

Details of the Issue:

| | |
|---------------|---------------------------------------|
| Lead Manager: | Jawa Capital Services Private Limited |
| Registrar: | Cameo Corporate Services Limited |
| Listing At: | NSE SME |

Promoters Shareholding Pattern:

| | |
|-------------|--------|
| Pre-Issue: | 99.97% |
| Post-Issue: | 63.53% |

Offer Structure:

| | |
|---------|-----------------------|
| Retail: | ≥50% of the net offer |
| QIB: | ≤50% of the net offer |

| | |
|-----------------------------|-----------|
| Post Issue paid up capital: | ₹10.34 Cr |
| Issue Size: | ₹25.25 Cr |
| Face Value (₹) | 10 |

Consolidated Financials (₹ in Lakhs):

| Particulars | 9MFY24 | FY23 |
|---------------|---------|----------|
| Total Income: | 2152.97 | 2,978.74 |
| EBITDA: | 395.44 | 220.93 |
| PAT: | 236.44 | 104.91 |

Minimum Application:

| # | Lots | Shares | Amount |
|---------|------|--------|--------|
| Retail: | 1 | 2000 | 134000 |
| HNI: | 2 | 4000 | 264000 |

Valuations (FY24 Annualized):

| | |
|-------------------|-----------------|
| Net Asset Value: | ₹ 820.87 Lakhs |
| EPS*: | ₹3.05 |
| P/E*: | 21.97x |
| EV/EBITDA: | 4.56x |
| Enterprise value: | ₹ 2404.43 Lakhs |

*EPS and P/E ratio have been calculated on total 9MFY24 annualized earnings and post issue shares outstanding

RECOMMENDATION

MAY APPLY

Fixed Price: ₹67 per share

Lot Size: 2000 shares

Bidding Date: 13th May to 15th May

INDUSTRY

Automobile and Ancillary

Summary of Business

- Mandeep Auto Industries Limited is engaged in the business of manufacturing and supplying sheet metal components, auto parts, and all types of sprocket gears and machined components,
- The products finds its application in a diverse industry, such as tractor, automobiles, material handling & earth moving equipment, railways, defence, machine tools, DIY industry etc.

Object of the Issue:

The Fresh Issue includes a public Issue of 3,768,000 Equity Shares of the Company at an Issue Price of ₹67 per Equity Share. The Net Proceeds from the Issue are proposed to be utilized by the Company for the following objects:

- Working Capital Requirements (~ ₹608.82 Lakhs)
- Expansion of the existing Manufacturing Facility located at Plot No 26, Nangla, Faridabad Haryana -121001 (~ ₹908.31 Lakhs)
- Repayment/prepayment of certain borrowings availed by our Company (~ ₹684.16 Lakhs)
- To meet General Corporate Purposes (~ ₹223.27 Lakhs)
- To meet expenses related to the Issue (~ ₹100.00 Lakhs)

Valuation and Recommendation: The Company has demonstrated strong revenue growth over the past three fiscal years, albeit experiencing a recent dip in revenue. Despite this, with a P/E ratio of 21.97 for FY24 annualized earnings, the company's valuation appears attractive, reflecting its growth prospects and industry dynamics. However, it's crucial to tread cautiously with this ratio, especially considering the exceptional earnings performance in recent periods. Furthermore, the company faces customer concentration risk, which could pose challenges. As it primarily serves the automobile industry, which is experiencing growth but is also highly competitive, Thus we recommend a **MAY APPLY** to the issue.

Financials (Consolidated):

(₹ in Lakhs)

| Particulars | Jul 23 - Dec23 | Apr 23 - Jun 23 | FY23 | FY22 | FY21 |
|-------------------------|----------------|-----------------|----------|----------|----------|
| Revenue from operations | 1,656.76 | 496.21 | 2,908.91 | 2,189.73 | 1,563.49 |
| Growth in Revenue | - | - | 32.84% | 40.05% | - |
| EBITDA | 339.89 | 55.55 | 220.93 | 144.12 | 125.76 |
| EBITDA (%) Margin | 20.52% | 10.80% | 7.42% | 6.58% | 8.04% |
| EBITDA Growth | - | - | 53.30% | 14.59% | 24.61% |
| ROCE (%) | 27.94% | 6.40% | 28.18% | 17.02% | 1.01 |
| Current Ratio | 1.75 | 1.4 | 1.23 | 1.52 | -352.99 |
| Operating Cash flow | 19.18 | -108.39 | -171 | -134.12 | 49.81 |
| PAT | 214.93 | 21.61 | 104.91 | 64.69 | 29.85% |
| ROE/ RoNW | 30.15% | 4.08% | 24.20% | 18.64% | - |
| EPS | 6.6 | - | - | - | |

Source: RHP

Comparison of accounting ratios with peers:

| Name of Company | Face Value (Rs) | EPS (Rs) | PE | RoNW (%) | Book Value (Rs.) |
|----------------------------------|-----------------|----------|--------|----------|------------------|
| Mandeep Auto Industries Limited* | 10 | 6.60 | 10.15 | 26.19% | 12.49 |
| PEER GROUP | | | | | |
| Kranti Industries Limited | 10 | 1.95 | 38.39 | 8.49% | 23.02 |
| Porwal Auto Components Limited | 10 | -0.68 | -96.59 | -1.75% | 39.01 |
| Lumax Auto Technologies Limited | 2 | 10.79 | 44.24 | 12.62% | 85.5 |

