

IPO Details		Company Background																																							
Opening Date	May 30, 2024	<ul style="list-style-type: none"> Associated Coaters Limited was incorporated in 2017 and has its registered office situated in Kolkata, engaged in the business of providing services by way of pre-treatment & powder coating of aluminium extrusions in the Architect and Real Estate Industry. The Company's yearly capacity is 1,200 metric tons with an Automatic Coating Plant and Manual Coating Plant. The company operates two manual powder coating plants and one fully automatic powder coating plant established in July 2017. As an ISO 9001:2015 certified organization, the Company adheres to a robust Quality Management System. The Company provides services such as Powder Coating, PVDF Coating, Wood Film Coating, and Industrial Fabrication. As of November 30, 2023, the company had 15 employees on its payroll. 																																							
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2. Nurturing Strong Customer Relationships for Sustained Business Success																																									
3. Quality Assurance Excellence																																									
4. Seasoned Leadership at the Helm																																									

Company Background and Analysis

Associated Coaters Limited was incorporated in 2017 and has its registered office situated in Kolkata. The Company is engaged in the business of providing services by way of pre-treatment and powder coating of aluminium extrusions in the Architect and Real Estate Industry.

The Company has evolved into the Approved Applicator of Akzonobel, Jotun, and Asian Paints in Architectural coating. The Company has two plants both situated in Kolkata, West Bengal having capacity utilization (Calculation done from 01st October 2023 – 31st December 2023) of 80% and 82%. The Company's yearly capacity is 1,200 metric tons which includes an Automatic Coating Plant and Manual Coating Plant, making it a growing player in eastern India in terms of aluminium extrusion coaters.

The company operates two manual powder coating plants and one fully automatic powder coating plant established in July 2017. As an ISO 9001:2015 certified organization, the Company adheres to a robust Quality Management System. The full immersion pre-treatment process, closely monitored by chemical suppliers, plays a crucial role in maintaining high standards.

The services provided by the Company include-

- Powder Coating: a technique involving the application of dry powder onto a charged surface.
- PVDF Coating: a factory-applied, resin-based system, typically enriched with embedded colour pigment particles that offer a diverse array of matte-finish colours.
- Wood Film Coating: crafted to serve as an ideal base coat for sublimation decoration techniques.
- Industrial Fabrication: engaging in Industrial Fabrication on a need basis as this service contributes less than 5% to total turnover.

The maximum revenue generation can be seen from West Bengal constituting about 99.49% of revenue in FY23-24(up to Dec 23) and other states (Gujarat, Andhra Pradesh, Odisha, Assam, Jharkhand) play a very small role in revenue generation.

Revenue Bifurcation of services is as follows for the FY 22, 23, and Dec-23 (Amt in Lakhs) -

Products	FY 21-22		FY 22-23		Dec - 23	
	Amt	%	Amt	%	Amt	%
Wood finishing Coating	13.73	9.85	32.26	8.99	20.22	5.09
PVDF Coating	-	-	-	-	113.20	28.52
Powder Coating	125.68	90.15	326.69	91.01	263.48	66.38
Total	139.41	100	358.95	100	396.90	100

To conclude, the company was established in 2017, showing decent experience in the field. The top five customers constitute about 85.14%, 73.99%, and 78.89% of revenue for the year ended FY22, and FY23, Dec 23. Out of the total Net Proceeds of Rs. 3.94 Cr., the Company would be utilizing Rs. 1.45 Cr., Rs. 2 Cr., and Rs. 0.48 Cr. for Funding Capital Expenditure towards the installation of Plant & Machinery in existing premises, Working Capital Requirements and for general corporate purposes, respectively.

Business Strategies

1. Sustained Emphasis on Resource Optimizations-

As the sole Approved Applicator of Akzonobel, Jotun, and Asian Paints in eastern India for Architectural Coating, the Company has solidified its position as an industry leader. Through strategic utilization, the Company aims to not only enhance operational efficiency but also deliver quality work to customers at competitive and efficient pricing.

2. Attracting and Nurturing Talent: A Priority -

The Company's one key objective is to further diminish the employee attrition rate, prioritizing the retention of skilled workforce for forthcoming expansion endeavours. The Company strive to create an environment where talent is not only attracted but also retained, ensuring the sustained growth and prosperity of the Company.

