



## IPO Note

# Solve Plastics Product Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Founded in 1994, Solve Plastic Products Limited, The registered office is located at Kollam, Kerala, India.
- **Business Activity:** Solve Plastic Products Limited manufactures a comprehensive range of uPVC pipes (unplasticized polyvinyl chloride) and Rigid PVC electrical conduits and markets them under the brand name "BALCOPIPES"
- **Revenue Stream:** The company derives most of its revenue from **PVC-based pipes and electrical conduits** segment, with **70.27%** of FY24 revenue from conduits and **22.75%** from pipes.
- **Human Resource:** The company has a total of 165 employees on it's payroll.

### Objects of the Issue -

- Funding Capital Expenditure towards the purchase of additional plant and machinery;
- To meet Working Capital Requirement
- To meet issue expenses;
- General Corporate Purposes

### Promoters Name -

Sudheer Kumar Balakrishnan Nair, Susil Balakrishnan Nair, and Balakrishnan Nair

### Rationale for recommendation -

- ✓ The company had loss in FY22.
- ✓ Revenue concentration in one/two products.
- ✓ Promoter holding has fallen to less than 50%.
- ✓ Overvalued P/E.
- ✓ High Debt ratio: >2; and weak liquidity.
- ✓ The industry is highly fragmented and competitive.

### IPO Details

Opening Date	Aug 13, 2024
Closing Date	Aug 16, 2024
Allotment Date	Aug 19, 2024
Listing Date	Aug 21, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹91
Issue Size	11.85 Cr.
Fresh Issue	11.85 Cr.
Offer for Sale	-
Application Amt	₹1,09,200 (1,200 shares)

### INDUSTRY - Plastic

Avg. P/E ratio as per RHP - 39.31

KPIs		(In Lakhs)	
KPIs	FY 22	FY 23	FY 24
Revenue	5,506.51	6,077.17	4,619.13
EBITDA	97.20	196.29	280.86
Net Profit	-40.71	120.27	142.48
RoCE	4.15%	20.45%	23.15%
ROE	-56.31%	62.46%	32.47%
P/E	-	22.98	19.53

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
79.05%	49.87%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.66	3.26
BVPS	14.31	10.04
P/E	19.53	27.90
P/BV	6.36	9.06
Mkt Cap (In Cr)	27.90	39.75

### Lead Managers -

**Finshore Management Services Limited**

**Registrar -**

**Integrated Registry Management Services Private Limited**

Business Overview -

Company Background

Solve Plastic Products Limited, originally incorporated as *Solve Plastic Products Private Limited* on October 4, 1994, under the Companies Act, 1956, is a manufacturer in the Indian plastic piping and conduit segment. The company transitioned into a public limited entity on March 5, 2024, under the Companies Act, 2013.

With over two decades of operational experience, the company is ISO 9001:2015 certified and holds BIS certifications (IS 4985:2021, 3419:1988, and 9537:Part 3:1983). Solve Plastic Products Limited operates under the brand name “**BALCOPIPES**”, delivering a wide range of uPVC pipes and rigid PVC electrical conduits across key southern Indian states.

Manufacturing Footprint

Solve Plastic Products Limited operates **four manufacturing units**:

- **Three in Kerala**
- **One in Tamil Nadu**

These facilities are fully automated and equipped with advanced technology, supported by skilled engineers, technicians, and operators. The company also houses a dedicated **R&D lab** for continuous product innovation and quality control.

Distribution Network

The company markets its products through a robust dealer/distributor network:

- **260 Authorized Dealers/Distributors**
- Operating across **Kerala, Karnataka, and Tamil Nadu**

Expansion Plans

To meet the increasing market demand and diversify its offerings, the company is undertaking a capacity and product expansion:

1. Rigid PVC Electrical Conduits

- **Current Capacity:** 2,760 MT/year
- **Proposed Capacity:** 4,860 MT/year
- **Location:** Unit-4, Shencottah, Tirunelveli, Tamil Nadu

2. HDPE Pipes (New Product Addition)

- **Proposed Capacity:** 2,160 MT/year
- **Location:** Unit-2, Edamon, Kollam, Kerala

