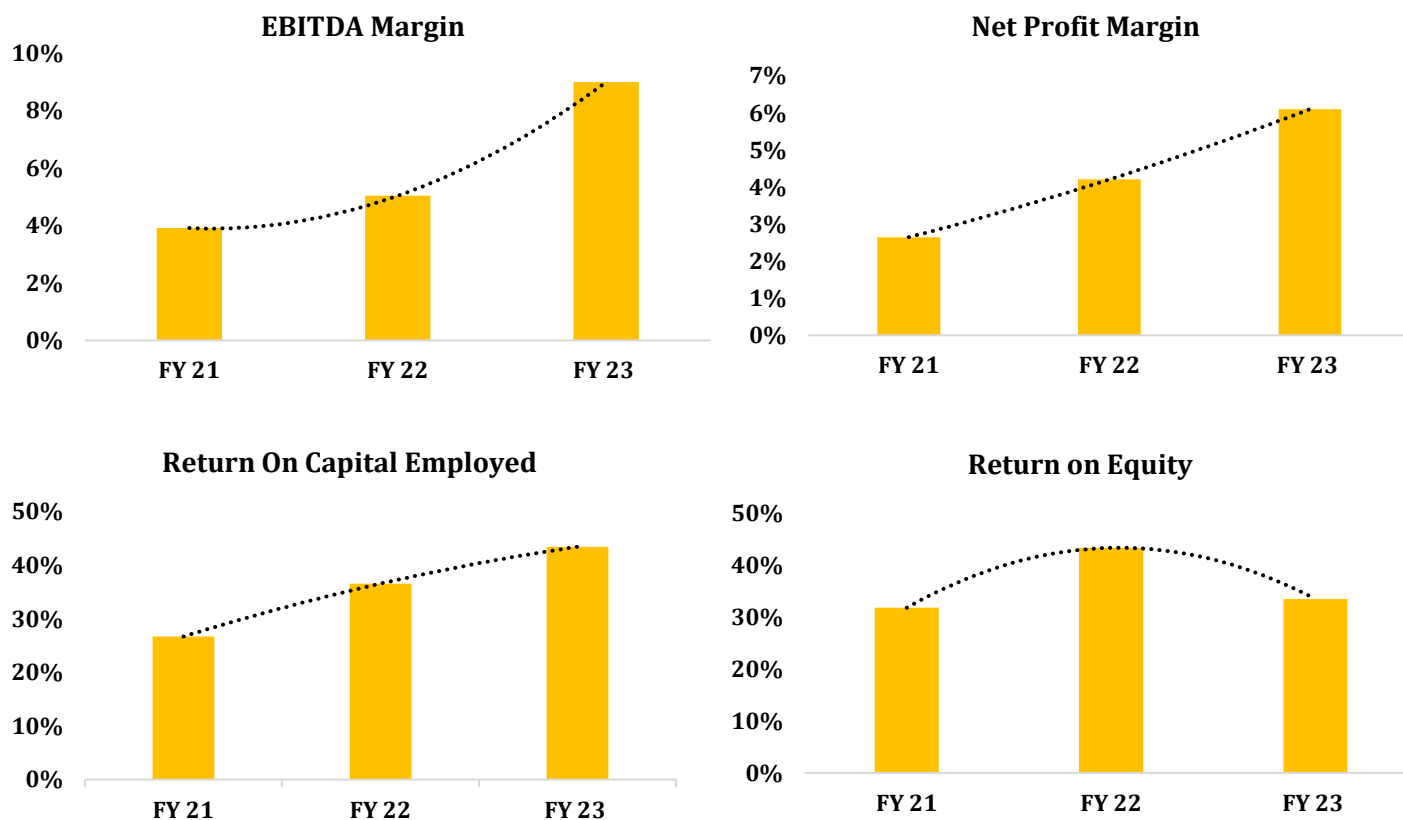
Total Liabilities	654.88	765.37	890.00	976.09
Total Equity and Liabilities	739.74	968.13	1,450.50	1,638.56
ASSETS				
1. Non-current assets				
Property, Plant and Equipment				
Tangible Assets	115.98	128.25	301.57	305.01
Non Current Investments	2.00	2.07	2.20	2.28
Other Non-current assets	0.10	0.05	-	-
Total Non-Current assets	118.08	130.37	303.77	307.29
2. Current assets				
Inventories	18.37	103.66	344.38	416.00
Trade receivables	533.89	685.09	749.50	886.57
Cash and Bank Balances	67.01	44.88	39.50	25.96
Other Current Assets	2.39	4.13	13.36	2.72
Total Current assets	621.66	837.76	1,146.74	1,331.25
Total Assets	739.74	968.13	1,450.51	1,638.54

