



IPO Note

Kataria Industries Limited

Recommendation: **APPLY**

Company Background -

- Kataria Industries Limited was Incorporated in 2004 and has its registered office in Madhya Pradesh, India.
- The company supplies Low Relaxation Pre-Stressed Concrete (LRPC) Strands and Steel Wires, Post-tensioning (PT) Anchorage System (Anchor Cone, Anchor Head, and Wedges), HDPE Single-Wall Corrugated (SWC) Sheathing Ducts, Couplers, and Aluminium Conductors.
- Their products cater to diverse sectors, including infrastructure (roads, bridges, flyovers, metros, railways), high-rise buildings, atomic reactors, LNG tanks, and power transmission & distribution lines.
- Products are sold domestically and exported to several countries, including Dubai, Qatar, Nepal, Iran, Oman, Bahrain, and Brazil.
- The company had 71 permanent employees as of December 31, 2023.

Objects of the Issue -

- Capital Expenditure for plant and machineries.
- Repayment of Debt
- General Corporate Purposes.

Promoters Name -

Sunil Kataria, Arun Kataria and Anoop Kataria.

Rationale for recommendation -

- ✓ The company has seen an increasing trend in its top line of its financials.
- ✓ The company's P/E is 15.79 times.
- ✓ The company operates in a growing industry.
- ✓ The management of the company is good.
- ✓ The company has recently invested in two commercial properties in Surat and Vadodara, Gujarat, to diversify income streams.

IPO Details

Opening Date	July 16, 2024
Closing Date	July 19, 2024
Allotment Date	July 22, 2024
Listing Date	July 24, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹91 to ₹96
Issue Size	54.58 Cr.
Fresh Issue	54.58 Cr.
Offer for Sale	-
Application Amt	₹ 1,15,200 (1,200 shares)

KPIs

KPI's	FY 22	FY 23	FY 24
Revenue	25,048.91	33,393.09	34,148.63
EBITDA	2,106.65	1,997.73	2,705.84
Net Profit	738.33	878.15	1,978.82
RoCE	27.96%	23.01%	39.56%
ROE	26.31%	21.70%	21.85%
P/E	20.39	19.35	15.03

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.60%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.32	4.65
BVPS	28.94	32.71
P/E	15.19	20.63
P/BV	3.32	2.94
Mkt Cap (In Cr)	152.13	206.71

Lead Managers -

Interactive Financial Services Ltd

Registrar -

Bigshare Services Pvt Ltd

Business Overview -

Incorporated in 2004, the company is engaged in the manufacture and supply of ingots and related products. Initially, it had Plastic and Windmill divisions. These divisions were transferred in 2013 to Kataria Plastics and Shree Hanuman Mining, per a court order.

The company operates two manufacturing plants, both located in Ratlam, Madhya Pradesh, equipped with essential machinery, infrastructure, and in-house testing facilities.

The company's products are certified by ISO 9001:2015 for quality management systems.

Capacity Expansion:

The company significantly expanded its wire division capacity from 7,830 MT in 2019-20 to 38,000 MT in 2021-22, demonstrating a focus on growth.

Capacity utilization:

Improved from 2021-22 to 2023-24. The wire division led with 92.22% in 2022-23, while PTS division utilization improved from 5.89%-35.56% in 2021-22 to 29.78%-76.76% in 2023-24. Conductor division remained below 30%.

Product Diversification:

In 2021-22, the company diversified its portfolio by commencing production of post-tensioning anchorage and sheathing duct systems.

Real Estate Investment:

The company has recently invested in two commercial properties in Surat and Vadodara, Gujarat, to diversify income streams.

Sustainable Practices:

In 2022-23, the company purchased a 0.80 MW wind farm in Karnawad Village, Bagli Tehsil, Dewas, Madhya Pradesh, for captive consumption at its Ratlam manufacturing plant.