**Total Investment for Expansion:** ₹552.64 Lakhs

Product Portfolio and Revenue Bifurcation

Product	Key Features	Details
uPVC Pipes	Non-toxic, UV stabilized, corrosion & thermal resistant, lightweight, easy to install, lead-free roadmap.	Potable water distribution, plumbing
Rigid PVC Conduits	High mechanical strength, non-flammable, chemical-resistant, non-conductive, bendable, impact & compression tested.	Electrical wiring, infrastructure
Garden Hoses	Lightweight, easy to handle, flexible, high mechanical quality, smooth for long-span twisting.	Gardening, patio/nursery irrigation
Solvent Cement	High joining strength, eco-friendly packaging, reduced fumes, watertight bonding, fast application.	Joining of PVC pipes & conduits
Water Tanks	Made of UV stabilized, food-grade HDPE, unbreakable, large storage capacity (up to 5000 litres), resistant to aging and cracking.	Water storage in residential and commercial areas
(Proposed) HDPE Pipes	Corrosion-resistant, durable (50+ years), leak-proof joints (heat fusion), flexible, lightweight, smooth interior (low friction).	Plumbing, sewerage, industrial pipelines, underground installations

Particulars	March 31, 2024	March 31, 2023	March 31, 2022
Rigid PVC Electric Conduits	3,246.01	4,232.22	3,620.42
uPVC Pipes	1,050.78	1,487.76	1,512.11
Fittings & Accessories (Bend)	102.70	82.04	49.37
Others (Scrap)	33.91	88.46	182.97
Manufacturing (Outsourcing)			
Fittings & Accessories*	154.26	144.64	132.03
Solvent Cement	13.08	26.43	8.49
Water Tanks	13.02	-	-
Garden Hoses	5.36	15.61	1.12
Total	4,619.13	6,077.17	5,506.52

\* includes Junction Box, Fan Hook, Coupler, Bend, Saddler Strap, Tee, Elbow, Adapter etc.

### Client Approvals

Products manufactured by the company are approved by:

- Bureau of Indian Standards (BIS)
- Central Public Works Department (Chennai & Kochi)
- Military Engineer Services (MES)
- Integral Coach Factory
- PWD of Kerala & Tamil Nadu
- Tamil Nadu Housing Board

Additionally, Solve Plastic Products is a registered vendor for Chennai Port Authority and Southern Rail.

### Sustainability and Vision

Solve Plastic Products Limited aims to be a quality-oriented and environmentally conscious organization. Its long-term vision includes:

- Phasing out the use of lead
- Reducing waste and promoting ethical disposal
- Developing safer and eco-friendly piping systems

## Business Strategies –

### • Expand Current Business Relationships

The Company aims to foster long-term, sustainable relationships with customers by expanding product offerings and deepening expertise. Emphasis is placed on leveraging marketing skills and customer-centric training to enhance engagement and revenue stability.

### • Improving Operational Efficiencies

To remain competitive, the Company focuses on reducing costs through domestic expansion and economies of scale. Penetration in current markets with a diverse product range is expected to boost infrastructure use and market share.

### • Optimal Utilization of Resources

Investments are made in systems and processes to improve control and eliminate bottlenecks. Ongoing policy analysis ensures resources are effectively deployed for maximum efficiency.

### • Improve Capacity Utilization

Efforts are directed toward better integration and planning across categories, aiming to increase volumes, lower costs, and improve margins.

### • Enhancing Production & Product Quality

Customer retention is driven by high-quality products and strong relationships, resulting in repeat orders and goodwill.

### • Building a Professional Organization

A foundation of transparency and professionalism is upheld through skilled staff and expert consultation.

## Risk Factors –

### 1. Legal Proceedings Involving the Company and Affiliates

As of the Prospectus date, the Company, its Directors, Promoters, and Group Companies are party to 28 pending legal proceedings, including 1 criminal and 24 civil cases filed by the Company, and 2 filed against it. The total quantifiable amount involved is ₹129.10 lakhs. Any adverse ruling may materially impact the Company's operations and financials.