Cash Flow Statement				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	Jun-23
Net Cash Flow from Operating Activities	54.23	-64.95	-55.22	113.07
Net Cash Flow from Investing Activities	-18.09	-21.67	-192.04	-8.86
Net Cash Flow from Financing Activities	30.36	64.48	241.88	-117.74

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23*
Per Share Data				
Diluted EPS	1.93	3.51	4.13	6.36
BV per share	1.33	3.19	8.81	38.78
Operating Ratios				
EBITDA Margins	3.91%	5.04%	9.00%	9.35%
PAT Margins	2.65%	4.20%	6.10%	7.22%
Inventory days	6.65	18.53	41.24	27.79
Debtor days	193.27	122.44	89.75	59.23
Creditor days	110.88	55.57	38.37	32.54
Return Ratios				
RoCE	27%	37%	43%	20%
RoE	32%	43%	33%	16%
Valuation Ratios (x)				
EV/EBITDA	10.17	5.74	3.86	5.57
Market Cap / Sales	5.62	2.77	1.86	1.03
P/E	46.11	25.36	21.55	14.00
Price to Book Value	66.73	27.93	10.10	2.30
Solvency Ratios				
Debt / Equity	4.51	2.13	0.96	0.65
Current Ratio	1.00	1.17	1.33	1.40
Quick Ratio	0.97	1.03	0.93	0.96
Asset Turnover	1.36	2.11	2.10	0.84
Interest Coverage Ratio	4.38	6.30	7.50	12.84

*Ratio sheet for Jun-23 is annualized.

Financial Charts



Key Risk Factors

1. Company's top ten customers contribute to 100.00%, 99.78%, 99.85% and 100.00% of the total revenue for the period/year ended June 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, respectively. Any loss of business from one or more of them may adversely affect the revenues and profitability.
2. Company's top ten suppliers contributed approximately 99.63%, 96.80%, 98.89% and 94.07% of the total purchases for the period ended June 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, respectively. Any loss of business with one or more of them may adversely affect the business operations and profitability.
3. The company have experienced negative operating cash flows in FY 2022, and 2023. Any such negative cash flows in the future could affect the business, results of operations and prospects.

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares 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 Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Net Avenue Technologies Limited	10.25	18.00	December 08, 2023	30.2
2.	Swashthik Plascon Limited	40.76	86.00	December 05, 2023	115.00
3.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	78.00
4.	Marco Cables and Conductors Limited	18.73	36.00	September 28, 2023	52.00
5.	Meson Valves India Limited	31.09	102.00	September 21, 2023	503.00
6.	CPS Shapers Limited	11.10	185.00	September 07, 2023	424.00
7.	AccelerateBS India Limited	5.69	90.00	July 19, 2023	168.00
8.	Global Pet Industries Limited	13.23	49.00	July 10, 2023	98.05
9.	Veefin Solutions Limited	46.73	82.00	July 05, 2023	251.00
10.	Sancode Technologies Limited	5.15	47.00	April 18, 2023	66.01

The company has had 25 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 25th December 2023.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at premiums on the listing date.



Recommendation

The company has been in the industry since 2017 and has relatively less experience in the industry. The company's management overview is not satisfactory. The company also faces significant competition in the industry.

The P/E on a post-IPO basis is 30.16 times which seems to be highly priced by looking at the performance of the company. The sector P/E is 30.5 times.

The company has seen an increase in the top line and bottom line of its financials. The company has had negative operating cash flow for the past two fiscal details which are provided in the risk factors of this report. The company's management overview is not satisfactory with relatively less experience in the industry. The company is relatively new to the industry. Thus, we believe at this P/E one can **AVOID** applying to this IPO.



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