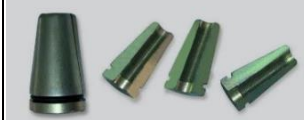


Revenue Bifurcation Product-wise -

(Amt in Lakhs)

Product Portfolio:

<p>LRPC Strands: Thermoplastic polymer sheathing on LRPC strands protects against contaminants, cushioning, and abrasion, increasing durability. Strands are filled with grease or wax and coated with polymer.</p>	
<p>Polymer Coated Grease/Wax Filled LRPC Strands: These strands have thermoplastic polymer sheathing for protection, cushioning, and abrasion resistance, filled with grease or wax and polymer coated.</p>	
<p>Galvanized LRPC Strands: Zinc-coated for corrosion resistance, extending structure life. Customizable galvanization weights: 190-340 g/m².</p>	
<p>Galvanized PE Coated LRPC Strands: Zinc-coated, polymer-protected strands with optional grease or wax as per customer requirements.</p>	
<p>Specialized LRPC Strands: Developed for specific needs, including 19 strands up to 23 mm, by in-house R&D.</p>	

Post Tensioning (PT) Anchorages and SWC Sheathing Ducts:

<p>Anchor Head: It is located on the flat surface of the Anchor Cone & offers seating of wedges.</p>	
<p>Wedges: Conical components, slitted into three parts, are held by wire circlips, ensuring proper locking of strands after stressing.</p>	
<p>SWC Spiral pipes are used in post-tensioning prestressed concrete, providing corrosion protection, solid bonding, high stiffness, and lightweight.</p>	
<p>Aluminium conductors transmit electrical energy from generating stations to end users. Types include AA, AAA, and ACSR conductors.</p>	

Particulars	Mar 31, 2024		Mar 31, 2023		Mar 31, 2022	
	Amt	%	Amt	%	Amt	%
Wire Division	25,998.96	76.66	31,015.31	93.47	23,891.52	95.71
Cable/ Conductor Division	6,369.89	18.78	1,856.53	5.59	1,071.58	4.29
Accessories	1,543.87	4.56	311.11	0.94	-	-
Total	33,912.72	100.00	33,182.94	100.00	24,963.10	100.00

Competition -

The pre-stressed concrete wire industry is highly competitive, with domestic and international players vying for market share.

Porter's Five Forces:

Threat of New Entrants: Moderate due to technology and capital barriers.

Bargaining Power of Suppliers: Low due to abundant raw materials.

Bargaining Power of Buyers: Moderate, with choices but potential switching costs.

Threat of Substitutes: Low, as alternatives are limited.

Rivalry Among Competitors: High, with intense price competition and innovation.

Life Cycle and Business Cycle: The industry is in a growth phase, linked to infrastructure projects, but vulnerable to economic downturns.

Experience Curve: Established players benefit from experience, achieving lower costs for competitive pricing.

Business Strategies -

Expanding Domestic and International Market Presence and Product Portfolio: The company seeks to expand its market presence and product range, exporting 4.45% of income in FY 2023-24. Certified for Low-Relaxation, Seven-Wire Steel Strand by Dubai Central Laboratory, they plan to introduce Bridge Bearings, Expansion Joints, Drainage Spouts, Rebar Couplers, and Sonic Tubes.

Continue to Strengthen Customer Relationships and Brand "Kataria Tenasyo": The company strengthens long-term customer relationships and brand "Kataria Tenasyo" through high-quality products and promotional efforts, aiming to expand its customer base.

Improving Operational Efficiency: Committed to operational efficiency, the company focuses on process improvements, quality checks, and technology investments to enhance output and achieve zero defects.

Focus on Rationalizing Indebtedness: The company aims to rationalize indebtedness by repaying or prepaying borrowings, reducing debt, and maintaining a favourable debt-equity ratio to invest in business growth.

Risk Factors -

The company and its group entities are currently involved in ongoing legal proceedings related to indirect tax matters, with a total disputed amount of ₹20.15 crores.

The company is dependent on top 10 suppliers for purchase which accounted for 96.37%, 93.42% and 92.54 % for the May 2022, Mar 2023 and Mar 2024 respectively.

The company is exposed to foreign exchange risk as well as interest rate risk due to its international operations.

