



IPO Details	
<b>Opening Date</b>	Jan 19, 2024
<b>Closing Date</b>	Jan 23, 2024
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	2,000 Shares
<b>Issue Price</b>	₹ 66 to ₹ 70 per share
<b>Issue Size</b>	Aggregating up to 28.70 Cr.
<b>Fresh Issue</b>	Aggregating up to 28.70 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹ 1,40,000

IPO Objective	
To meet working capital requirements.	
General corporate purposes.	
To meet Public Issue Expenses.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,00,82,000	91.65 %
Public	9,18,000	8.35 %

Promoter of the Company	
1	Biharilal Ravilal Shah
2	Amish Biharilal Shah

Competitive Strengths	
1	Strong Project Management
2	Comprehensive Service Offerings
3	Diverse and Skilled Workforce
4	Robust Technical Infrastructure
5	Commitment to Quality and Safety
6	Robust Order Book
7	Track Record of Successful Projects
8	Geographical Presence
9	Strong Client Relationships
10	Expertise and Experience

Company Background	
○	Konstelec Engineers Limited was originally incorporated in the year 1995 and had its registered office in Mumbai, Maharashtra, India.
○	The company is in the business of Engineering, Procurement, and Construction/ Commissioning (EPC) contractors and is engaged in the business of offering a full range of EPC services in India and abroad.
○	The company's services find applications across several processing and various kinds of manufacturing industries such as oil & gas, refinery, steel, cement, pharmaceuticals, textile, hospital, health care and commercial complexes, domestically and internationally.
○	As of 12 <sup>th</sup> January 2024, the Company had 884 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 77	₹ 106

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
<b>Total Assets</b>	10,364.0	11,884.4	14,612.9	16,223.2
<b>Net Assets</b>	5,071.49	5,423.73	6,191.51	6,647.68
<b>Total Borrowings</b>	2,548.12	2,650.59	3,507.15	4,109.46
<b>Total Revenue</b>	10,617.16	10,902.3	15,500.05	9,434.05
<b>Profit After Tax</b>	190.34	352.25	777.78	456.15

Tentative Timeline	
<b>Opening Date</b>	Jan 19, 2024
<b>Closing Date</b>	Jan 23, 2024
<b>Basis of Allotment</b>	Jan 24, 2024
<b>Initiation of Refunds</b>	Jan 25, 2024
<b>Credit of Shares to Demat</b>	Jan 25, 2024
<b>Listing Date</b>	Jan 29, 2024



### Company Background and Analysis

Konstelec Engineers Limited was originally incorporated on December 05, 1995. The company is in the business of Engineering, Procurement, and Construction/ Commissioning (EPC) contractors and is engaged in the business of offering a full range of EPC services in India and abroad. The company's services find applications across several processing and various kinds of manufacturing industries such as oil & gas, refinery, steel, cement, pharmaceuticals, textile, hospital, health care and commercial complexes, domestically and internationally.

The company specializes in delivering full-scale project management, procurement support, and detailed engineering services for various kinds of electrical infrastructure projects across India and abroad. The company acquires direct infrastructure project contracts through tender biddings or direct orders from the clients. As of November 30, 2023, the company has an order book of more than 57 Major Projects worth around ₹ 573 Crores from the major projects.

The company has also had the privilege of serving a number of esteemed clients such as Reliance Industries Limited, Engineers India Limited, JSW Steel, Indian Oil, BPCL, HPCL, CPCL, MRPL, ISRO, ACC, BARC, Dangote Industries Limited, Adani, NTPC, Tata Steel Ltd, Navin Fluorine International Ltd and IGPL, etc.

The company derives its revenue from the following business verticals –

1. Engineering Design and Consultancy Services – The company follows a comprehensive approach that encompasses various stages to ensure the successful execution of projects. Overall, its engineering services are designed to provide clients with a comprehensive and seamless experience, starting from concept to completion.
2. Construction and Commissioning – The company has over more than two decades of experience, and they have honed their expertise to ensure technical excellence and operational efficiency in every endeavour.
3. Operation and Maintenance – The company's approach includes equipment refurbishment and proactive preventive maintenance to address potential issues before they escalate, thereby minimizing downtime and ensuring maximum reliability.
4. Project Management – The company has adopted a well-structured and comprehensive approach to ensure successful project execution.

The company's revenue bifurcation as per geography is given below: -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic Sales	654.16	58.68	1,211.53	51.08	471.47	40.28	318.56	94.89
Export Sales	460.71	41.32	1,160.43	48.92	699.07	59.72	17.14	5.11
<b>Total</b>	<b>1,114.87</b>	<b>100.00</b>	<b>2,371.96</b>	<b>100.00</b>	<b>1,170.54</b>	<b>100.00</b>	<b>335.70</b>	<b>100.00</b>

To conclude, Konstelec Engineers Limited was incorporated in 1995 and has vast experience in the industry. The company is raising total gross proceeds of Rs. 2,870 Lakhs.



## **Business Strategies**

### **1. Technological Advancement -**

Embracing cutting-edge technologies and innovative solutions is a fundamental aspect of the business strategy, enabling it to maintain a competitive edge and deliver exceptional services to its clients. Therefore, the company continually invests in researching and adopting the latest advancements that align with the project requirements and client needs.

### **2. Customer-Centric Approach and Sustainable Growth -**

This company recognizes the importance of aligning growth with the well-being of society and the environment. The company actively embraces sustainable practices throughout its operations, ensuring that the projects have a positive impact on the communities and environments in which they work.

### **3. Growth Strategies -**

The company has a two-pronged approach to achieve sustainable growth. Firstly, the company aims to grow organically by expanding its capabilities and presence in existing markets and sectors and secondly, embrace inorganic growth by actively seeking strategic tie-ups and joint ventures.

### **4. Effective Marketing Methods -**

The company adopts modern and effective marketing techniques to promote its services and make them accessible to potential clients.

### **5. Strong Project Execution -**

The company prioritizes meticulous planning and execution, ensuring high-quality standards, timely delivery, and adherence to budgets.

### **6. Talent Development -**

The company emphasizes fostering a skilled and motivated workforce, empowering the team to handle diverse projects efficiently.

### **7. Increasing Customer Reach -**

The company seeks to expand its customer base by actively targeting new markets and engaging with a wider range of clients.

### **8. Leveraging Market Skills and Relationships -**

The company leverages its skilled workforce and strong market relationships to explore new opportunities, forge strategic partnerships, and expand its reach to new markets and clients.



**Competitive Scenario and Peer Mapping**

**Competition**

The company operates in a highly competitive industry. The market comprises numerous players, including both unorganized and organized entities. The company competes with regional and product line-based strategies. The industry in which the company operates has fewer barriers to entry making them susceptible to competition from new entrants. The bargaining power with the customers is high in the sector in which the company operates. The bargaining power with the suppliers is also 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	Konstelec Engineers Limited	Skipper Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	5%	2%
EBITDA Margin	9%	10%
Return on Capital Employed	20%	13%
Return on Equity	13%	4%
EPS (INR)	7.07	2.90

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

Particulars	Konstelec Engineers Limited	Skipper Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	3%	1%
EBITDA Margin	5%	10%
Return on Capital Employed	9%	12%
Return on Equity	6%	4%
EPS (INR)	3.20	2.53

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

Particulars	Konstelec Engineers Limited	Skipper Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.81%	1.3%
EBITDA Margin	4.6%	9.2%
Return on Capital Employed	7.3%	9.8%
Return on Equity	3.8%	3.0%
EPS (INR)	1.73	1.87

