

IPO Details		Company Background				
Opening Date	April 30, 2024	<ul style="list-style-type: none"> ○ Incorporated in 2010, Storage Technologies & Automation Limited has its registered office in Yelahanka, Bangalore India. ○ The company is engaged in a storage racking system. ○ The company specialise in the design, manufacturing, and installation services of metal storage racks, automated warehouses and other storage solutions. ○ The company caters to a wide range of industries which includes oil & gas, automotive components & aerospace, food & beverages and cold storage, pharmaceutical, textile, retail, FMCG and others. ○ As of October 31, 2023, the company had a total of 166 employees on a consolidated basis on its payroll. 				
Closing Date	May 03, 2024					
Stock Exchange	BSE SME					
Lot Size	1,600 Shares					
Issue Price	₹73 to ₹78 per share					
Issue Size	Aggregating up to 29.95 Cr.					
Fresh Issue	Aggregating up to 29.95 Cr.					
Offer for Sale Application Amount	- ₹1,24,800					
IPO Objective						
1. To Meet Working Capital Requirements.						
2. General Corporate Purposes.						
Pre-Issue Shareholding						
Category	No. of Shares	% of Total Shares				
Promoter & Promoter Group	90,00,000	100.00%				
Public	-	-				
Promoter of the Company						
1. Mohammad Arif Abdul Gaffar Dor						
2. Khasim Sait						
3. Hanif A Khatri						
4. Syed Azeem						
5. Afzal Hussain						
6. Nuumaan Khasim						
Competitive Strengths						
1. Experienced Promoters supported by senior management team.						
2. Wide range of products.						
3. Consistent focus on quality.						
4. Product development and design optimisation capabilities.						
		Market Capitalization		(In Cr.)		
		Pre-Issue	Post-Issue			
		₹ 70	₹ 100			
		Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Oct-23		
Total Assets	3,113.04	3,567.70	4,004.01	6,375.77		
Net Assets	566.81	546.31	594.61	953.52		
Total Borrowing	2.51	7.71	15.08	27.16		
Total Revenue	4,852.38	6,989.72	8,137.12	5,317.09		
Profit After Tax	121.71	-20.89	60.54	358.34		
		Tentative Timeline				
Opening Date	April 30, 2024					
Closing Date	May 03, 2024					
Basis of Allotment	May 06, 2024					
Initiation of Refunds	May 07, 2024					
Credit of Shares to Demat	May 07, 2024					
Listing Date	May 08, 2024					

Company Background and Analysis

Storage Technologies & Automation Limited was originally incorporated on September 23, 2010. The company is engaged into a storage racking system. The company specialise in the design, manufacturing, and installation services of metal storage racks, automated warehouses and other storage solutions.

The company caters to a wide range of industries which includes oil & gas, automotive components & aerospace, food & beverages and cold storage, pharmaceutical, textile, retail, FMCG and others. The company performs product designing, manufacturing, quality checking, packaging, storing and delivery processes in various specialised segments of the infrastructure. As of April 01, 2024, the total order book value of the company is ₹ 2,136.00 Lakhs.

The company's product portfolio is as follows –

1. Racking Solutions – Selective Pallet Racking, Drive-in-Pallet Racking, Radio Shuttle Racking, Cantilever Racking, Pallet Flow Racking, Mobile Pallet Racking, and Push Back Pallet Racking.
2. Shelving Solutions – Slotted Angle Shelving, Long Span Shelving, Bolts Free Shelving, Multi-Tier Shelving, Heavy Duty Shelving, Garment on Hangers, Live Shelving, Supermarket Shelving.
3. Automation Solutions – Conveyor Systems, Merge and Sor, ASRS with Crane and Shuttle, Vertical Goods Lift, Radio Shuttle, Pick/Put to Light.
4. Structural Solutions – Mezzanine, Stackable Pallets, Rack Supported Warehouses, Preengineered Buildings, Temperature Controlled Warehouses.
5. Consulting Services – Turnkey Solutions, Interlogistics Design, Warehouse management systems, Project Commissioning, Simulation, and Rack Inspections.

Revenue bifurcation is as follows –

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Oct-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Sale of Goods	4,674.65	96.39	6,986.65	100.00	8,131.94	100.00	5,290.45	99.98
Sale of Services	174.83	3.61	-	-	-	-	1.25	0.02
Total	4,849.48	100.00	6,986.65	100.00	8,131.94	100.00	5,291.70	100.00

To conclude, the company was incorporated in 2010 and thus has vast experience in the industry. The company is in the business of storage racking systems. The company is not generating much revenue from the service business. The company has a good order book.