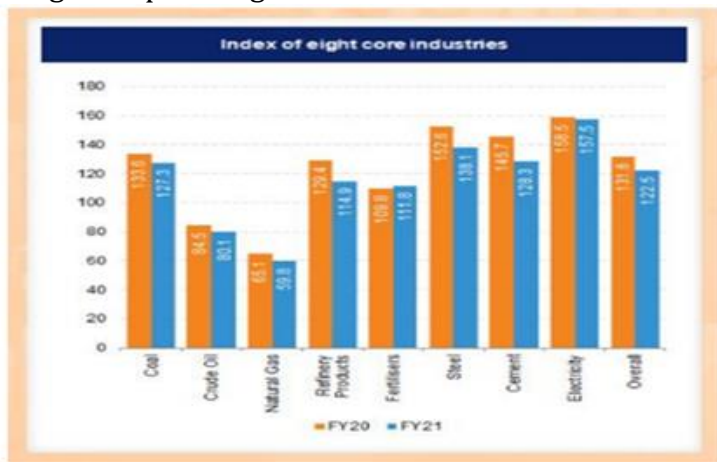
PEER ANALYSIS

Particulars	Kataria Industries Limited			Kamdhenu Limited			Incredible Industries			Bharat Wire Ropes		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.0%	2.3%	3.0%	4.4%	5.6%	6.8%	0.7%	0.7%	0.7%	3.3%	10.5%	15.4%
EBITDA Margin	8%	6%	8%	7%	8%	10%	3%	2%	3%	15%	24%	26%
RoCE	28%	23%	40%	15%	32%	27%	8%	8%	11%	6%	17%	19%
ROE	26%	22%	22%	12%	25%	21%	3%	4%	5%	3%	11%	15%
EPS (INR)	4.7	4.9	6.3	9.9	15.2	18.6	0.8	1.1	1.3	2.2	9.5	14.2
P/E	20.6	19.6	15.2	23.6	20.6	27.7	28.8	17.4	28.8	31.7	16.4	19.4

Indian Overview -

Infrastructure:

India's infrastructure sector is undergoing a massive transformation, driven by government initiatives like the National Infrastructure Pipeline (NIP) and the Gati Shakti master plan. The NIP encompasses 9,142 projects with an estimated investment of US\$ 1.9 trillion, while the Gati Shakti initiative aims to streamline infrastructure development through integrated planning and execution.

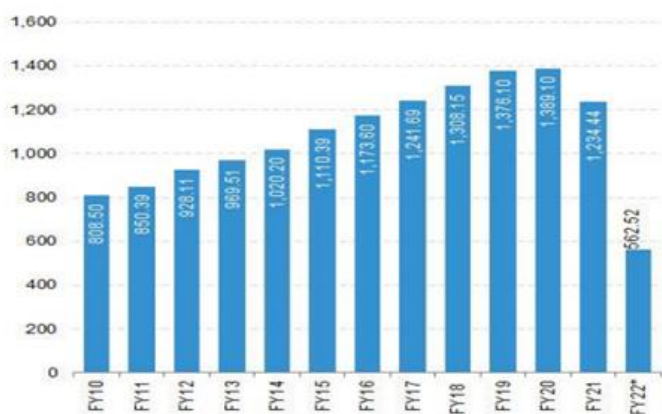


Market Size:

Prestressed Concrete (PSC): The Indian PSC market is expected to reach ₹775.5 billion (US\$ 9.4 billion) by 2025, growing at a CAGR of 10.5%. This growth is attributed to increased demand from sectors such as transportation, housing, and industrial construction.

Power Transmission: The power transmission market, valued at US\$ 7.1 billion in 2020, is projected to reach US\$ 10.6 billion by 2027, registering a CAGR of 5.9%. This growth is driven by the expansion of the power grid, particularly in renewable energy generation, where the government aims to achieve 500 GW of installed capacity by 2030.

Total generation in India FY22 (including renewable sources) (BU)



Increasing Investments:

Government Spending: Budget 2023-24 allocated a record Rs. 10 lakh crore (US\$ 122 billion) for infrastructure, a 33% increase compared to the previous year.

Foreign Direct Investment (FDI): FDI inflows in the construction and infrastructure sectors from April 2000 to September 2022 reached US\$ 26.23 billion and US\$ 28.95 billion, respectively, demonstrating the sector's attractiveness to foreign investors.

Government Initiatives and Investments:

PM Gati Shakti: This national plan for multimodal connectivity integrates roads, railways, waterways, and airways, creating demand for PSC and power transmission materials in cargo terminals and logistics hubs.

Smart Cities Mission: Developing 100 smart cities across India, focusing on sustainable infrastructure, requires substantial PSC for buildings and bridges, and power transmission materials for a reliable energy grid.

Housing for All: The government's plan to provide affordable housing by 2022 will drive demand for PSC in residential construction.

Exports and Imports:

Engineering Goods: India exported engineering goods worth US\$ 111.63 billion in FY22, marking a 45.51% YoY increase and contributing significantly to the infrastructure sector's growth.

Electrical Machinery: India imported electrical machinery worth US\$ 16.1 billion in 2021, indicating the need for specialized equipment to meet the growing demand for power transmission and distribution.

India's engineering goods exports FY22 (US\$ billion)



Road Ahead:

The Indian prestressed concrete and power transmission materials industry is poised for robust growth.