3. Expanding Horizons and Broadening Customer Reach-

The Company is poised to extend its presence to other Indian states through methodically selecting new locations where the Company can seamlessly deliver quality services without encountering significant delays or interruptions. The intention behind this is twofold: to broaden the customer base nationally and internationally and to mitigate the risks associated with operating exclusively in specific areas.

4. Elevating Operational Controls for Timely Service Delivery-

The Company is dedicated to implementing measures that contribute to incremental improvements in efficiency. This includes strategic initiatives such as deploying additional professionals to bolster service provision capabilities. By investing in a skilled workforce, the Company aims to further elevate the calibre of services it offers to its clients.



Associated Coaters Limited

IPO Note

Recco – **AVOID**



Competitive Scenario and Peer Mapping

Competition

Competition within the Powder Coating sector is contingent upon various factors, including geographic location, project nature, and size. In India, this sector is predominantly unorganized, fostering a competitive environment where players vie for building strong customer relationships and delivering quality services. More than 85% of customers are recurrent, a testament to consistent service quality, timely deliveries, and competitive pricing. The Company is poised to navigate competition, both from organized and unorganized players, by leveraging unique strength excellence and customer-centric practices. The suppliers do not have bargaining power whereas the customers do.

Peer Analysis

The Company believes they do not have any listed peers for comparison as per the Offer Document.

Industry Overview

Indian Industry Overview-

The growth in nominal GDP during 2023-24 is estimated at 9.1% as compared to 14.2% in 2022-23. Strong domestic demand for consumption and investment, along with Government's continued emphasis on capital expenditure are seen as among the key driver of the GDP in the first half of FY24. India's appeal as a destination for investments has grown stronger and more sustainable as a result of the current period of global unpredictability and volatility.

Market Size –

According to the McKinsey Global Institute, India needs to boost its rate of employment growth and create 90 million nonfarm jobs between 2023 to 2030 in order to increase productivity and economic growth. The net employment rate needs to grow by 1.5% per annum from 2023 to 2030 to achieve 8-8.5% GDP growth between same time period. India's Consumer Price Index (CPI) based retail inflation reached 5.69% in December 2023.

Government Initiatives-

In February 2024, the Finance Ministry announced the total expenditure in Interim 2024-25 estimated at Rs. 47,65,768 crore (US\$ 571.64 billion) of which total capital expenditure is Rs. 11,11,111 crore (US\$ 133.27 billion).

Initiatives like 'Make in India' promotes domestic manufacturing making demand for industrial goods rise. The government's support for Micro, Small and Medium Enterprises (MSMEs) gives easier access to credit and improved regulatory environments.

Indian Service Industry-

The service sector has over 50% contribution to India's GDP, and it had witnessed a growth of 9.1% in 2022-23. In December 2023, services exports grew by 1.3% to US\$ 31.6 billion, driven by software, business, and travel services.

India's services sector GVA increased YoY by 11.43% to Rs. 72.69 trillion in FY24* (April-September), from Rs. 68.81 trillion in FY16. With the fastest growing (9.2%) service sector globally, the sector accounts for a 66% share of India's GDP and generates about 28% of the total employment in India. Centre has formulated an 'Action Plan for Champion Sectors in Services' to give focused attention to 12 identified Champion Services Sectors.

Real Estate Industry-

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. By 2040, real estate market will grow to Rs. 65,000 crore (US\$ 9.30 billion) from Rs. 12,000 crore (US\$ 1.72 billion) in 2019. Real estate sector in India is expected to reach US\$ 1 trillion in market size by 2030, up from US\$ 200 billion in 2021 and contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. India's real estate sector is expected to expand to US\$ 5.8 trillion by 2047, contributing 15.5% to the GDP from an existing share of 7.3%.

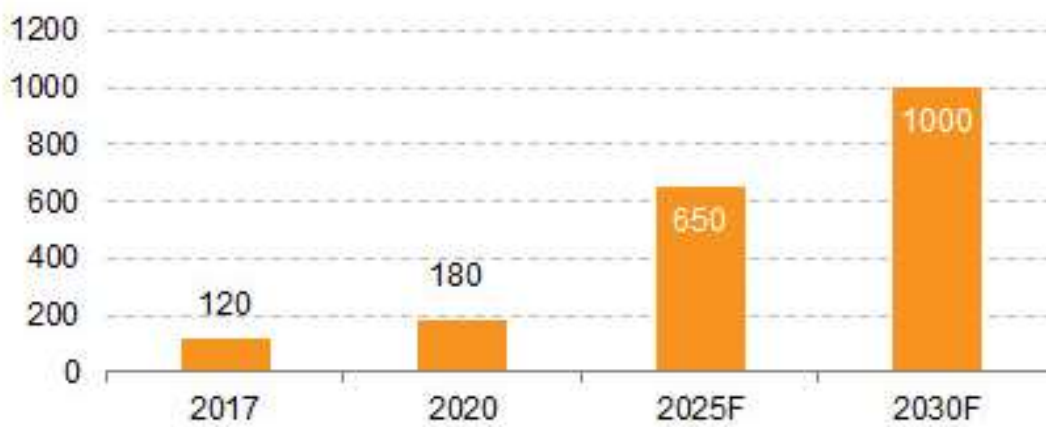
As per ICRA estimates, Indian firms were expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date.

Government of India along with the governments of respective States has taken several initiatives to encourage development in the sector. The Smart City Project, with a plan to build 100 smart cities, is a prime opportunity for real estate companies.

It would create an opportunity worth Rs. 1.25 trillion (US\$ 19.65 billion) in the Indian market in the coming years.

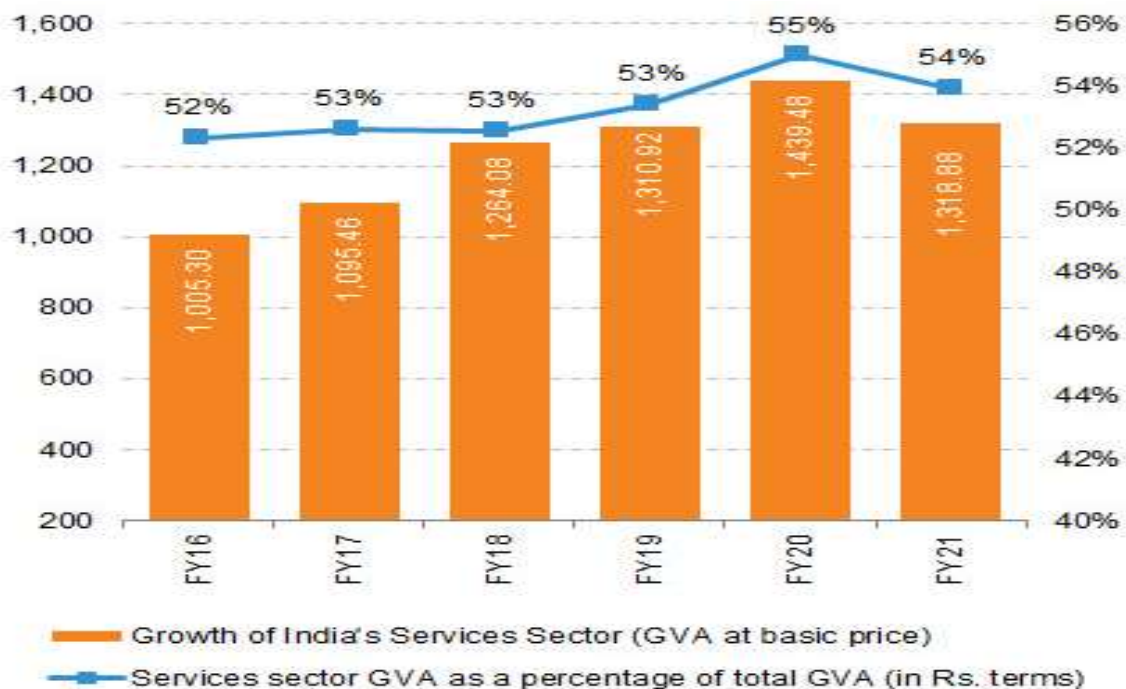
(Source: Prospectus)

Exhibit 1: Market Size of Real Estate in India (US\$ Billion)-



(Source: Ibef.org)

Exhibit 2: Services Sector GVA at basic prices at current prices (in US \$Billion)-



(Source: prospectus)

Key Managerial Personnel

Mr. Jagjit Singh Dhillon, aged 43 years, is one of the Promoters, Founder and one of the First Directors of the Company, later he was designated as the Managing Director of the Company with effect from 9th December 2023. He has a degree in Bachelor of Commerce. He has experience of more than 16 years in powder Coating Industry. He has a proven ability to quickly analyse key business drivers and develop strategies.