Business Strategies

- 1. Strengthen customer relationships and acquire new business by adding new customers -**
The company intends to strengthen its relationships with existing customers and explore opportunities to grow along the value chain by expanding the array of existing products and solutions.
- 2. Continue to reduce operating costs and improve operational efficiencies -**
The company intends to continue enhancing operational efficiencies, increase economies of scale, better absorb fixed costs, reduce other operating costs and strengthen its competitive position.
- 3. Optimal Utilization of Resources -**
The company regularly analyses the material procurement policy and manufacturing process to de-bottle neck the grey areas and take corrective measures for smooth and efficient working thereby putting resources to optimal use.
- 4. Technological Advancement -**
The company's strategic approach involves leveraging cutting-edge tools and solutions to enhance various aspects of the business.

Competitive Scenario and Peer Mapping

Competition

The company is operating in a highly competitive industry with minimal entry barriers exposing the company to the constant threat of new entrants. The absence of entry barriers intensifies competition, requiring the company to navigate challenges from both established and emerging competitors. There is competition from regional, unorganized manufacturers and a few organized players as well. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly high in the industry 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	Storage Technologies & Automation Limited	Alpha Logic Industries Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	0.74%	12.01%
EBITDA Margin	19.51%	18.65%
Return on Capital Employed	28.87%	76.50%
Return on Equity	20.18%	50.58%
EPS (INR)	161.00%	179.00%

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

Particulars	Storage Technologies & Automation Limited	Alpha Logic Industries Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	-0.30%	3.70%
EBITDA Margin	14.42%	9.18%
Return on Capital Employed	17.84%	80.68%
Return on Equity	-6.96%	33.72%
EPS (INR)	-68.00%	41.00%

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

Particulars	Storage Technologies & Automation Limited	Alpha Logic Industries Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.51%	2.48%
EBITDA Margin	13.74%	5.28%
Return on Capital Employed	35.09%	94.44%
Return on Equity	121.71%	44.44%
EPS (INR)	395.00%	17.00%

Industry Overview

Exhibit 1: India & MEA Industrial Racking Market by Design in 2023.

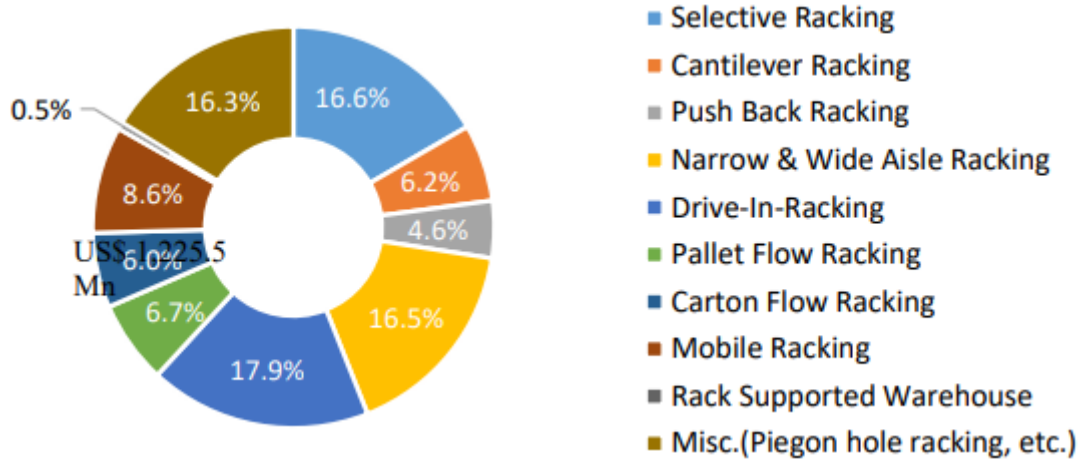
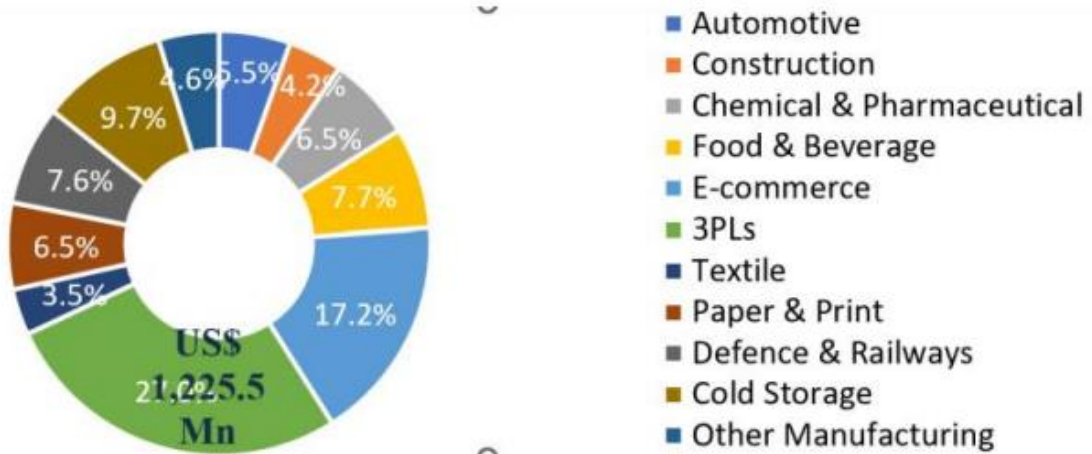