Key Management -

Key Management Persons Name -	Arun Kataria
Age	42
Designation and No. of years of experience	Promoter and Managing Director, 19+ Years of experience
Qualification	Bachelor of Commerce, MCom from Vikram University
Roles and Responsibility	Overlooking domestic and international market, automation of production process, quality control business operation and management of the company
Other Directorships	-

Key Management Persons Name -	Anoop Kataria
Age	36
Designation and No. of years of experience	Promoter, Whole-Time Director, and Chief Financial Officer (CFO), 10+ Years of experience
Qualification	BCom from University of Wollongong, Australia (Dubai Branch)
Roles and Responsibility	Experienced financial and strategic advisor who guides annual planning, implements board decisions, oversees finances, ensures compliance, and contributes to marketing in the company.
Other Directorships	-

Key Management Persons Name -	Sunil Kataria
Age	57
Designation and No. of years of experience	Promoter and Non-Executive Director, 15+ years of experience
Qualification	MCom from Vikram University
Roles and Responsibility	Providing experience and expertise to enhance company compliance.
Previous Associations	Worked as Managing Director with Kataria Industries Private Limited from 11th May 2004 to 2nd April, 201

Key Management Persons Name -	Apurva Lunavat
Age	33
Designation and No. of years of experience	Non-Executive Independent Director, 10+ years of experience
Qualification	Chartered Accountant
Roles and Responsibility	Proprietor of Apurva Lunawat & Co. w.e.f. 24th December, 2023 and presently an Independent Director with D P Abhushan Limited. Having experience in audit, accounting, and finance.
Previous Associations	Partner with M/s. Kakani & Company, w.e.f. December 23 2014 to December 23, 2023, a Chartered Accountant firm

Key Management Persons Name -	Mukesh Jain
Age	63
Designation and No. of years of experience	Non-Executive Independent Director, 2 decades of experience
Qualification	B. Com Degree from University of Bombay
Roles and Responsibility	Experience in production, management and lead generation, guiding company on same.
Previous Associations	-

Key Management Persons Name -	Priyanka Bakhtyarpuri
Age	-
Designation and No. of years of experience	Company Secretary, 7+ years of experience
Qualification	BCom, L.L.B
Roles and Responsibility	Looking after matters related to compliance

FINANCIAL SNAPSHOT

Statement of Profit and Loss		Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24	
Revenue from Operations	24,963.10	33,182.94	33,912.72	
Other Income	85.81	210.15	235.91	
Total Income	25,048.91	33,393.09	34,148.63	
Expenses				
Cost of Materials and components consumed	20,118.80	28,059.77	27,110.25	
Cost of Traded Goods	124.30	47.10	1,112.93	
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-104.10	-70.28	-309.19	
Employee Benefit Expenses	495.07	551.26	750.18	
Finance Cost	767.29	979.77	885.15	
Depreciation and Amortisation	359.53	400.12	566.13	
Other expenses	2,222.38	2,597.36	2,542.71	
Total Expenses	23,983.27	32,565.10	32,658.16	
EBITDA	2,106.65	1,997.73	2,705.84	
EBITDA Margin	8.44%	6.02%	7.98%	
Profit/(Loss) before tax	1,065.64	827.99	1,490.47	
Tax Expense				
Current tax	-181.63	-139.60	-311.37	
Short/(Excess) Provision of Earlier Year	10.23	-6.17	0.70	
Deferred Tax Expenses/(credit)	-155.91	95.61	-177.68	
Total Tax	-327.31	-50.16	-488.35	
Profit/(Loss) for the year	738.33	777.83	1,002.12	
Net Profit Margin	2.96%	2.34%	2.95%	

Statement of Equity, Assets and Liabilities		Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24	
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	264.11	264.11	1,584.68	
Reserves and surplus	2,542.21	3,320.05	3,001.58	
Total Shareholder's Fund	2,806.32	3,584.16	4,586.26	
2. Non-current liabilities				
Long-term borrowings	3,210.94	3,223.45	499.56	
Deferred Tax Liabilities (Net)	232.00	136.38	314.07	
Long term Liabilities			8.28	
Long-term provisions			0.63	
Total Non-current liabilities	3,442.94	3,359.83	822.54	
3. Current liabilities				
Short -term borrowings	5,931.35	7,472.75	5837.55	
Trade Payables			161.54	
Total outstanding dues of micro enterprises & small enterprises	1.82	119.89	179.89	
Total outstanding dues of creditors other than micro enterprises & small enterprises	324.97	184.28	163.00	
Other Current Liabilities	114.10	161.57	252.06	
Short-term provisions	165.68	176.25	6,594.04	
Total Current liabilities	6,537.92	8,114.74	7,416.58	
Total Liabilities	9,980.86	11,474.57	12,002.84	
Total Equity and Liabilities	12,787.18	15,058.73	12,002.84	