Mrs. Navneet Kaur, aged 47 years, is one of the Promoters and Non-Executive Director of the Company. She has a Degree in Bachelor of Science. She also holds a degree in Master of Education and Master of Arts in Punjabi. She is associated with the Company since its Incorporation.

Mr. Harbhajan Singhthethi, aged 57 years, is the Whole Time Director and Chairman of the Company. He is actively involved in providing various training sessions to workers to increase efficiency. He has assisted in establishing, monitoring and completing the projects within deadlines.

Ms. Chetna Gupta, aged 36 years, is an Independent Director of the Company. She has professional experience of more than 10 years. She holds a bachelor's degree in business administration and is a fellow member of the Institute of Company Secretaries of India. She also holds a degree in postgraduate Diploma in Business Administration. She is also bachelor's in law (LLB). She also cleared her Social Auditor Examination in May 2023.

Mr. Jay Kumar Shaw, aged 42 years, is an Independent Director of the Company. He is a qualified professional with a B. Com (H) degree, CFA (ICFAI University) certification, and FRM (U.S) accreditation. His role involves providing strategic guidance and operational excellence to the companies he advises, solidifying his position as a valuable asset in the field.

To conclude, one of the promoters, namely, Mr. Jagjit Singh Dhillon has vast experience in the industry and the other, namely, Mrs. Navneet Kaur has acquired a number of degrees which can help in the growth of the business. The Whole Time Director and Independent Directors have vast knowledge in their respective fields which can help the Company in deriving good growth and sustainability in the market.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	-	139.41	358.94	397.00
Other Income	-	-	-	-
Total Income	-	139.41	358.94	397.00
Expenses				
cost of materials consumed	-	103.57	236.57	259.44
Employee benefits expense	-	10.36	22.17	9.07
Finance costs	-	0.01	0.54	0.04
Depreciation and Amortization expense	-	3.94	7.56	10.66
Other expenses	0.14	3.07	18.73	14.68
Total Expenses	0.14	120.95	285.57	293.89
Earnings Before Interest, Taxes, Depreciation & Amortization	-0.14	22.41	81.47	113.81
EBITDA Margin	-	16.07%	22.70%	28.67%
Profit/(Loss) before tax	-0.14	18.46	73.37	103.11
Tax Expense				
Current Tax	-	4.84	19.11	26.90
Deferred Tax	-	-0.04	-0.03	0.44
Total Tax Expense	-	4.80	19.08	27.34
Profit/(Loss) for the year	-0.14	13.66	54.29	75.77
Net Profit Margin	-	9.80%	15.13%	19.09%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	3.00	3.00	3.00	93.00
Reserves and surplus	-0.62	13.05	67.34	48.11
Total Equity	2.38	16.05	70.34	141.11
2. Non-current liabilities				
Long Term Borrowings	0.20	10.10	9.90	9.90
Deferred tax liability/ (Assets) (Net)	-	-	-	0.37
Long term Provisions	-	0.36	1.00	1.78
Total Non-current liabilities	0.20	10.46	10.90	12.05
3. Current liabilities				
(a) Financial liabilities				
Trade payables-				
(i) MSME	-	9.68	7.03	19.45
(ii) Other than MSME creditors	-	87.93	94.60	139.84
Other current liabilities	0.14	72.84	93.98	25.33
Short-term provisions	-	4.84	19.28	26.97
Total Current liabilities	0.14	175.29	214.89	211.59
Total Liabilities	0.34	185.75	225.79	223.64
Total Equity and Liabilities	2.72	201.80	296.13	364.75
ASSETS				
1. Non-current assets				
property, plant, equipment and Intangible assets-				
(i) Property, plant and equipment	-	52.03	47.80	84.13