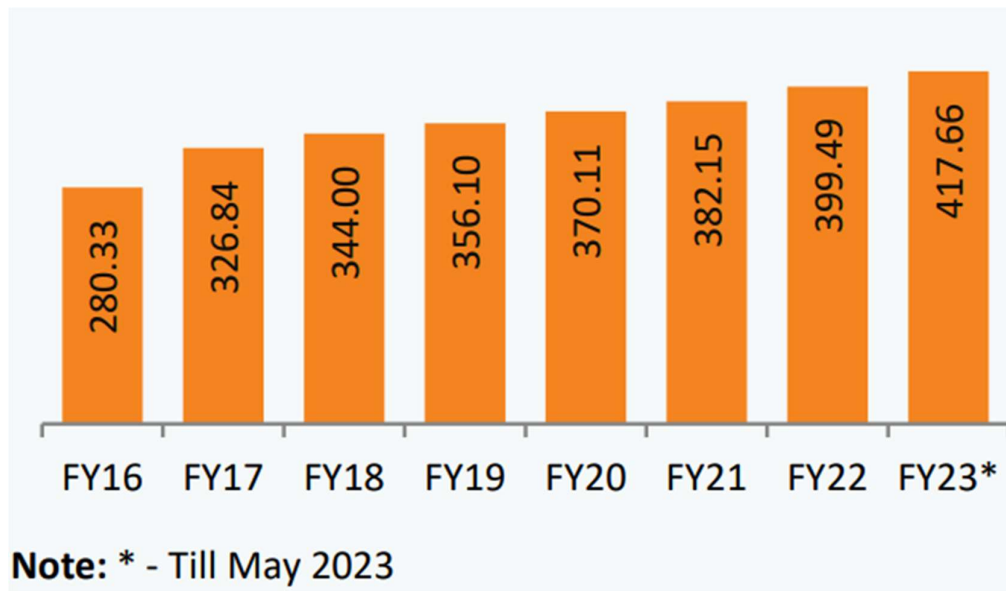


**Industry Overview**

Exhibit 1: Growth in Infrastructure Related Activities in FY22 (%)



Exhibit 2: Installed Electricity Generation Capacity (GW)



(Source: ibef.org)



## **Infrastructure Industry -**

### **Summary**

#### **1. HIGH BUDGETARY ALLOCATION FOR INFRASTRUCTURE**

- In the Union Budget 2022-23, the government has given a massive push to the infrastructure sector by allocating Rs. 10 lakh crore (US\$ 130.57 billion) to enhance the infrastructure sector.
- The government expanded the 'National Infrastructure Pipeline (NIP)' to 9,335 projects. 217 projects worth Rs. 1.10 lakh crore (US\$ 15.09 billion) were completed as of 2020.

#### **2. INCREASING PRIVATE SECTOR INVOLVEMENT**

- The private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports.
- Private investment into physical and social infrastructure is key to putting India in a high growth trajectory, which will make it a US\$ 5 trillion economy by 2024-25.
- Yearly private equity (PE) and venture capital (VC) investment in India is expected to surpass US\$ 65 billion in 2025.

#### **3. IMPROVEMENT IN LOGISTICS**

- In 2020, India's logistics sector was one of the largest worldwide worth US\$ 215 billion and increased at a CAGR of 10%.
- The Indian logistics market is estimated to touch US\$ 320 billion by 2025.

### **Increasing investments in Indian infrastructure**

The National Infrastructure Pipeline (NIP) for 2019-2025 is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure to citizens, improving their quality of life. FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.23 billion and US\$ 28.95 billion, respectively, between April 2000-September 2022.

In January 2023, the Construction arm of Larsen & Toubro secured orders for its power transmission & distribution and buildings & factories businesses to establish a 112.5MW Solar Power Plant in West Bengal and to construct a 600-bed super speciality hospital in Mumbai, respectively. In December 2022, BHEL formed a consortium with Titagarh Wagons and is among five entities which have bid for the mega Rs. 58,000 crore (US\$ 7 billion) contract to manufacture 200 Vande Bharat trains and maintain them for the next 35 years.

In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated and laid the foundation stone of 8 National Highway projects of 226 km length worth Rs. 1,800 crore (US\$ 217.4 million) at Igatpuri, Nashik, Maharashtra. In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated 7 National Highway projects worth Rs. 2,444 crore (US\$ 295 million) with a total length of 204 km in Rewa, Madhya Pradesh.

(Source: prospectus)



## Key Managerial Personnel

**Biharilal Ravilal Shah**, aged 74 years, is one of the Promoters, Chairman, and Managing Director of the Company. He holds the degree of B.E. (Electrical Engineering), and a Diploma in Fundamentals of Microprocessors & Microcomputers: Architecture, Software & Application. He has more than 43 years of experience in the Engineering, Procurement, and Construction/ Commissioning (EPC) of Electrical Works.

**Amish Biharilal Shah**, aged 43 years, is one of the Promoters and Whole-Time Director of the Company. He holds the degree of B.E. (Electronics Engineering), a Master of Science (Electrical Engineering), and a Post Graduate Program in Management (Family Managed Business). He has more than 16 years of experience in the Engineering, Procurement, and Construction/ Commissioning (EPC) of Electrical Works.