Particulars	FY 22	FY 23	FY 24
ASSETS			
4. Non-current assets			
Property, Plant & Equipment	2,486.93	3,217.72	4,313.95
Intangible Assets			6.06
Capital work in progress	953.80	508.49	
Other Non Current Assets	117.03	130.57	157.12
Total Non-Current assets	3,557.76	3,856.78	4,477.13
5. Current assets			
Inventories	3342.47	3759.1	1462.53
Trade Receivables	4,456.74	5,393.53	4,072.05
Cash & Cash equivalents	284.45	510.20	416.20
Short term loans and advances	666.58	935.81	1,173.42
Other Current Assets	479.18	603.31	401.51
Total Current assets	9,229.42	11,201.95	7,525.71
Total Assets	12,787.18	15,058.73	12,002.84

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	553.69	237.87	6,253.95
Net Cash Flow from Investing Activities	-978.53	-586.27	-1,103.71
Net Cash Flow from Financing Activities	436.69	574.14	-5,244.25

Key Ratios

Particulars	FY 22	FY 23	FY 24
<u>Per Share Data</u>			
Diluted EPS	4.66	4.91	6.32
BV per share	17.71	22.62	28.94
<u>Operating Ratios</u>			
EBITDA Margins	8.44%	6.02%	7.98%
PAT Margins	2.96%	2.34%	2.95%
Inventory days	48.87	41.35	15.74
Debtor days	65.16	59.33	43.83
Creditor days	5.75	3.73	5.06
<u>Return Ratios</u>			
RoCE	27.96%	23.01%	39.56%
RoE	26.31%	21.70%	21.85%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	5.54	6.89	3.88
Market Cap / Sales	0.83	0.62	0.61
P/E	20.60	19.55	15.19
Price to Book Value	5.42	4.24	3.32
<u>Solvency Ratios</u>			
Debt / Equity	3.26	2.98	1.38
Current Ratio	1.41	1.38	1.14
Quick Ratio	0.90	0.92	0.92
Asset Turnover	1.95	2.20	2.83
Interest Coverage Ratio	2.28	1.63	2.42

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Interactive Financial 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 –

Interactive Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Winy Immigration and Education Services Limited	9.13	140.00	June 27, 2024	309.80
2.	Teerth Gopicon Limited	44.40	111.00	April 16, 2024	469.30
3.	DCG Cables & Wires Limited	49.99	100.00	April 16, 2024	149.70
4.	SRM Contractors Limited	130.20	210.00	April 03, 2024	208.70
5.	Kalahridhaan Trendz Limited	22.49	45.00	February 23, 2023	46.00
6.	Vrundavan Plantation Limited	15.30	108.00	November 06, 2023	48.20
7.	Vivaa Tradecom Limited	7.99	51.00	October 12, 2023	40.89
8.	Crop Life Science Limited	26.73	52.00	August 30, 2023	45.30
9.	Tridhya Tech Limited	26.41	42.00	July 13, 2023	30.00
10.	Bizotic Commercial Limited	42.21	175.00	June 23, 2023	49.78

The company has had 18 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 13th July 2024.

As per the offer document, from the above-mentioned mandates, 8 mandates have opened at a discount and the remaining mandates have opened at a premium on the listing date.

Recommendation: **APPLY****Recommendation -**

The company has been in the industry since 2004 and has sufficient experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO is around 20.63 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 27.6 times.

The company has experienced a significant increase in revenue, growing at a CAGR of 17% from 250.48 crores to 339.12 crores. This indicates strong sales performance and potential market expansion. Operating expenses have risen at a faster pace than revenue, which may be a concern. The growth in fixed assets indicates investments in capacity expansion or modernisation which aligns with the objectives of this issue. The debt-to-equity ratio has decreased, indicating a slight improvement in the company's financial leverage.

The company's profitability margins are in line with or slightly lower than its peers. This suggests that the company is operating within industry norms but may need to improve its cost management to enhance profitability.

Overall, the company's prospects appear promising, but it must prioritize cost control, efficient working capital management, and prudent debt management to sustain its growth trajectory and maximize shareholder value. Thus, interested and knowledgeable investors **MAY APPLY** to this IPO.

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