Balance Sheet					(In Lacs)
Deferred Tax Assets (Net)	-	0.04	0.07	-	
Other Non-Current Assets	0.07	-	-	2.51	
Total Non-Current assets	0.07	52.07	47.87	86.64	
2. Current assets					
Inventories	-	2.85	3.93	9.52	
Trade receivables	-	135.87	150.91	211.74	
Cash and cash equivalents	2.65	8.14	66.87	38.99	
Short-term loans and advances	-	0.02	19.58	10.16	
Other Current Assets	-	2.86	6.97	7.69	
Total Current assets	2.65	149.74	248.26	278.10	
Total Assets	2.72	201.81	296.13	364.74	

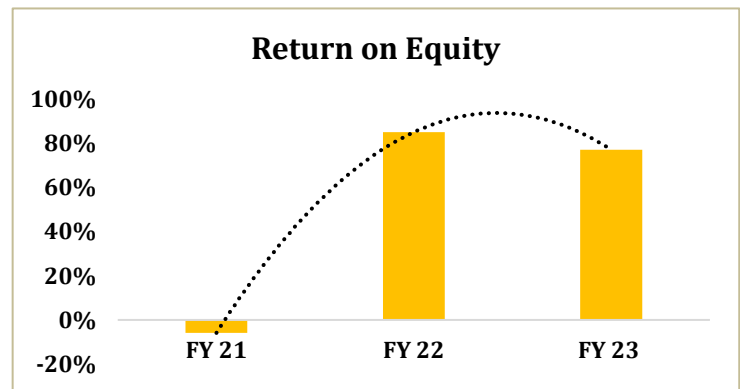
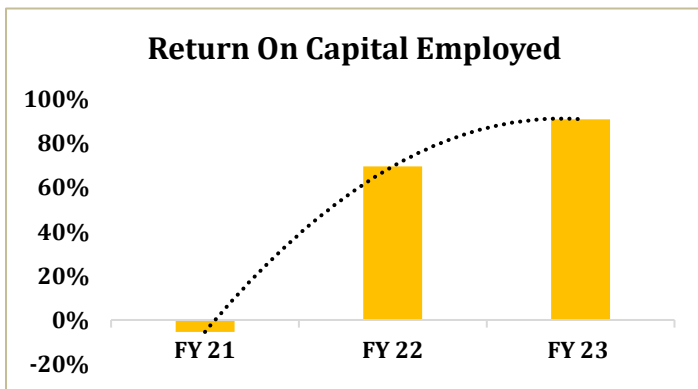
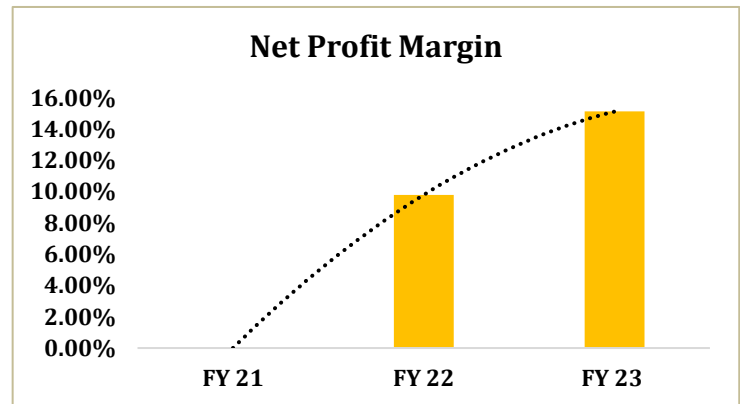
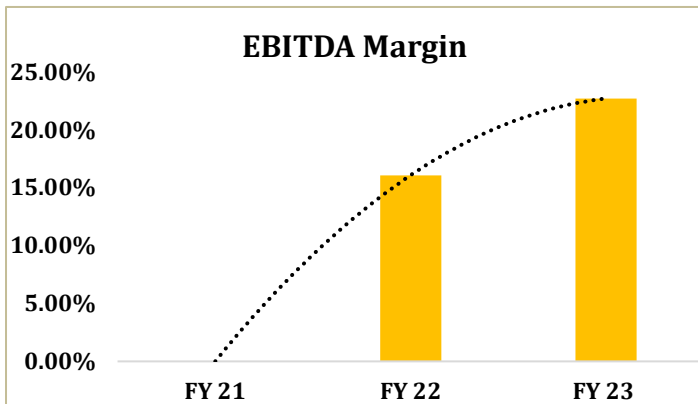
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	-	51.56	62.81	26.66	
Net Cash Flow from Investing Activities	-	-55.97	-3.33	-49.50	
Net Cash Flow from Financing Activities	-	9.89	-0.74	-5.04	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	-0.01	1.47	5.84	7.60
BV per share	0.18	1.19	5.20	50.20
Operating Ratios				
EBITDA Margins	-	16.07%	22.70%	28.67%
PAT Margins	-	9.80%	15.13%	19.44%
Inventory days	-	7.46	4.00	6.59
Debtor days	-	355.73	153.46	146.67
Creditor days	-	62.03	14.29	26.31
Return Ratios				
RoCE	-5.43%	69.65%	90.98%	20.23%
RoE	-5.88%	85.11%	77.18%	15.13%
Valuation Ratios (x)**				
EV/EBITDA	0.50	0.80	0.16	4.29
Market Cap / Sales	-	11.73	4.56	3.10
P/E	-	82.31	20.72	15.93
Price to Book Value	687.36	101.93	23.26	2.41
Solvency Ratios				
Debt / Equity	0.08	0.63	0.14	0.07
Current Ratio	18.93	0.85	1.16	1.31
Quick Ratio	18.93	0.84	1.14	1.27
Asset Turnover	-	0.69	1.21	1.09
Interest Coverage Ratio	-	1,840.00	136.87	2,578.75

