

Atal Realtech Ltd.

SSIS IPO GRADE 3/5 (Average)
29th September, 2020

Rating Overview

Based in Mumbai, Atal Realtech Ltd. was incorporated only in the year 2012. The company undertakes both contracting and subcontracting of both private and government projects. The company's service portfolio includes civil works, engineering services, structural construction, and other infrastructure services.

In addition to carrying out contracting works, the company is also involved in supplying materials used for construction to its clients. Over the past three financial years, the company has consistently posted an average net profit of around 235.5 lakhs.

ARL has posted an average EPS of Rs. 5.45 and an average RoNW of 11.72%. The issue is priced at a P/BV of 1.22 on the basis of its NAV of Rs. 59.07 as on March 31, 2020, and at a P/BV of 1.20 on the basis of post-issue NAV of Rs. 59.87. If we attribute FY20 earnings (on a consolidated basis) on fully diluted post issue equity, then asking price is at a P/E of around 13.56 against an industry average of 18.3, making it fully priced offer. Our overall fundamental rating of Atal Realtech is Average Financials. The offer price is fair and the company has decent growth prospects. We initiate a subscribe recommendation for cash surplus risk savvy investors for long term gains.

Note: The analyst has no plans of subscribing to the offer and does not hold any shares in the company prior to, or at the time of writing this review.

Business Overview

Atal Realtech Ltd. (ARL) is a construction company providing integrated civil works contracting and engineering services for structural construction and infrastructure sector projects and is a registered contractor with the Government of Maharashtra Public Works Department in Class I-A. It engages in contracting and subcontracting for various government and private projects which includes the construction of commercial structures and industrial structures.



The company is situated at Nashik and many of its project sites are located in the State of Maharashtra, though it has undertaken projects in other parts of India. Majority of the construction activity being undertaken includes civil & structural construction and infrastructure contracts under subcontracting by main contractors, who have been allotted the project by a principal employer. Company's revenue model also includes trading of certain construction materials. Besides undertaking contracted and / or sub-contracted projects, it is also engaged in trading activities, wherein the company is supplying construction materials to various clients as per their specific requirements

Financial Performance

On the financial performance front, for the last three fiscals, on a standalone basis, ARL has posted turnover/net profits of Rs. 51.57 cr. / Rs. 2.32 cr. (FY18), Rs. 58.26 cr. / Rs. 2.12 cr. (FY19) and Rs. 58.69 cr. / Rs. 2.62 cr. (FY20). It has posted static average top line with inconsistency in bottom lines.

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As per offer documents, ARL has shown Dilip Buildcon, JMC Projects and Prestige Estate as its listed peers. They are currently trading at a P/Es of around 14.21, 39.53 and 42.85 (as on September 25, 2020). However, they are not strictly comparable on an apple to apple basis.

Summary of financial Information			
Particulars	For the year/period ended (Rs in Million)		
	31-Mar-20	31-Mar-19	31-Mar-18
Total Assets	5,730.34	5,002.59	2,816.60
Total Revenue	5,869.23	5,826.18	5,157.11
Profit After Tax	262.32	212.37	231.85

Issue Details

To meet its plans for working capital (Rs. 1.55 cr.) and general corpus fund (Rs. 0.47 cr.), ARL is coming out with a maiden IPO of 1504000 equity shares of Rs.10 each at a fixed price of Rs. 72 per share to mobilize Rs. 10.83 cr. The issue consists of a fresh issue of 304000 equity shares (Rs. 2.19 cr.) and an offer for sale of 1200000 equity shares (Rs. 8.64 cr.). The issue opens for subscription on September 30, 2020, and will close on October 07, 2020. Minimum application is to be made for 1600 shares and in multiples thereon, thereafter. Post

allotment, shares will be listed on NSE SME Emerge platform.

The issue is jointly lead managed by Aryaman Financial Services Ltd. and Galactico Corporate Services Ltd. while Bigshare Services Pvt. Ltd. is the registrar to the issue. **Aryaman Capital Markets Ltd. is acting as a Market Maker for this company.** Having issued initial equity at par, the company raised/converted further equity in the price range of Rs. 100 - Rs. 118 between August 2018 and February 2019.

The average cost of acquisition of shares by the promoters is Rs. 4.15 per share. Post issue, ARL's current paid-up equity capital of Rs. 4.63 cr. will stand enhanced to Rs. 4.93 cr. With this IPO, the company is looking for a market cap of Rs. 18.50 cr.

Application Dates	Sep 30, 2020 – Oct 7, 2020
Issue Type	Book Built Issue IPO
Face Value	₹10 per equity share
IPO Price	₹72 per equity share
Market Lot	1600 Shares
Listing At	BSE, NSE
Issue Size	[.] Eq Shares of ₹10 (Up to ₹10.83 Cr)

Issue Timeline

Basis of Allotment Date	Oct 12, 2020
Initiation of Refunds	Oct 13, 2020
Credit of Shares to Demat Account	Oct 14, 2020
IPO Listing Date	Oct 15, 2020

Investment Strategy

ARL has posted inconsistent top and bottom lines for the last three fiscals. On the basis of P/E and P/BV parameters, the issue appears fully priced. Following COVID-19 pandemic scare, this sector is currently witnessing downturn with subdued demand. Cash surplus, risk savvy investors may consider an investment at their own risk in this IPO.