Exhibit 2: India & MEA industrial racking market by End-use segments in 2023.



(Source: prospectus)

Racking System Market -

The global industrial racking systems market stood at ~US\$ 9 billion in 2018 and grew with 6.7% CAGR to reach US\$ 12.5 billion in 2023. India holds about 4.4% of this market and stands at US\$ 545.6 million in 2023. The Middle East & Africa region holds 5.5% of the overall market with a market size of US\$ 680.1 million in 2023. Thus, the India and Middle East & Africa (MEA) industrial racking systems market is evaluated to stand at US\$ 1,225.5 million in 2023 and projected to grow with significant CAGR of 8.5% during the forecast period. The market will reach US\$ 2,768.9 million by the end of 2033. Booming e-commerce sector in this region is one of the key driving factor for this impressive market growth.

India holds around 45% of the overall market and expected to show high growth for industrial racking systems in coming decade. According to the data, the number of warehouses in India is anticipated to double by the end of this decade. This will bring significant prospers to the demand for industrial racking systems in the country. During the historical period of 2018 to 2022, the market witnessed significant variations in the growth rate due to the impact of COVID-19 on the global economy. The industrial racking systems market witnessed a Y-o-Y fall of 9% in 2020 due to the shutdown in industries, disruptions in supply chains and uncertain demand from the end-use sectors. However, in 2021, the demand for industrial racking systems gained momentum showing strong recovery in post-covid market.

Region-wise India is the leading market that demonstrated strong growth in racking systems market after the COVID pandemic. The country is expected to remain dominant over GCC and Rest of MEA regions. Focusing on the largest market, India, the North region is estimated to hold about 30% of the market share followed by south, west and east regions. Significant development of logistics and e-commerce business in north India along with the strong developments of infrastructure and transportation projects are catering to the grow of India market.

Based on end-use, 3PLs and e-commerce are the leading segments together holding about 45% of the market share. Growing industrialization and urbanization in India & MEA supported by the growing businesses for 3PL companies is pushing the industrial racking systems market forward. On the other hand, the rising consumer income in the region is booming the business for e-commerce sector. In India, the e-commerce sector is expected to reach about US\$ 200 billion by 2026 up from US\$ 100 billion in 2023. This will create new opportunities for industrial racking systems and warehouses in the country.

PMR provides a deep drive analysis of competition across value chain of Industrial Racking Systems. The market is found to be unorganized with the presence of number of small and regional racking system providers. However, a few leading market participants holds about 45-50% share of India & MEA market. Manufacturers are strategically introducing new and innovative products aligned with the latest industry research and technological advancements to capture customer attention and fulfil precise needs without additional customization costs. Simultaneously, there is a focus on expanding product portfolios to encompass various racking solutions, such as pallet racking, cantilever racking, drivein/drive-through racking, and mezzanine flooring, tailored to specific industry demands. Offering more customizable and modular racking systems adds flexibility in design, enabling adaptation to diverse warehouse layouts and addressing a range of industry requirements.