Top 5 customers (1st July 2023 – 31st December 2023):

| Particulars | Turnover (in %) | Sales Value (in Rupees) |
|----------------------------------|-----------------|-------------------------|
| J.L AUTO PARTS PRIVATE LIMITED | 35.67 | 5,91,02,784 |
| TUBE INVESTMENT OF INDIA LIMITED | 24.7 | 4,09,16,276 |
| ROCKMAN INDUSTRIES LIMITED | 19.62 | 3,25,13,782 |
| MANVI AUTOMOBILES | 2.01 | 33,37,410 |
| JAIN INDUSTRIAL LIMITED | 0.46 | 7,59,435 |
| Total | 82.47 | 13,66,29,687 |

Top 3 suppliers (1st April 2023 – 31st December 2023):

| Particulars | % | Amount (in Rupees) |
|----------------------------------|--------------|--------------------|
| ROYAL ISPAT UDYOG | 51.65 | 8,20,34,506 |
| SHARU INDUSTRIES PRIVATE LIMITED | 19.28 | 3,06,20,541 |
| RAMA STEEL CORPORATION | 0.65 | 10,26,935 |
| Total | 71.58 | 113,681,982 |

Investment Rationale

- The company has recently posted remarkably strong earnings from July 23 to Dec 23, revenue going from a Rupees 496.21 Lakhs to Rupees 1656.76 Lakhs in sales. Profit margin has also increased dramatically in the past 6 months. However, it's crucial to scrutinize these recent earnings as they **appear exceptionally robust and may lead to non-sustainability**.
- A major concern is the overreliance on a handful of key customers, with **80% of revenue coming from the top 3 clients**. One client alone contributes over 35% of total revenue, indicating significant concentration risk. Similarly, heavy dependence on top suppliers, with over **70% and 50% of raw materials sourced from the top 2 and top supplier respectively**, poses supplier concentration risks.
- Despite these challenges, the company enjoys a **strong foothold in the two-wheeler automobile and ancillary industry**, which has experienced substantial growth in recent years and is projected to continue expanding steadily, driven by easing rural inflation, increase in the rural spending and change in etc. coupled with the **company's clientele servicing major OEMs particularly two- wheelers in India**.
- The Price-to-Earnings (P/E) ratio stands at **21.97** for FY24 annualized earnings, suggesting an attractive valuation given the company's growth prospects and industry dynamics. However, it's important to approach this ratio cautiously, considering the exceptional earnings performance in the recent past. Thus we recommend a **MAY APPLY** to the issue.

Disclaimer & Disclosure: This document has been prepared by NNM Nextgen Advisory Pvt. Ltd. (NNM) Our research Analysts provide important input into our investment banking activities. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Reader is requested to rely on his own decision and may take independent professional advice before investing. NNM and any of its employees shall not be responsible for the content. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. The Issue Price/ Floor Price/ Price Band should not be indicative of the market price of Equity Shares after the Equity Shares are listed on the Stock Exchanges. No assurance can be given regarding an active or sustained trading in the Equity Shares, nor regarding the price at which the Equity Shares will be traded after listing. NNM reserves the right to make modifications and alterations to this statement as may be required from time to time. Nevertheless, NNM is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither NNM nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance.

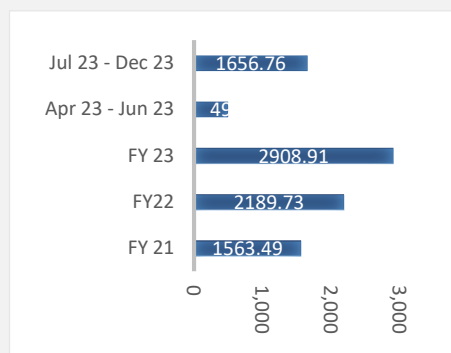
This paper has been prepared by Cokaco, a virtual platform by NNM Nextgen Advisory Pvt. Ltd. an investment banking firm based out of Mumbai providing a bouquet of financial services.

Contact: nikunj.a.mittal@gmail.com / researchteam@cokaco.com

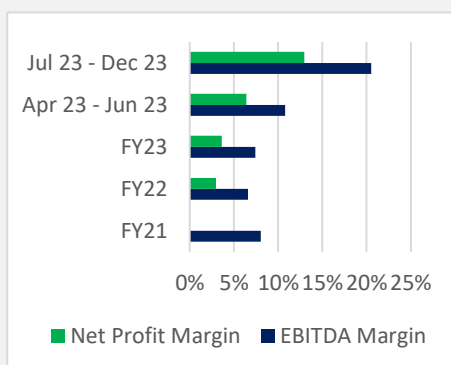
May 2nd, 2024

FINANCIAL HIGHLIGHTS:

Revenue from Operations (in ₹ Lakhs)



EBITDA and Net Profit Margin:



Profitability Ratios:

