

A) Konstelec Engineers Limited IPO Overview:

Konstelec Engineers Limited, incorporated on December 5, 1995, is a dynamic and innovative private Limited Company operating as a Design Engineering Company. Over the years, it has been an evolution into a leading Engineering, Procurement, and Construction/Commissioning (EPC) contractor, delivering comprehensive project management, procurement support, and detailed engineering services for diverse electrical infrastructure projects across India and abroad.

B) Overview of the Indian EPC Industry:

The India Power EPC market is experiencing significant growth, estimated at USD 13.8 billion in 2022, with a projected CAGR of 21.94%, reaching USD 45.36 billion by 2029. Key trends and innovations shaping the industry include:

- Deployment of cleaner technologies in infrastructure projects to reduce carbon footprint.
- Leveraging technology for efficient construction management and site operations.
- Startups focusing on innovations in prefabrication, worker safety, and construction robotics.
- Rise in machines identifying safety issues and autonomous construction tasks.
- Blockchain technology for improved workflow and enhanced productivity.
- Automation technology reduces human errors, enhancing monitoring, and allowing predictive maintenance.
- Robotics solutions automate heavy equipment and fleets, improving worker safety and reducing operational time.
- Adoption of BIM tools for collaborative planning and designing.

C) Challenges Faced by the EPC Industry:

1. The construction industry, particularly EPC, is known for high physical labor and safety hazards. The EPC industry is reported to have the highest accident rate, leading to significant costs.
2. Front-end engineering and design (FEED) challenges due to constant changes during execution.

D) Konstelec Engineers Limited Detailed IPO Analysis:

Konstelec Engineers Limited, incorporated on December 5, 1995, is a dynamic and innovative private Limited Company operating as a Design Engineering Company. Over the years, it has been an evolution into a leading Engineering, Procurement, and Construction/Commissioning (EPC) contractor, delivering comprehensive project management, procurement support, and detailed engineering services for diverse electrical infrastructure projects across India and abroad.

E) Diversified Expertise:

As an EPC company, the spectrum of services encompasses Engineering Design and consultancy, Construction and Commissioning, Operation and Maintenance, and Project Management. Specializing in serving various industries, including oil & gas, refinery, steel, cement, pharmaceuticals, textile, hospital, healthcare, and commercial complexes, both domestically and internationally.

As an EPC (Engineering, Procurement, and Construction) company, Konstelec Engineers Limited provides comprehensive services covering the entire project lifecycle.

In the typical operations of an Engineering, Procurement, and Construction (EPC) company like Konstelec Engineers Limited,

The procurement of raw materials can occur in two primary ways:

1. Direct Procurement from Suppliers:

EPC companies often procure the required raw materials directly from suppliers. They establish relationships with reliable suppliers and manufacturers to source components, equipment, and materials needed for their projects.

2. Client-Supplied Materials (CSM):

In some cases, the client for whom the project is being executed may opt to supply certain materials themselves. This is known as Client-Supplied Materials (CSM). In such scenarios, the client provides specific materials needed for the project.

Here's a breakdown of what each aspect entails:

1. Engineering Design & Consultancy: This involves the planning, conceptualization, and detailed design of engineering projects. Konstelec provides expertise in designing electrical infrastructure for a new oil refinery, ensuring efficient layout and system integration.

2. Construction and Commissioning: Undertaking the physical construction of the designed project and ensuring that it is fully operational. Konstelec oversees the construction and commissioning of a solar power plant, including installing panels and ensuring they function optimally.

3. Operation and Maintenance: Involves managing and maintaining the operational aspects of the infrastructure after it's built. Konstelec offers ongoing operation and maintenance services for a hospital's electrical systems, ensuring they run smoothly and efficiently.

4. Project Management: Coordinating all aspects of a project to ensure it's completed on time, within budget, and meets specified requirements. Konstelec takes charge of project management for a large steel manufacturing facility, overseeing timelines, budgets, and quality control.

Industry Specialization:

Konstelec caters to a diverse range of industries, providing tailored solutions to meet the unique requirements of each sector. Konstelec applies its expertise to design, construct, and manage electrical systems for various sectors such as pharmaceuticals, textiles, and commercial complexes.