(Source: prospectus)

Key Managerial Personnel

Mohammad Arif Abdul Gaffar Dor, aged 38 years, is one of the Promoters, Whole-Time Directors, and Managing Director of the Company. He has completed his Bachelor of Engineering. He has more than 13 Years of experience in the field of New Product Development of racking systems and manufacturing of racking and shelving Systems.

Khasim Sait, aged 66 years, is one of the Promoters and Whole-Time Director of the Company. He has completed his National Apprenticeship Certificate. He has more than 13 Years of experience in the field of manufacturing racking and shelving systems and machine maintenance.

Nuumaan Khasim, aged 36 years, is one of the Promoters, Whole-Time Directors, and Chief Financial Officers of the Company. He has completed his Bachelor of Engineering. He has more than 5 Years of experience in the field of Programmer analysis and more than 7 years of experience in the field of procurement of Steel Raw Materials and Finance.

Afzal Hussain, aged 37 years, is one of the Promoters, Whole-Time Directors, and Chief Financial Officers of the Company. He has completed his Bachelor of Engineering and Certificate in Financial Management and Marketing Management, Post Graduate Degree in Management. He has more than 7 Years of experience in the field of Design, sales and marketing of Industrial Racking and Shelving Systems.

Syed Azeem, aged 39 years, is one of the Promoters, Whole-Time Directors, and Chief Financial Officers of the Company. He has completed his Second Year Pre-university Examination. He has more than 7 Years of experience in the field of Sales and Marketing of Industrial Racking and Shelving Systems.

Hanif A Khatri, aged 58 years, is one of the Promoters, Whole-Time Directors, and Chief Financial Officers of the Company. He has completed his Bachelor in Engineering in Electronics. He has more than 23 Years of experience in the field of Consultation, Sales, Marketing and Design of Industrial Racking and Shelving Systems.

Arthur Denzlin Hiremallur Girishappa, aged 37 years, is the Independent Director of the Company. He has completed his Post Graduate Diploma in Planning and Management. He is having 10 Years of experience in the field of Metallurgy.

Fayaz Gangjee, aged 70 years, is the Independent Director of the Company. He has completed his Bachelor of Engineering. He has 35 Years of experience in the field of business.

R Sreenivasan, aged 57 years, is the Independent Director of the Company. He has completed his Master of Technology and and Post Graduate Diploma in Management. He has more than 30 Years of experience as a trainer, career and Life Coach to the middle and top leadership in organizations and movements.

Japna Choudhary, aged 37 years, is the Independent Director of the Company. She has been a Fellow Member of the Institute of Companies Secretaries of India for more than 9 years.

To conclude, the company has 6 promoters and they have vast experience in the fields directly linked to the operations of the company and in the fields which help in the growth of the business. The Remaining Directors of the company also have good knowledge and experience in their respective fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
Revenue from Operations	4,849.48	6,986.65	8,131.94	5,291.70	
Other Income	2.90	3.07	5.18	25.39	
Total Income	4,852.38	6,989.72	8,137.12	5,317.09	
Expenses					
Cost of material consumed	3,299.65	4,797.15	5,301.31	3,777.81	
Direct Expenses	239.6	248.89	243.74	200.51	
Changes in Inventories of Work-in-progress, Finished goods and Stock in trade	-35.72	-10.24	8.57	-338.57	
Employee benefits expense	653.37	877.84	826.78	464.11	
Finance Costs	26.33	65.7	165.4	110.01	
Depreciation and amortisation expenses	100.91	211.26	223.57	118.33	
Other expenses	381.29	800.69	1,289.01	499.82	
Total Expenses	4,665.43	6,991.29	8,058.38	4,832.02	
Earnings Before Interest, Taxes, Depreciation & Amortization	311.29	272.32	462.53	688.02	
EBITDA Margin	6%	4%	6%	13%	
Profit/(Loss) before tax	186.95	-1.57	78.74	485.07	
Tax Expense					
Current Tax	44.68	14.11	10.84	114.65	
Deferred Tax	20.56	5.21	7.36	12.08	
Total Tax Expense	65.24	19.32	18.20	126.73	
Profit from continuing operations	121.71	-20.89	60.54	358.34	
Minority Interest	3.29	-0.40	12.24	-0.57	
Profit/(Loss) for the year	118.42	-20.49	48.30	358.91	
Net Profit Margin	2.51%	-0.30%	0.74%	6.74%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital	100.00	300.00	300.00	300.00	
Reserves & Surplus	466.81	246.31	294.61	653.52	
Total Equity	566.81	546.31	594.61	953.52	
Minority Interest	3.94	3.53	15.78	15.20	
Total Equity	570.75	549.84	610.39	968.72	
2. Non-current liabilities					
(a) Long-term Borrowings	205.01	566.71	358.62	404.13	
(b) Deferred Tax Liabilities	2.51	7.71	15.08	27.16	
(c) Long-term Provisions	33.82	33.79	45.02	36.8	
Total Non-current liabilities	241.34	608.21	418.72	468.09	
3. Current liabilities					
(a) Short Term Borrowings	142.47	304.39	573.01	1,228.40	
(b) Trade Payables					