**Jigar Dhires Shah**, aged 38 years, is the Whole Time Director of the company. He holds a degree of Bachelor of Engineering in Chemical Engineering and a Master of Business Administration in Agri-Business. He has more than 10 years of experience in the field of Marketing and Project Management.

**Manisha Abhay Lalan**, aged 50 years, is the Independent Director of the Company. She holds the degree of Bachelor of Commerce. She has 1 year of experience in the field of Accountancy.

**Amita Sachin Karia**, aged 35 years, is the Independent Director of the Company. She Holds Degree of Bachelor of Commerce, and Company Secretary from the Institute of Company Secretaries of India. She has more than 8 years of Experience in the field of the Infrastructure Industry and Trading Industry.

**Ranjan Brij Mhan Mathur**, aged 30 years, is the Independent Director of the Company. He holds a degree of B.E (Hons.) in Electrical, and member of the Institute of Engineers, India. He has more than 30 years of experience in the field of Global Energy Industry.

To conclude, the company has 2 promoters, they have vast experience in the industry in which the company operates and in the fields which help in the growth of the business. The Directors of the company have good experience in fields which help in the 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>Sep-23</b>
Revenue from Operations	10,489.43	10,704.72	15,340.49	9,305.27
Other Income	127.73	197.59	159.56	128.78
<b>Total Income</b>	<b>10,617.16</b>	<b>10,902.31</b>	<b>15,500.05</b>	<b>9,434.05</b>
<b>Expenses</b>				
Purchases	4,064.96	4,012.79	7,398.65	4,248.30
Employee benefits expense	1,720.43	1,778.67	2,372.95	1,447.58
Finance costs	236.98	223.34	378.80	249.40
Depreciation and Amortization expense	92.04	77.53	81.49	47.31
Other expenses	4,223.33	4,328.88	4,154.36	2,901.48
<b>Total Expenses</b>	<b>10,337.74</b>	<b>10,421.21</b>	<b>14,386.25</b>	<b>8,894.07</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>480.71</b>	<b>584.38</b>	<b>1,414.53</b>	<b>707.91</b>
<b>EBITDA Margin</b>	<b>5%</b>	<b>5%</b>	<b>9%</b>	<b>8%</b>
<b>Profit/(Loss) before tax</b>	<b>279.42</b>	<b>481.10</b>	<b>1,113.80</b>	<b>539.98</b>
Tax Expense				
Current Tax	85.80	125.95	330.87	156.74
Deferred Tax	3.28	2.90	5.15	-9.74
(Excess) Short provision for tax	-	-	-	-63.17
Total Tax Expense	89.08	128.85	336.02	83.83
<b>Profit/(Loss) for the year</b>	<b>190.34</b>	<b>352.25</b>	<b>777.78</b>	<b>456.15</b>
<b>Net Profit Margin</b>	<b>2%</b>	<b>3%</b>	<b>5%</b>	<b>5%</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>Sep-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	100.00	100.00	100.00	1,100.00
Reserve and Surplus	4,971.49	5,323.73	6,091.51	5,547.68
<b>Total Equity</b>	<b>5,071.49</b>	<b>5,423.73</b>	<b>6,191.51</b>	<b>6,647.68</b>
<b>Minority Interest</b>				
<b>Total Equity</b>	<b>5,071.49</b>	<b>5,423.73</b>	<b>6,191.51</b>	<b>6,647.68</b>
<b>2. non-current liabilities</b>				
Long Term Borrowings	278.46	267.13	600.21	481.92
<b>Total non-current liabilities</b>	<b>278.46</b>	<b>267.13</b>	<b>600.21</b>	<b>481.92</b>
<b>3. Current liabilities</b>				
Financial Liabilities				
Short-term borrowings	2,269.66	2,383.46	2,906.94	3,627.54
Trade payables				
Due to MSME	75.57	501.05	778.99	936.77
Due to Others	1,588.77	2142.69	2810.09	2595.38
Other Current Liabilities	864.40	892.89	1,128.25	1,446.15
Short-term Provisions	215.69	273.49	197.02	487.79
<b>Total Current liabilities</b>	<b>5,014.09</b>	<b>6,193.58</b>	<b>7,821.29</b>	<b>9,093.63</b>
<b>Total Liabilities</b>	<b>5,292.55</b>	<b>6,460.71</b>	<b>8,421.50</b>	<b>9,575.55</b>
<b>Total Equity and Liabilities</b>	<b>10,364.04</b>	<b>11,884.44</b>	<b>14,613.01</b>	<b>16,223.23</b>
<b>ASSETS</b>				