Domestic and International Presence:

Konstelec operates both within India and internationally, offering its services across borders. Konstelec successfully executes projects in Nigeria, showcasing its ability to adapt and deliver services on a global scale.

F) IPO Details:

- **Open Date:** Jan 19 2024
- **Close Date:** Jan 23 2024
- **Total Shares:** 4,100,000
- **Face Value:** ₹ 10 Per Equity Share
- **Issue Size:** 28.70 Cr.
- **Lot Size:** 2000 Shares
- **Issue Price:** ₹ 66 - 70 Per Equity Share
- **Minimum Investment:** ₹ 1,32,000
- **Listing At:** NSE

G) Objects of the Konstelec Engineers Limited IPO:

The Issue Proceeds from the Fresh Issue will be utilized towards the following objects:

1. To Meet Working Capital Requirements
2. General corporate purposes
3. To meet Public Issue Expenses.

H) Proven Track Record:

With a skilled team, robust project execution capabilities, and a client-centric focus, there has been successful completion of over 200 projects, including 47 Major Projects exceeding ₹ 400 Crores. As of November 30, 2023, the order book stands at more than 57 Major Projects, valued at around ₹ 573 Crores, highlighting a strong position in the market.

I) Infrastructure and Resources:

Equipped with DG sets, hydra/crane, testing equipment for civil/electrical/instruments, commercial vehicles, and a dedicated manpower strength, there are the necessary resources to execute projects successfully.

J) Esteemed Clientele:

The distinguished clientele includes industry leaders such as Reliance Industries Limited, Engineers India Limited, JSW Steel, Indian Oil, BPCL, HPCL, CPCL, MRPL, ISRO, ACC, BARC, Dangote Industries Limited, Adani, NTPC, Tata Steel Ltd, Navin Fluorine International Ltd, and IGPL, among others.

k) Visionary Leadership:

The growth and success of Konstelec Engineers Limited can be attributed to the visionary leadership of the promoters, Mr. Biharilal Ravilal Shah and Mr. Amish Biharilal Shah, who bring over six decades of business experience in the industry.

L) Commitment to Quality and Safety:

Operating in more than 15 states in India and Nigeria, Konstelec Engineers Limited is committed to delivering projects with precision, adhering to strict safety standards, and maintaining exceptional quality. The consistent services round the year make it a reliable and trusted partner for clients.

M) Strengths of Konstelec Engineers Limited:

1. Proven Track Record: Completion of over 200 projects, including 45 major projects exceeding Rs. 400 Crores, showcasing a strong history of successful project execution.

2. Robust Order Book: Order book comprising 50 major projects valued at around Rs. 565 Crores as of August 31, 2023, indicating a substantial and diverse pipeline.

3. Diverse Client Base: Partnership with esteemed clients like Reliance Industries Limited, Engineers India Limited, JSW Steel, Indian Oil, and others, providing a solid foundation for continued business relationships.

4. Experience and Expertise: Over two decades of experience and extensive expertise in handling various complexities across different scales in EPC projects.

5. Efficient Project Management: Utilization of cutting-edge planning tools, proactive cost-effective alternatives, and adherence to Quality, Health, Safety, and Environment (QHSE) policies for successful project delivery.

6. Technical Infrastructure: Robust technical infrastructure with an in-house design setup and incorporation of the latest technological advancements.

N) Risks and Challenges for Konstelec Engineers Limited:

1. Customer Concentration: Heavy reliance on a few customers, with the top ten contributing a significant percentage of total revenue, posing a risk if any major customer is lost.

2. Litigation Impact: Ongoing litigation with potential adverse effects on the company's business, reputation, and operational results if outcomes are unfavorable.

3. Order Book Uncertainties: The order book, while substantial, does not guarantee complete realization of future income, with possibilities of modifications, cancellations, delays, holds, or partial payments.

4. Negative Cash Flows: Recent negative cash flows from operations, indicating a potential risk for future negative cash flows impacting financial stability.

5. Indebtedness: Total indebtedness of Rs. 35.07 Crores in short-term and long-term borrowings, with the inability to service debt obligations or comply with covenants potentially affecting business prospects.

