

Euro Panel Products Ltd.

SSIS IPO GRADE 2.5/5 (Below Average)
13th December, 2021

Rating Overview

Headquartered in Mumbai, Eurobond is engaged in the manufacturing and supplying of Aluminium Composite Panels (ACP) globally. ACPs are kind of panels, which are widely used as an exterior covering of commercial buildings and corporate houses. Eurobond manufacture varieties of ACPs in different colors, designs, and textures for its customers through the quality-controlled production method. The company's business segments include - i) Government Contracts, ii) Export Business, iii) Distributors, iv) Private Institution Tenders.

Eurobond has been exporting products in the USA, South Africa, Uganda, Nigeria, Tanzania, Sri Lanka, and Nepal since 2014. The company has been recognized as One Star Export House by the Ministry of Commerce and Industry and is also an annual member of the Indian Green Building Council (IGBC).

If we annualize FY22 earnings and attribute it to fully diluted post issue equity, then the asking price is at a P/E of 22.80 and based on FY21 earnings, P/E stands at 46.35. Thus the issue is priced aggressively. Our overall fundamental rating of Euro Panel Products is average. The offer price is overvalued but the company has decent growth prospects. We initiate a subscribe recommendation for risk savvy cash surplus investors for short and 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

Euro Panel Products Ltd. (EPPL) started as a trade under the name and style of Archer Trading House Pvt. Ltd. and subsequently in 2015 ventured into manufacturing of aluminium composite panel and also changed its name as Euro Panel Products Pvt. Ltd. in 2014 and converted it into a public limited company in September 2021.

Currently, it manufactures varieties of ACPs in different colours, designs and textures to cater for the varied needs of customers. To achieve the optimum utilization of resources, it has adopted the Kaizen strategy. Kaizen strategy is an approach to create continuous improvement, where employees at all levels of a Company work

together proactively to achieve commitments, incremental improvements to the manufacturing process. It operates on a B2B and B2C business model. As of October 31, 2021, it had overall 317 employees on its payroll.

Financial Performance

On the financial performance front, for the last fiscal, EPPL has posted turnover/net profits of Rs. 108.67 cr. / Rs. 3.94 cr. (FY19), Rs. 142.99 cr. / Rs. 3.97 cr. (FY20) and Rs. 143.30 cr. / Rs. 3.70 cr. (FY21). For the first three months of the FY22 ended on June 30, 2021, it has earned a net profit of Rs. 1.88 cr. on a turnover of Rs. 31.91 cr. On comparative ratios, Q1 of FY22 has marked declining trends but bottom line overshoots manifold and raises eyebrows.

For the last three fiscals, it has posted an average EPS of Rs. 2.44 and an average RoNW of 15.42%. The issue is priced at a P/BV of 3.61 based on its NAV of Rs. 19.38 as of June 30, 2021, and at a P/BV of 2.19 based on its post-issue NAV of Rs. 31.90 per share.

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Summary of financial Information				
Particulars	For the year/period ended (Rs in Million)			
	30-Jun-21	31-Mar-21	31-Mar-20	31-Mar-19
Total Assets	1,531.84	1,452.13	1,329.74	948.24
Total Revenue	319.06	1,433.03	1,429.93	1,086.70
Profit After Tax	18.76	37.01	39.65	39.35

Issue Details

To part finance its needs for working capital (Rs. 22.34 cr.), repayment/prepayment of certain borrowings (Rs. 9.04 cr.) and general corporate purpose funds (Rs. 11.29 cr.), EPPL is coming out with a maiden IPO of 6500000 equity shares of Rs. 10 each at a fixed price of Rs. 70 per share to mobilize Rs. 45.15 cr. The issue opens for subscription on December 14, 2021, and will close on December 16, 2021. Minimum application is to be made for 2000 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on NSE SME Emerge. The issue constitutes 26.53% of the post issue paid-up capital of the company. EPPL will be spending Rs. 2.48 cr. for the entire IPO process.

The issue is solely lead managed by Fedex Securities Pvt. Ltd., and Link Intime India Pvt. Ltd. is the registrar to the issue. Rikhav Securities Ltd. will be the market maker for this IPO. The company has reserved 500000 shares for eligible employees and offering them a discount of Rs.7 per share.

Having issued initial equity at par, the company issued further equity at Rs. 16 per share between July 2018 to January 2020. The average cost of acquisition of shares by the promoters is Rs. 10.00 and Rs. 12.19 per share.

Post IPO, EPPL's current paid-up equity capital of Rs. 18.00 cr. will rise to Rs. 24.50 cr. Based on the IPO pricing, the company is looking for a market cap of Rs. 171.50 cr.

Application Dates	Dec 14, 2021 – Dec 16, 2021
Issue Type	Book Built Issue IPO
Face Value	₹10 per equity share
IPO Price	₹70 per equity share
Market Lot	2000 Shares
Listing At	NSE SME
Issue Size	[.] Eq Shares of ₹10 (Up to ₹45.50Cr)

Issue Timeline

Basis of Allotment Date	Dec 21, 2021
Initiation of Refunds	Dec 22, 2021
Credit of Shares to Demat Account	Dec 23, 2021
IPO Listing Date	Dec 24, 2021

Investment Strategy

While the company changed its business of trading to venture into aluminium panels recently, its financial data has an erratic pattern. Super earnings in the first quarter of FY22 (IPO year) raise concern. Based on its financial data, the issue is aggressively priced. There is no harm in giving this issue a MISS.