*Annualized Figures

**Valuation Ratios are calculated using the current Issue Price.

Financial Charts



Key Risk Factors

1. The top five customers constitute about 85.14%, 73.99%, and 78.89% of revenue for the year ended FY22, FY23, Dec 23. The loss of any one or more of these customers may significantly impact business operations and profitability.
2. The company has Net Loss in the FY21 amounting to Rs. 0.14 Cr. showing no revenue generation and operations held in that year.

Track Record of Lead Manager

The lead manager to the issue Gretex Corporate Services 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 –

Gretex Corporate Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Owais Metal and Mineral Processing Limited	42.69	87.00	Mar 04, 2024	1,278.00
2.	Zenith Drugs Limited	40.68	79.00	Feb 27, 2024	65.25
3.	Interiors and More Limited	42.00	227.00	Feb 23, 2024	262.00
4.	AMIC Forging Limited	34.80	126.00	Dec 06, 2023	783.10
5.	Kalyani Cast Tech Limited	30.11	139.00	Nov 17, 2023	453.80
6.	Transtee Seating Technologies Limited	49.98	70.00	Nov 06, 2023	69.25
7.	Shelter Pharma Limited	16.03	42.00	Aug 23, 2023	51.55
8.	Comrade Appliances Limited	12.30	54.00	Jun 13, 2023	102.00
9.	Innokaiz India Limited	21.17	78.00	May 11, 2023	54.20
10.	Retina Paints Limited	11.10	30.00	May 03, 2023	80.90

*CMP for the above-mentioned companies is taken as of 29th May 2024.

As per the offer document, from the above-mentioned mandates, only Shelter Pharma Limited opened at a discount and the remaining mandates have opened at premiums on the listing date.

The Company has had 22 mandates in the past four years including the current Year.

Recommendation

The company has been in the industry since 2017 and has decent experience in the industry. The management overview of the company is not that satisfactory.

The P/E on a post-IPO and annualised basis is around 15.93 times and the Industry P/E is 32.5 times which makes it fairly priced in the industry. The Company's debt-to-equity Ratio is 0.07 times and out of the total Net Proceeds of Rs. 3.94 Cr, the Company would be utilizing Rs. 1.45 Cr., Rs. 2 Cr., and Rs. 0.48 Cr. for Funding Capital Expenditure towards installation of Plant & Machinery in existing premises, Working Capital Requirements and for general corporate purposes, respectively.

The company's IPO is raising ₹5.11 crores, but issue expenses are significant at ₹1.16 crores, representing 22.88% of the total raised capital.

The company operates in a competitive environment and has a scalable business model. The company has shown a consistent increase in revenue from operations and net profit since FY22.

The Company started its operations in FY 2022; thus, we have less data for comparison and to form a trend. We believe the Company requires a few more years to see if the Company can sustain the current growth.

Thus, we recommend **AVOID** to this IPO.



Associated Coaters Limited

IPO Note

Recco – **AVOID**



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