### 2. Revenue Dependence on a Single Product Segment

The Company's entire revenue is derived from the PVC-based Pipes and Electrical Conduits segment. In FY 2024, conduits contributed 70.27% and pipes 22.75% of revenue. A decline in demand, raw material price fluctuations, or technological disruptions in this segment could significantly affect the Company's performance and growth prospects.

### 4. Supplier Dependency Risk

In FY 2024, 86.71% of raw material purchases came from a single supplier, while top 10 suppliers contributed over 97% in the past three years. The absence of long-term contracts and any supply disruption, price volatility, or quality inconsistency could hinder production and profitability.

Recommendation: **AVOID**

### 5. Past Financial Losses

The Company incurred a loss of ₹40.71 lakhs in FY 2021-22, though it reported PAT of ₹142.48 lakhs and ₹120.27 lakhs in FY 2024 and 2023 respectively. Any failure to maintain profitability or cover expenses from net revenue may hinder long-term financial stability.

### 6. Competition from Substitute Products

The Company faces competition not only from PVC pipe manufacturers but also from substitutes like uPVC, CPVC, and PPR pipes. A shift in consumer preferences toward these alternatives could lead to reduced demand for its products, adversely affecting market share and revenue.

### 7. High Debt-Equity Ratio

As of March 31, 2024, the Company's total borrowings stood at ₹1,240.81 lakhs with a high debt-equity ratio of 2.83. Significant cash outflows for servicing debt, interest rate fluctuations, or covenant restrictions could constrain business flexibility and capital allocation.

### 8. Adverse Tax Proceedings Against the Company

One tax proceeding is pending against the Company involving ₹102.11 lakhs. Additionally, a separate tax matter against a Director involves ₹0.01 lakhs. Unfavourable decisions may require financial provisions and could affect the Company's reputation and cash reserves.

### Competition -

1. **Buyer Bargaining Power:** With numerous product alternatives, buyers can switch suppliers easily based on price and quality. However, a consistent supply of high-quality products can foster loyalty and reduce bargaining power.
  2. **Supplier Bargaining Power:** Fluctuations in raw material (petrochemical) prices can tilt the balance in Favor of suppliers. Long-term contracts or backward integration can mitigate this risk.
  3. **Threat of Substitutes:** Environmental and regulatory pressures spur alternatives like biodegradable plastics and other eco-friendly solutions, intensifying substitution risks.
  4. **Threat of New Entrants:** Though the industry has significant capital requirements, rising global demand and government support for manufacturing attract new market entrants with advanced technology or cheaper production bases.
  5. **Industry Rivalry:** Competition is fueled by price, technological innovation, brand recognition, and distribution networks. Firms with diversified product portfolios and strong branding tend to be better insulated from intense rivalry.
- **Industry Growth Phase:** The plastic sector, particularly in India, is still in a growth phase with expansions in packaging, medical devices, automotive, and consumer goods.
  - **Technological & Sociological Factors:** Automation, Industry 4.0 integration, and recycling innovations are key technology drivers. Sociologically, sustainability concerns and consumer awareness around plastic waste are shaping demand for greener alternatives.
  - **Additional Critical Factors:**
    - **Environmental Regulations & Compliance:** Future regulatory shifts may significantly impact competitiveness.
    - **ESG & Sustainability Metrics:** Investors and buyers increasingly focus on carbon footprint and circular economy practices.
    - **Logistics & Distribution:** Efficient supply chain management can be a substantial differentiator.