6. Contingent Liabilities: Contingent liabilities of Rs. 3.02 Crores as of March 31, 2023, posing a potential impact on the company's financial condition.

7. Geographical Dependency: Heavy dependence on India for nearly 90% of revenue, with limited exports to Nigeria, exposing the company to risks associated with regional competition, economic shifts, and demographic changes.

O) Areas of Expertise at Konstelec Engineers Limited:

1. Electric & Instrumentation Contracts:

- Installation and maintenance of electrical and instrumentation systems.
- Automation and control solutions for industrial facilities.
- Compliance with industry standards and regulations.
- Dedicated workforce and rapid deployment capabilities.

2. Electrical Services:

- Design and execution of switchyards and power distribution systems.
- Power protection system design and implementation.
- Expertise in earthing, lighting, and lightning protection systems.
- Proven track record in delivering cutting-edge electrical engineering solutions.

3. Solar Power Plant Projects:

- Active involvement in Solar Power plant projects.
- Efficient execution and management of solar installations.
- Responsibility for operation and maintenance post-construction.

4. Instrumentation & Automation:

- Building Management System (BMS) for security and access control.
- Boiler and Burner Management System (BBMS) for industrial power plants.
- Automation solutions for various industries.
- Expertise in green building design and energy-efficient solutions.
- Comprehensive control and automation packages.

P) Major Project Contracts by Konstelec Engineers Limited:

1. Benu Cement Company (Nigeria): Work Amount: ₹16.43 Cr

2. Engineers India Limited: Work Amount: ₹17.57 Cr

3. ONGC (Oil and Natural Gas Corporation): Work Amount: ₹15.09 Cr

4. Indian Oil Corporation (Project 1): Work Amount: ₹17.85 Cr

5. Indian Oil Corporation (Project 2): Work Amount: ₹27.83 Cr

6. Mangalore Refinery and Petrochemical: Work Amount: ₹29.67 Cr

7. Indian Oil Corporation (Project 3): Work Amount: ₹36.80 Cr

8. Engineers India: Work Amount: ₹48.60 Cr

Total Size of Major Projects Till Now: ₹380 Cr

Q) Financials:

Particulars (In Lakhs)	2021	2022	2023	6M-FY24
Revenue from Operations	10,489	10,705	15,340	9,305
Other Income	128	198	160	129
Total Revenue	10,617	10,902	15,500	9,434
Purchases	4,065	4,013	7,399	4,248
Employees Benefit Expenses	1,720	1,779	2,373	1,448
Other Expenses	4,223	4,329	4,154	2,901
EBITDA	608	782	1,574	837
Depreciation & Amortisation	92	78	81	47
Finance costs	237	223	379	249
EBIT	516	704	1,493	789
OPM (%)	5.73%	7.17%	10.16%	8.87%
PBT	279	481	1114	540
Tax	89	129	336	84
PAT	190	352	778	456
NPM (%)	1.79%	3.23%	5.02%	4.84%
No.of Shares	151	151	151	151
EPS	1.26	2.33	5.15	3.02

R) Revenue Bifurcation (Domestic & Export):

Particulars	For the period ended 30 Sept 2023	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Domestic Sales	9,288.13	14,641.42	9,544.29	10,028.72
Export Sales	17.14	699.07	1,160.43	460.71
Total	9,305.27	15,340.49	10,704.72	10,489.43

S) Peers Analysis:

Name of the Company	Revenue (In Crore)	PAT (In Crore)	EPS (in Rs)	P/E	CMP	Mcap (In Crore)
Konstelec Engineers limited	153	8	5.15	13.6	70	106
Skipper Limited	1,980	33	2.90	46.5	251	2,835

T) Valuation:

After annualizing 2023-24, representing 6M FY24 data:

Particulars (In Cr)

Revenue: INR 186.1

PAT: INR 91.2

EPS: 6.03

P/E: 11.60

Market Cap: 105.70

Review: The valuation and the company size are relatively low as compared to peers, but Revenue and PAT are increasing YoY, and the company is expecting better growth in coming years.