

## About Company

- NewMalayalam Steel Limited is a company engaged in the manufacturing of **pipes and tubes** under the brand name "DEMAC". The company focuses on producing **galvanized pipes, structural pipes, and other steel products** that are widely used across various industries.
- Galvanised pipes and tubes are used for building the roofs to reduce heat and avoid leakage, further the galvanisation process offers an added advantage of increasing the life of the product and enhancing its quality by making it rust-free. Company's products are therefore manufactured to provide an effective solution to the continuous damage caused to houses in Kerala on account of inclement weather conditions.
- Approx **92% of revenue is generated from GI Pipes** and remaining 8% is from Coil, Sheet, slit etc.
- About 23% of company electricity requirements are met by in-house solar plants and the balance portion of the electricity requirement to run the manufacturing facility is sourced from Kerala State Electricity Board.

## Capacity Utilisation

Particulars	% of utilisation
Half Year 2024-25	48.23%
2023-24	62.83%
2022-23	66%
2021-22	53%

## Financials of the company

(Fig. in Cr)

Particulars	Sep 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022
Revenue from Operations	154.21	300.16	354.80	317.92
EBITDA	9.58 (6.17%)	10.27 (3.39%)	12.24 (3.40%)	13.03 (4.03%)
PAT	5.19 (3.34%)	4.26 (1.41%)	6 (1.67%)	6.73 (2.08%)
ROCE	17.19%	17.60%	21.74%	24.18%
CFOA	23.55	-21.31	31.09	-6.28

## IPO Details

- Open date : **Dec 19, 2024**
- Close date : **Dec 23, 2024**
- Issue Size : **46,40,000 Shares (Rs. 41.76 Cr.)**
- Fresh Issue : **46,40,000 Shares**
- Issue price : **Rs. 85-90 Per Equity Shares**

## Object of the Issue

- IT / Technological Upgradation: **2.87 Cr**
- Expansion of the existing solar facility: **2.34 Cr**
- Civil construction of new factory shed cum storage facility: **2.55 Cr**
- Advertising, Marketing and Brand Building: **5.05 Cr**
- Working Capital requirements: **14.20 Cr**



## Positive and Negative Points

### Positive

- ✦ **Capacity Expansion:** The company has increased its manufacturing capacity to meet rising demand. Installed capacity grew from 3,500 MT (2018) to 4,000 MT (2019) and currently stands at 72,000 MT annually.
- ✦ **Fresh Issue:** The entire IPO is a fresh issue, and the proceeds will be infused into the company to support its growth.

### Negative

- ✦ **Low Capacity Utilization:** Despite having a 72,000 MT installed capacity, the utilization is relatively low:
- ✦ **Regional Dependence:** Heavy reliance on demand from Kerala limits market diversification, exposing the company to regional economic risks.
- ✦ **Valuation Concern:** The company is launching its IPO at a P/E of 36.52, which is relatively high for a commodity business. APL Apollo commands a high P/E in the commodity segment because it has established a strong brand presence. For an SME company, a P/E of 36.52 is also considered high.
- ✦ **No growth in sales**
- ✦ In the RHP, the listed peer is mentioned as **Apollo Pipes Ltd**. This appears to be incorrect. The correct name may be **APL Apollo Pipes Ltd**.
- ✦ **Unstable Cash flow** from operating activities.
- ✦ **EBITDA per Tonne** is lowest amongst peers.
- ✦ **High Debts.**
- ✦ **Corporate Governance issue:** In the past company failed to file PF and GST returns in time.

## Comparison with Peers

Companies	Revenue	EBITDA	PAT	EBITDA/Tonne	D/E Ratio	MCap	P/E
NewMalayallam Steel (FY 2024)	300.16 Cr.	10.27 Cr. (3.39%)	4.26 Cr. (1.41%)	2,270	0.86	155.59 Cr.	36.52
APL Apollo Pipes (TTM)	18,692 Cr.	1,000 Cr. (5%)	583 Cr. (3.12%)	2,972	0.22	43,721 Cr.	169
Hariom Pipe Industries (TTM)	1,268 Cr.	162 Cr. (13%)	60 Cr (4.73%)	7,225	0.61	1,757 Cr.	29.40





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