INDUSTRY OVERVIEW -

Introduction

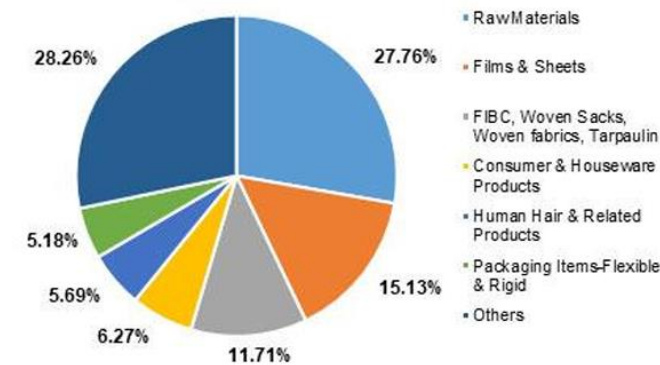
India’s plastic industry, established in 1957 with polystyrene production, has evolved into a significant economic driver. It employs over 4 million people and encompasses 30,000 processing units—85-90% of which are SMEs—and more than 2,500 exporters. The sector produces diverse items, such as raw materials, films, pipes, houseware, floorcoverings, and medical products. Currently valued at around INR 3 lakh crore (US\$ 37.8 billion), the government aims to scale the industry to INR 10 lakh crore (US\$ 126 billion) within 4-5 years.

Export

From April 2023 to February 2024 (FY24 until February), India’s plastic exports totaled US\$ 10.43 billion, with strong growth in medical items (+8.9%), plastic pipes, FRP & composites (+13.8%), and human hair & related products (+12.7%). In February 2024 alone, floorcoverings, leathercloth, and laminates rose by 19.7%. Despite these gains, the cumulative April-February 2024 exports declined 4.4% YoY. Overall, 2022-23 exports were valued at US\$ 11.96 billion, 10.4% lower than US\$ 13.35 billion in 2021-22. Plastic raw materials, the largest export segment (27.76% share), grew 21.5% in 2022-23, while plastic films and sheets (15.13% share) dipped 10.6%.

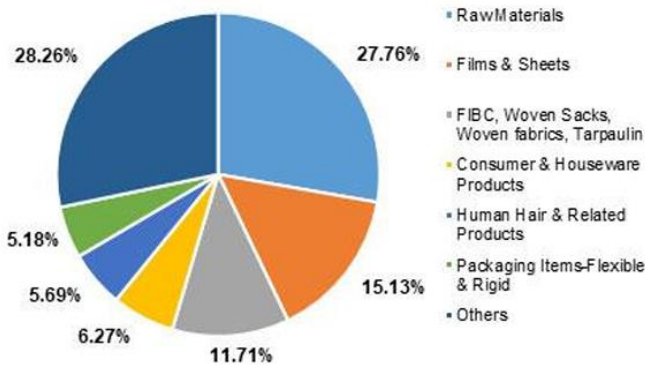
Trends

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



Source: The Plastics Export Promotion Council of India (PLEXCONCIL)

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



Source: The Plastics Export Promotion Council of India (PLEXCONCIL)

Export

India ships plastics to over 200 countries. The USA, China, UAE, UK, Germany, Italy, and Bangladesh are key importers. In 2022-23, the USA remained the top market at US\$ 2.31 billion (19.37% share), down 4.71% YoY; China followed at US\$ 690.95 million (5.78% share). France imported US\$ 211.4 million worth of plastics. India’s free-trade agreements with the UAE and Australia offer additional export opportunities.

Destinations

Government

The Department of Chemicals and Petrochemicals has approved 10 Plastic Parks, with six receiving final approval across Madhya Pradesh, Assam, Tamil Nadu, Odisha, and Jharkhand. The government funds up to 50% of each park’s project cost (capped at INR 40 crore/US\$ 5 million). Targeting US\$ 25 billion in exports by 2027, PLEXCONCIL works to expand India’s global footprint. Initiatives like “Digital India,” “Make in India,” and “Skill India” aim to bolster local manufacturing, reduce import dependency, and enhance skill development. Furthermore, 23 Central Institutes of Plastics Engineering & Technology (CIPET) and multiple Centres of Excellence are being developed to foster research and innovation in petrochemicals and plastics.

Initiatives

Governing

Established by the Ministry of Commerce and Industry in 1955, PLEXCONCIL is the apex body representing over 2,500 exporters. It plays a pivotal role in promoting India’s capabilities as a reliable supplier of high-quality plastic products worldwide.