Balance Sheet					(In Lacs)
Due to Micro, Small and Medium Enterprises					
Due to Others	1,631.37	1,439.45	1,914.79	2,748.92	
(iv) Other Current liabilities	459.43	578.65	411.34	845.46	
(b) Short Term Provisions	67.68	87.16	75.76	116.18	
Total Current liabilities	2,300.95	2,409.65	2,974.90	4,938.96	
Total Liabilities	2,542.29	3,017.86	3,393.62	5,407.05	
Total Equity and Liabilities	3,113.04	3,567.70	4,004.01	6,375.77	
ASSETS					
1. Non-current assets					
(a) Property, Plant & Equipment and Intangible Assets					
- Property, Plant & Equipment	618.34	991.06	930.59	898.91	
- Intangible Assets	-	1.7	1.72	2.47	
(b) Deferred Tax Assets					
(c) Long-term Loans & Advances		49.75	11.92	66.17	
(d) Other Non-current assets	124.66	147.65	147.65	149.62	
Total Non-Current assets	743.00	1,190.16	1,091.88	1,117.17	
2. Current assets					
(a) Inventories	382.19	543.81	633.6	1,390.62	
(b) Trade receivables	1,617.16	1,431.67	1,571.34	2,712.42	
(c) Cash and Bank Balance	91.04	120.56	140.56	266.47	
(d) Short-term loan and advances	278.99	280.86	565.99	888.87	
(e) Other current assets	0.66	0.64	0.64	0.22	
Total Current assets	2,370.04	2,377.54	2,912.13	5,258.60	
Total Assets	3,113.04	3,567.70	4,004.01	6,375.77	