<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>1. non-current assets</b>					
Property, Plant and Equipment					
Tangible Assets	766.33	742.46	832.46	792.56	
Intangible Assets	10.10	7.83	4.78	3.72	
Non-Current Investment	189.39	246.83	156.64	24.00	
Deferred Tax Assets	8.53	5.63	0.48	10.22	
Other non-current assets	52.35	55.24	61.32	74.57	
Long-term loans and advances	15.41	15.28	64.82	84.78	
<b>Total non-current assets</b>	<b>1,042.11</b>	<b>1,073.27</b>	<b>1,120.50</b>	<b>989.85</b>	
<b>2. Current assets</b>					
Trade receivables	3,269.74	5,127.67	5,317.25	4,177.06	
Cash and Bank Balances	1,150.93	987.78	1,212.22	1,543.30	
Short-term loans and advances	1,419.70	1,101.80	1,228.41	1,129.23	
Other Current Assets	3,481.56	3,593.92	5,734.63	8,383.79	
<b>Total Current assets</b>	<b>9,321.93</b>	<b>10,811.17</b>	<b>13,492.51</b>	<b>15,233.38</b>	
<b>Total Assets</b>	<b>10,364.04</b>	<b>11,884.44</b>	<b>14,613.01</b>	<b>16,223.23</b>	

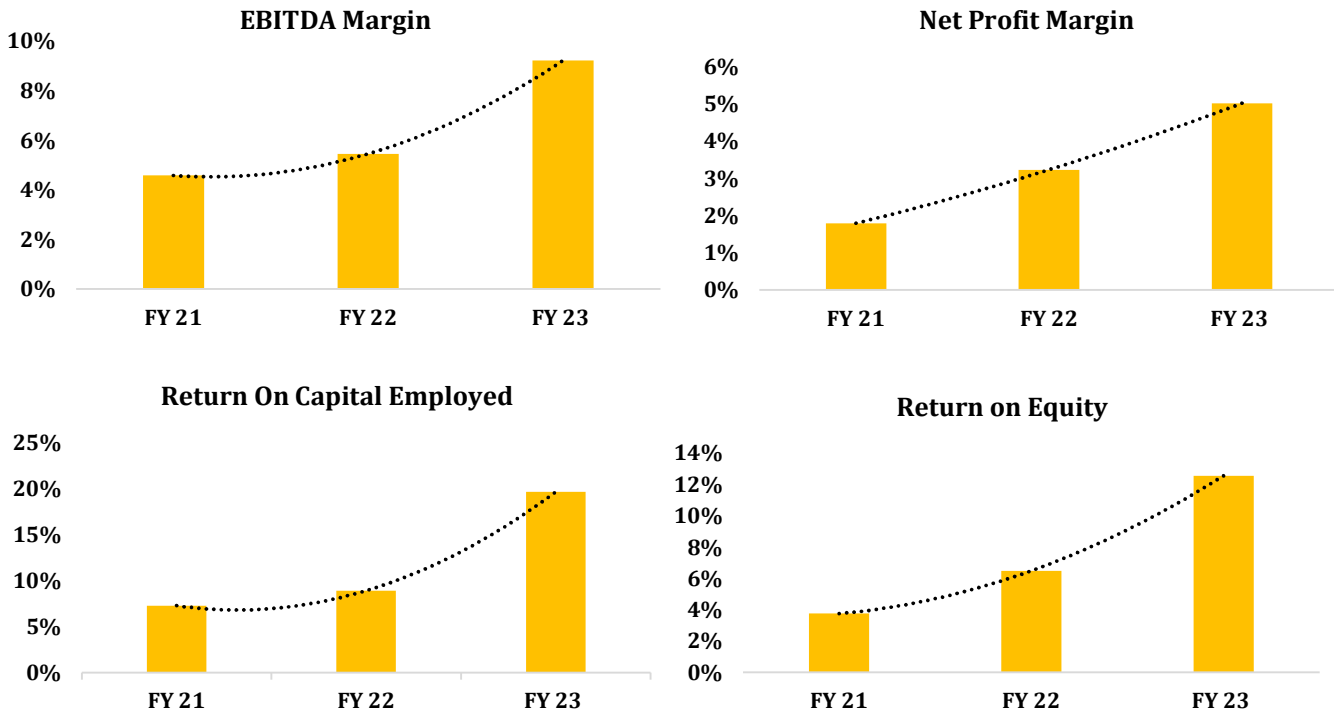
<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23</b>	
Net Cash Flow from Operating Activities	-333.91	43.01	-457.09	-516.80	
Net Cash Flow from Investing Activities	-223.45	-12.15	-62.14	171.72	
Net Cash Flow from Financing Activities	530.54	-115.60	497.80	369.49	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23*</b>
<b><u>Per Share Data</u></b>				
Diluted EPS	1.73	3.2	7.07	5.35
BV per share	33.59	35.92	41.00	65.36
<b><u>Operating Ratios</u></b>				
EBITDA Margins	4.58%	5.46%	9.22%	7.61%
PAT Margins	1.79%	3.23%	5.02%	4.28%
Debtor days	113.78	174.84	126.51	82.15
Creditor days	149.44	240.47	177.06	303.47
<b><u>Return Ratios</u></b>				
RoCE	7%	9%	20%	13%
RoE	4%	6%	13%	8%
<b><u>Valuation Ratios (x)</u></b>				
EV/EBITDA	13.46	12.13	6.00	8.70
Market Cap / Sales	1.01	0.99	0.69	0.57
P/E	40.46	21.88	9.90	13.08
Price to Book Value	2.08	1.95	1.71	1.07
<b><u>Solvency Ratios</u></b>				
Debt / Equity	0.50	0.49	0.57	0.62
Current Ratio	1.86	1.75	1.73	1.68
Quick Ratio	1.86	1.75	1.73	1.68
Asset Turnover	1.01	0.90	1.05	0.57
Interest Coverage Ratio	1.64	2.27	3.52	2.65