Body

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Sudheer Kumar Balakrishnan Nair</b>
<b>Age</b>	59
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 35 years of experience
<b>Qualification</b>	B.Tech in Civil Engineering from University of Kerala
<b>Responsibility</b>	Oversees overall operations including corporate strategy, technical, commercial, marketing, and HR functions.
<b>Other Directorships</b>	Heftybuzz Ventures Private Limited, Bhu Mitra Constructions Private Limited, Prudent and Laureate Consultants Private Limited, Vivarta Systems Private Limited and Shri Govinda Agri Business Private Limited

<b>Key Management Persons Name -</b>	<b>Susil Balakrishnan Nair</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Promoter, Whole-Time Director, 29+ years of experience
<b>Qualification</b>	Bachelor of Engineering in Electronics from Bangalore University
<b>Responsibility</b>	Responsible for production, quality, engineering, maintenance, inventory management, and logistics, instrumental in manufacturing processes and business development functions.
<b>Other Directorships</b>	Balco Nidhi Limited

<b>Key Management Persons Name -</b>	<b>Balakrishnan Nair</b>
<b>Age</b>	83
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 49 years of experience
<b>Qualification</b>	Graduate in Economics from Fathima Mata National College
<b>Responsibility</b>	Provides strategic guidance and leverages his extensive background in the automobile sector and PVC pipes industry.
<b>Other Directorships</b>	Balco Nidhi Limited

<b>Key Management Persons Name -</b>	<b>Govind Vinodkumar</b>
<b>Age</b>	27
<b>Designation and No. of years of experience</b>	Executive Director, 5+ years of experience
<b>Qualification</b>	B.Tech in Electronics and Communication Engineering from Mahatma Gandhi University
<b>Responsibility</b>	Contributes to marketing operations and business development having prior experience in IT systems.

<b>Key Management Persons Name -</b>	<b>Aravind Sudheer Kumar</b>
<b>Age</b>	32
<b>Designation and No. of years of experience</b>	Promoter, Executive Director, 3+ years of experience
<b>Qualification</b>	Post Graduate Diploma in Management from Asian School of Business
<b>Responsibility</b>	Oversees operations and administration, leveraging 8 years of industry experience in PVC Pipe Extrusion.
<b>Other Directorships</b>	Balco Nidhi Limited

<b>Key Management Persons Name -</b>	<b>Shankar Sudheer Kumar</b>
<b>Age</b>	25
<b>Designation and No. of years of experience</b>	Promoter, Executive Director, 3+ years of experience
<b>Qualification</b>	B.Tech in Electrical and Electronics Engineering from APJ Abdul Kalam Technological University
<b>Responsibility</b>	As Executive Director, he manages production and supports operations, having served as a Production Manager prior to his current role.
<b>Other Directorships</b>	Balco Nidhi Limited

**FINANCIAL SNAPSHOT****Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	5,506.51	6,077.17	4,619.13
Other Income	71.38	148.26	96.6
<b>Total Income</b>	<b>5577.89</b>	<b>6225.43</b>	<b>4715.73</b>
<b>Expenses</b>			
Cost of Material Consumed	4,325.61	4,489.05	3,063.35
Change in Inventories	55.32	-38.04	-24.21
Employee Benefit Expenses	375.38	464.9	492.99
Finance Cost	142.74	138.27	144.43
Depreciation and Amortisation	90.06	82.7	77.06
Other expenses	641.69	964.97	817.45
<b>Total Expenses</b>	<b>5,630.80</b>	<b>6,101.85</b>	<b>4,571.07</b>
<b>EBITDA</b>	<b>97.20</b>	<b>196.29</b>	<b>280.86</b>
<b>EBITDA Margin</b>	<b>1.77%</b>	<b>3.23%</b>	<b>6.08%</b>
<b>Profit/(Loss) before tax</b>	<b>-52.91</b>	<b>123.58</b>	<b>144.66</b>
<b>Tax Expense</b>	<b>-52.91</b>	<b>123.58</b>	<b>144.66</b>
Deferred Tax			
<b>Total Tax</b>	<b>-12.2</b>	<b>3.31</b>	<b>2.18</b>
<b>Profit/(Loss) for the year</b>	<b>-12.20</b>	<b>3.31</b>	<b>2.18</b>
<b>Net Profit Margin</b>	<b>-40.71</b>	<b>120.27</b>	<b>142.48</b>

