



SALASAR TECHNO ENGINEERING PVT. LTD.

Issue Highlights

Industry	Steel & Allied
Total Issue (Shares) - Fresh Issue	3,321,000
Net Offer to the Public	3,321,000
Issue Size (Rs. Cr.)	35.87 Cr
Price Band (Rs.)	108
Offer Date	12-Jul-17
Close Date	17-Jul-17
Face Value	10
Lot Size	125

Issue Composition

	In shares
Total Issue for Sale	3,321,000
NIB	1,660,500
Retail	1,660,500

Shareholding Pattern (%)

Particulars	Pre-issue	Postissue
Promoters & promoters group	100.00	74.99
NIB	0.00	12.51
Retail	0.00	12.51
Total	100.00	100.00

*calculated on the upper price band

Objects of the Issue

- To meet the working capital requirements of the Company including margin money.
- General Corporate Purpose;
- To meet the Issue Expenses.

Book Running Lead Manager SARTHI CAPITALADVISORS PRIVATE LIMITED

Name of the registrar BIGSHARE SERVICES PRIVATE LIMITED

About the company

Incorporated in 2001, Salasar Techno Engineering Ltd is engaged in manufacturing galvanized steel products. Company's products include telecommunication towers, power transmission line towers, smart lighting poles, monopoles, guard rails, substation structures, solar module mounting structures, and customized galvanized and non-galvanized steel structures. It also offers engineering, procurement, and control services for rural electrification, power transmission lines, and solar power plant projects. In addition, the company undertakes civil foundation works, and erection of telecom and transmission towers at site, including painting, as well as EPC turnkey projects for solar mounting structures. STEL's services include providing complete engineering, procurement and control for projects such as Rural Electrification, Power Transmission Lines, and Solar Power Plants. The Company exports its galvanized products to South Africa, Myanmar etc.

Strength

Business Agreement with Ramboll: The Company is the manufacturing partner for Ramboll's technical expertise in Structural Design of Tubular Telecom Towers. Ramboll Telecom is the market leader in innovative designs and supply of tower solutions with a history in analysis, design and construction of towers and masts since 1945, and nearly 30,000 masts and towers bearing its stamp worldwide. It has a strong presence in the Nordics, North America, the UK, Continental Europe, the Middle East, and India.

Steady financial performance: The volume growth of the company during the last five Financial Years contributed to its financial strength. It has order book of Rs. 5,761.16 million as of May 31, 2017 and this provides the company with revenue visibility for the next financial year. Driven by its business growth and execution track record, the company has exhibited steady financial performance and credit profile over the last few years.

Customer Centric Approach: Over the years, the company has developed a significant and mutually beneficial business relationship with its customers and it can be reflected in the repeat orders it gets from its customers.

Visible growth through a robust order book and excellent pre-qualification credentials : The company is currently pre-qualified to bid for Rural Electrification projects. With current government thrust on rural electrification, it has helped the company to increase its target market size and maintain the momentum of its order book growth.

Operational Excellence: The Company's attention to process optimization to achieve the highest safety and quality has resulted in a culture of operational excellence, enriching it with the following strengths:

- Capability to ramp up operations in minimum time with existing facilities
- Timely delivery and competitive prices without quality compromise
- Best quality raw material procurement in line with stringent industry standards
- Skilled and technical manpower in step with industry trends
- Continually updated equipment that serve a wide variety of manufacturing needs

Strategy

Increasing Installed Capacity and Expanding the Product Portfolio: Even after the addition of the 50000 MT Galvanizing plant, pushing its installed capacity to 1,00,00 MT per annum, it would continue to expand its capacity so as to be able to serve more customer needs and leverage economies of scale. This will be achieved through continuous process optimization and enhancing existing units by adding more and better equipment.

Expanding Design and Engineering Capabilities: The Company intends to invest in its design and engineering services to provide added value to its customers and concentrate on receiving big orders from domestic markets. This will be done both organically and inorganically.

Targeting New Customer Accounts and Expanding Existing Ones: The Company plans to increase its sales and customer penetration by targeting new customers and securing larger orders from existing ones. The company would continue to consolidate relationships with large and renowned corporate groups whose product portfolios are spread across industries and develop its design and engineering capabilities so as to be able to enter new markets.

Risk Factor

Shortfall of Raw materials: Increase in the cost of or a shortfall in the availability of raw materials, and in particular, Steel shapes & sections and Zinc, could have an adverse effect on its business, results of operations and financial condition.

Has not made any alternate arrangements for meeting its working capital requirements: The Company has not made any alternate arrangements for meeting its working capital requirements for “the Objects of the Issue”. Further it has not identified any alternate source of financing the ‘Objects of the Issue’. Any shortfall in raising / meeting the same could adversely affect its growth plans, operations and financial performance.

Depended on third party for labour: The company appoints contract labour for carrying out certain of its operations and it may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on its results of operations and financial condition.

Face competition: The industry, in which the company is operating, is highly and increasingly competitive and its results of operations and financial condition are sensitive to, and may be materially adversely affected by, competitive pricing and other factors.