\*Ratio sheet for Sep-23 is annualized.



## Financial Charts



## Key Risk Factors

1. The company is dependent on a few number of customers for sales. The company's top ten customers contribute 57.47%, 59.82%, 70.02%, and 85.16% of the total revenue from operations for the period / financial year ended on September 30, 2023, March 31, 2023, 2022 and 2021, respectively the loss of any of this large customer may affect the revenues and profitability.
2. The company has certain outstanding litigation against them amounting to Rs. 496.71 lakhs, an adverse outcome of which may adversely affect the business, reputation and results of operations.
3. The company have experienced negative cash flows from operations in the recent past for the FY ended 2021, and 2023 and the Period Ended September 2023, and may have negative cash flows in the future.
4. The company has contingent liabilities amounting to Rs. 496.71 lakhs which could affect the financial condition.



### Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private 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 –

#### Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Indifra Limited	14.04	65.00	December 29, 2023	55.00
2.	Benchmark Computer Solutions Limited	12.24	66.00	December 21, 2023	71.70
3.	Sheetal Universal Limited	23.80	70.00	December 11, 2023	76.70
4.	Rajgor Castor Derivatives Limited	47.81	50.00	October 31, 2023	48.03
5.	Arvind and Company Shipping Agencies Limited	14.74	45.00	October 25, 2023	64.00
6.	Karnika Industries Limited	25.07	76.00	October 12, 2023	149.00
7.	Hi-Green Carbon Limited	52.80	75.00	September 28, 2023	217.65
8.	Kody Technolab Limited	27.52	160.00	September 27, 2023	805.70
9.	Chavda Infra Limited	43.26	65.00	September 25, 2023	109.75
10.	Vinsys IT Services Limited	49.84	128.00	August 11, 2023	282.05

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 18<sup>th</sup> January 2024.

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 1995 and has vast experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 13.08 times which seems to be fairly priced by looking at the performance of the company and the sector. The Sector P/E is 42.6 times.

The company operates in an EPC Engineering, Procurement, and Construction section which faces high competition. The company has seen an increase in the top line of its financials and consistency in its bottom line over the years. The company has vast experience in the industry with good clientele along with the current order book the company can be seen having good growth in the future. Thus, at the current P/E one can **APPLY** to this IPO.



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