**Statement of Assets and Liabilities**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	303.5	303.5	306.63
Reserves and surplus	-231.21	-110.94	132.16
<b>Total Equity</b>	<b>72.29</b>	<b>192.56</b>	<b>438.79</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	349.34	292.55	311.18
Long-Term Provisions	63.81	70.45	74.32
<b>Total Non-current liabilities</b>	<b>413.15</b>	<b>363.00</b>	<b>385.50</b>
<b>CURRENT LIABILITIES</b>			
Short-term Borrowings	681.09	760.86	825.25
Current Maturities of Long Term Borrowings	199.78	168.6	104.39
Trade Payables			
(i) Total outstanding dues of MSME	10.78	29.44	24.19
(ii) Total outstanding dues of creditors other than MSME	300.35	99.33	229.33
Other Current Liabilities	116.7	193.33	128.64
Short-term provisions	28.84	67.14	75.45
<b>Total Current liabilities</b>	<b>1,337.54</b>	<b>1,318.70</b>	<b>1,387.25</b>
<b>Total Liabilities</b>	<b>1,750.69</b>	<b>1,681.70</b>	<b>1,772.75</b>
<b>Total Equity and Liabilities</b>	<b>1,822.98</b>	<b>1,874.26</b>	<b>2,211.54</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	505.92	493.77	506.86
Intangible Assets	21.72	20.65	19.07

Particulars	FY 22	FY 23	FY 24
Capital Work-In-Progress			89.32
Deferred Tax Assets (Net)	119.76	116.45	114.27
Other Non- current Assets	34.51	39.19	48.58
<b>Total Non-Current assets</b>	<b>681.91</b>	<b>670.06</b>	<b>778.10</b>
<b>CURRENT ASSETS</b>			
Inventories	622.47	669.19	761.63
Trade Receivables	447.7	411.93	505.4
Cash & Cash equivalents	1.65	0.86	0.96
Short-term loans and advances	56.05	69.74	127.28
Other Current Assets	13.2	52.48	38.17
<b>Total Current assets</b>	<b>1,141.07</b>	<b>1,204.20</b>	<b>1,433.44</b>
<b>Total Assets</b>	<b>1,822.98</b>	<b>1,874.26</b>	<b>2,211.54</b>

Cash Flow Statement			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	529.52	213.7	206.59
Net Cash Flow from Investing Activities	-73.01	-68.04	-184.59
Net Cash Flow from Financing Activities	-456.5	-146.46	-21.89

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	-1.34	3.96	4.66	EV/EBITDA	11.33	6.34	5.61
BV per share	2.36	6.28	14.31	Market Cap / Sales	0.72	0.65	0.86
<b>Operating Ratios</b>				P/E	-	22.98	19.53
EBITDA Margins	1.77%	3.23%	6.08%	Price to Book Value	38.60	14.49	6.36
PAT Margins	-0.73%	1.93%	3.02%	<b>Solvency Ratios</b>			
Inventory days	41.26	40.19	60.18	Debt / Equity	14.25	5.47	2.59
Debtor days	29.68	24.74	39.94	Current Ratio	0.85	0.91	1.03
Creditor days	1.23	0.42	0.83	Quick Ratio	0.39	0.41	0.48
<b>Return Ratios</b>				Asset Turnover	3.02	3.24	2.09
RoCE	4.15%	20.45%	23.15%	Interest Coverage Ratio	0.03	0.12	0.23
RoE	-56.31%	62.46%	32.47%				