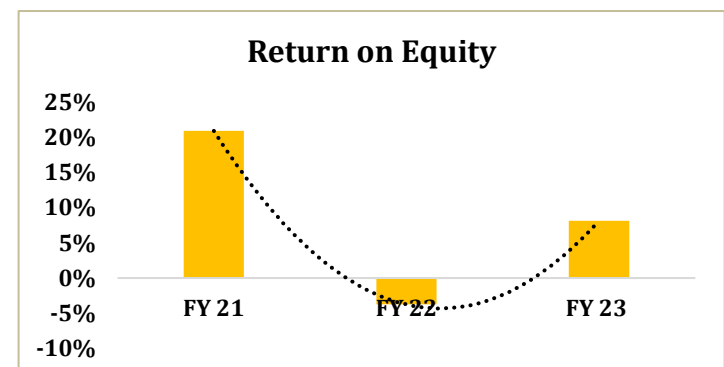
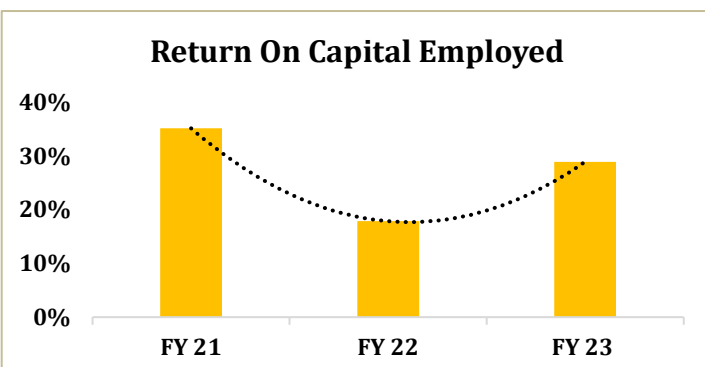
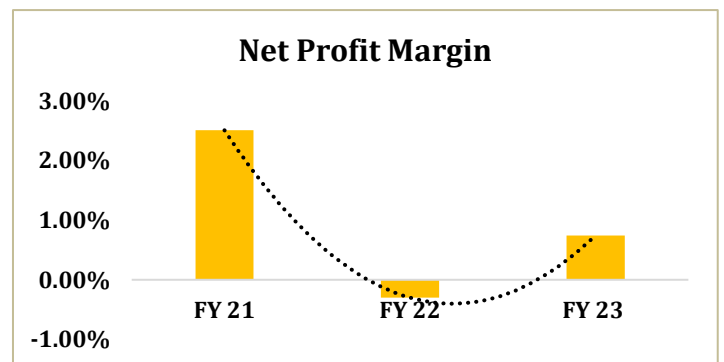
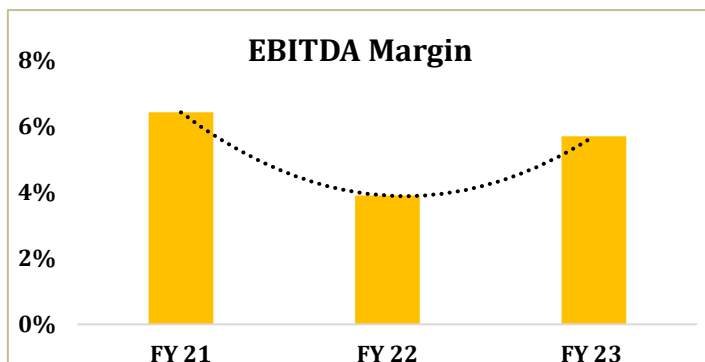
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
Net Cash Flow from Operating Activities	261.86	157.5	292.88	-392.78	
Net Cash Flow from Investing Activities	-446.68	-584.75	-161.02	-86.58	
Net Cash Flow from Financing Activities	174.16	456.8	-131.25	605.26	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Oct-23*
Per Share Data				
Diluted EPS	3.95	-0.68	1.61	4.85
BV per share	4.41	4.25	4.63	27.72
Operating Ratios				
EBITDA Margins	6.42%	3.90%	5.69%	20.73%
PAT Margins	2.44%	-0.29%	0.59%	6.83%
Inventory days	28.77	28.41	28.44	55.97
Debtor days	121.72	74.79	70.53	109.18
Creditor days	178.16	106.17	129.43	139.53
Return Ratios				
RoCE	35%	18%	29%	42%
RoE	21%	-4%	10%	17%
Valuation Ratios (x)*				
EV/EBITDA	1.55	1.60	1.05	1.97
Market Cap / Sales	2.07	1.43	1.23	1.10
P/E	19.75	-	48.45	16.10
Price to Book Value	17.67	18.33	16.84	2.81
Solvency Ratios				
Debt / Equity	0.00	0.01	0.02	1.67
Current Ratio	1.03	0.99	0.98	1.06
Quick Ratio	0.86	0.76	0.77	0.78
Asset Turnover	1.56	1.96	2.03	0.83
Interest Coverage Ratio	2.82	0.98	1.33	4.88

*Annualized Figures

*Valuation Ratios are calculated using the current Issue Price.

Financial Charts



Key Risk Factors

1. The Company is dependent on a few number of customers for sales. The loss of any of these large customer may affect the revenues and profitability. The company's top 10 customers contributed to 72.62%, 71.42%, 50.87%, and 82.8% for the FY ended 2021, 2022, 2023, and Period Ended October 2023 respectively.
2. The company have certain outstanding litigation against the company amounting to Rs. 15.72 lakhs and any adverse outcome of which may adversely affect the business, reputation and results of operations.
3. The company have experienced negative cash flows in the past and may have negative cash flows in the future.
4. The company has incurred losses in the past such as in FY 2022 and may continue to incur significant losses in the future.

Track Record of Lead Manager

The lead manager to the issue is Oneview Corporate Advisors Private 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 –

Oneview Corporate Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Qualitek Labs Limited	19.64	100.00	January 29, 2024	157.00
1.	Eastern Logica Infoway Limited	16.94	225.00	January 17, 2023	59.09

The company has had 2 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 30th April 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 201 and has vast experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO and annualised basis is around 16.10 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is times.

The company operates in a competitive environment. The company operates in a fragmented business. The company has seen a sudden hike in the margins for FY 2023 which raises concerns about sustainability and the company has also had a loss for FY 2022. Thus we recommend **AVOID** to this IPO.

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