Industry Outlook

With the improvement in the economic scenario, there have been various investments leading to increased M&A activity in the country. India has emerged as one of the strongest performers in terms of deals related to mergers and acquisitions (M&A). The total M&A deals involving Indian companies grew by 82 per cent to US\$ 27 billion during January to June 2016, which is the highest in the first six months in any year since 2011, led by a four and a half time increase of Indian acquisitions abroad at US\$ 4.5 billion. Under the new National Mineral Exploration Policy (NMEP), the Government of India plans to conduct e-auction of 62 mineral blocks of minerals such as iron ore, limestone and gold located across several states to further open up the mining sector and increase output of minerals in 2016-17. In 2015 India produced 91.46 million tonnes (MT) of finished steel. Total finished steel production in the country increased at a CAGR of 7.45 per cent over FY11–15. During April-August 2016, crude steel production in the country grew by 7 per cent year-on-year to ~40 MT. Over April-August 2016, steel imports fell 34.5 per cent year-on-year to 3.01 MT, while steel exports rose 23.6 per cent year-on-year to 2.38 MT. Steel consumption in the country is expected to grow 5.3 per cent year-on-year to ~ 85 MT during FY 2016-17, led by growth in the construction and capital goods sector.

Peer Group

Co_Name	Operating Income	APAT [Latest]	EPS	P/E	P/BV	BV	FV	CMP	MCAP
Skipper Limited	1702.96	111.50	10.90	20.18	4.59	47.95	1.00	220.00	2250.96
Kalpataru Power Trans. Ltd.	7456.33	157.30	10.25	34.53	2.24	157.81	2.00	353.95	5431.74
KEC international Limited	8584.40	304.78	12.24	22.57	4.48	61.70	2.00	276.30	7103.35
Salsar Techno Eng. Ltd.	384.29	20.95	15.78	6.84	1.09	99.19	10.00	108.00	143.39

*Salasar Techno Engineering financials are annualised

Valuation:

Considering the P/E valuation on the the price of Rs. 108, the stock is priced at pre issue P/E of 5.13x on its FY17 EPS of Rs. 21.04. Post issue, the stock is priced at a P/E of 6.84x on its EPS of Rs. 15.78. Looking at the P/B ratio at Rs. 108 the stock is priced at P/B ratio of 1.12x on the pre issue book value of Rs.96.25 and on the post issue book value of Rs. 99.19 the P/B comes out to 1.09x.

Outlook

The company is a provider of customised steel fabrication and infrastructure solutions in India for Telecommunication Towers, Transmission Towers & Substation Structures and Solar Module Mounting Structures. The Company has a strong customer profile and caters to the leading names in India. These relationships have allowed is to carry out massive touchstone projects such as establishing Transmission and Substation for U.P. Power Transmission Corporation Ltd, Tata Power Delhi Distribution Ltd., Unitech Power Transmission Ltd., executing orders of Telecom Towers including erection of towers for ATC India Tower Corporation Pvt Ltd, Indus Towers Ltd, ATC Telecom Infrastructure Pvt Ltd, Bharti Infratel Ltd, Reliance Jio Infocomm Ltd, Tower Vision India Pvt Ltd, Viom Networks Ltd, and supplying Solar Mounting Module Structures for Jakson Engineers Ltd, Prayatna Developers Pvt Ltd, Welspun Renewables Energy Pvt Ltd., Insta Power Energy Efficiency Pvt Ltd etc. An investor with long term view may invest in the issue.

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-17	Period ended 31-Mar-16
Total Operating Income	384.29	310.01
Total expenditure	343.52	280.94
Operating Profit	40.77	29.06
OPM%	10.61	9.37
Other Income	0.35	0.19
PBDIT	41.12	29.25
Depreciation	3.29	3.09
PBIT	37.83	26.16
Interest	7.27	8.75
PBT	30.57	17.41
Exceptional item	-0.48	0.00
Restated Profit	31.05	17.41
Tax	10.10	6.24
PAT	20.95	11.18

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-17	As on 31-Mar-16
Non-current assets		
Fixed Assets		
Tangible assets	61.58	54.81
Intangible assets	0.00	0.00
Capital work In progress	0.00	0.22
Goodwill on Consolidation	0.00	0.03
Long-term loans and advances	5.84	0.95
Total Non- Current Assets	67.42	56.01
Current assets		
Current Investment	1.29	1.70
Inventories	68.82	44.91
Trade receivable	79.71	60.59
Cash & Cash Equivalents	6.38	2.39
Short Term Loan and Advances	15.58	9.32
Other current assets	17.92	0.99
Total current assets	189.70	119.90
Total Assets	257.12	175.90
Non-current liabilities		
Long-term Borrowings	7.05	11.30
Deferred Tax Liabilities (Net)	3.71	3.71
Long term provisions	0.90	0.52
Other Non Current Liabilities	9.85	0.00
Total	21.51	15.53
Current liabilities		
Short-term borrowings	61.61	44.61
Trade payables	34.10	15.70
Other current liabilities	39.97	21.50
Short-term provisions	4.09	3.46
Total current liabilities	139.77	85.27
Total	161.28	100.80
NET Worth	95.83	75.10
Net worth represented by:		
Share capital	9.96	4.98
Reserves and surplus	85.88	70.14
Net Worth	95.83	75.11



Moneywise. Be wise.

E-mail: researchfeedback@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor , Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:

18, Rabindra Sarani,
Poddar Court, Gate No. - 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.