**Peer Analysis -**

Particulars	Solve Plastic Product Limited			Rungta Irrigation Ltd			Dutron Polymers Ltd			AIK Pipes and Polymers Limited		
	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	-0.7%	1.98%	3.08%	1.78%	2.26%	3.71%	1.95%	1.95%	2.04%	0.95%	0.88%	0.75%
EBITDA Margin	1.77%	3.23%	6.08%	5.80%	5.58%	7.10%	4.70%	4.55%	4.63%	0.26%	0.35%	0.55%
RoCE	4.15%	20.45%	23.15%	4.31%	7.54%	10.03%	12.50%	13.51%	12.96%	55.08%	38.59%	18.77%
ROE	-56.31%	62.46%	32.47%	1.94%	3.88%	6.51%	12.54%	10.37%	9.23%	5.27%	6.71%	5.34%
EPS (INR)	-1.34	3.96	4.66	0.83	1.86	4.47	4.82	4.30	4.07	4.31	5.03	6.12
P/E	-	22.98	19.53	17.53	55.38	15.84	28.01	27.71	35.88	-	-	-



**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is SKI Capital Services Limited. This is their fourth mandate.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**SKI Capital Services Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1	Sylvan Plyboard (India) Ltd	28.05	55	Jul 01, 2024	62
2	Mayank Cattle Food Limited	19.44	108	Feb 05, 2024	112.9
3	HRH Next Services Limited	9.57	36	Jan 03, 2024	56.55
4	Presstonic Engineering Limited	23.3	72	Dec 18, 2023	120
5	Holmarc Opto-Mechatronics Ltd	11.4	40	Sep 25, 2023	121.7
6	Alphalogic Industries Limited	12.88	96	Jul 14, 2023	109.7
7	ITCONS E-Solutions Limited	8.67	51	Mar 13, 2023	48.6
8	Indong Tea Company Limited	13.01	26	Feb 21, 2023	17.5
9	Arham Technologies Limited	9.58	42	Dec 15, 2022	82

The company has handled 28 mandate in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 12<sup>th</sup> Aug 2024.

As per the offer document, ITCONS E-Solutions Limited and Indong Tea Limited Company opened at a discount from the above-mentioned mandates and rest all have opened at a premium on the listing day.

## Recommendation -

### ✗ Recommendation: Avoid

Given the company's **operational volatility**, **financial fragility**, and **premium valuation**, this IPO poses a **high-risk, low-return** proposition. Key concerns include:

#### 1. Revenue Concentration Risk

The company is entirely dependent on the **PVC-based pipes and electrical conduits** segment, with **70.27%** of FY24 revenue from conduits and **22.75%** from pipes. Such concentration makes it vulnerable to **demand shocks**, **input cost volatility**, and **technological shifts** in the PVC space, limiting diversification benefits.

#### 2. Highly Competitive Industry

Operating in a **fragmented and saturated market**, the firm faces intense competition from both **existing PVC players and substitutes** like uPVC, CPVC, and PPR pipes. This not only pressures margins but also exposes the firm to **market share erosion** if consumer preferences shift.

#### 3. Volatile Margins and Returns

Profitability and return ratios have shown high fluctuations over three years from FY 22-FY24:

- **EBITDA Margins:** 1.77% → 6.08%; **PAT Margins:** -0.73% → 3.02%; **RoCE:** 4.15% → 23.15%; **RoE:** -56.31% → 32.47%. Such inconsistency highlights the **lack of stable earnings power**, raising questions about long-term scalability and operational efficiency. Notably, the company **incurred losses in FY22**, indicating past financial stress.

#### 4. Weak Liquidity Profile

- **Current Ratio:** 0.85 → 1.03; **Quick Ratio:** 0.39 → 0.48; **Interest Coverage Ratio:** 0.03 → 0.23

These ratios indicate **inadequate short-term solvency**, implying the company may struggle to meet day-to-day obligations without relying on external borrowing. Low interest coverage further signals **tight cash flows** and limited buffer against rising borrowing costs. Additionally, volatile working capital metrics (e.g., sharp swings in inventory and debtor days) suggest **inefficient cash flow management**, potentially straining operations.

#### 5. High Leverage

With borrowings at ₹1,240.81 lakhs and a **debt-equity ratio of 2.83**, the company operates with **elevated financial risk**, reducing strategic flexibility and increasing vulnerability to **rate hikes or covenant constraints**.

#### 6. Aggressive Valuation

At a **post-issue P/E of 27.9x**, the IPO appears **expensively priced**, especially considering its small scale, patchy profitability, and limited differentiation.

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