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Issue Offer

Fresh Issue of 4,938,000 Equity shares aggregating up to INR 325.9 Mn

Issue Summary

Price Band (INR)	66
Face Value (INR)	10
Implied Market Cap (INR mn.)	860.8
Market Lot	2000
Issue Opens on	Sept 19,2024
Issue Close on	Sept 23, 2024
No. of share pre-issue	8,101,185
No. of share post issue	13,041,985
Listing	NSE,SME

Issue Break-up (%)

Retail Portion	50%
Other Portion	50%

Registrar

Skyline Financial Services Pvt. Ltd.

Book Running Lead Managers

Jawa Capital Services Pvt. Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	82.72%	51.38%
Public & Others	17.28%	48.62%

Objects of the issue

- Capital Expenditure for Installation
- Capital expenditure for setting up of rolling mill
- General corporate purposes

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Kalana Ispat Ltd. began its operations in the trading of metal scraps and later expanded into manufacturing M.S. (Mild Steel) and Alloy Steel Billets in 2015, with a facility located in Ahmedabad, Gujarat for quality manufacturing. The company operates in two key segments: manufacturing and sales, where it produces and markets M.S. and Alloy Steel Billets, and trading, where it deals in metal products like iron scrap and ingots, providing a diversified revenue stream. Additionally, Company offers job work services, casting billets for other companies when spare capacity is available, thereby optimizing facility utilization and operational efficiency.

Investment Rationale

Solar Power Project to Cut Overhead Costs and Enhance Profitability: To reduce overhead costs, company plans to install a 4 MW DC and 3.5 MW AC Ground Mounted Solar Power Plant. This initiative aims to address the high electricity expenses associated with the manufacturing unit. The company has applied to the Gujarat Electricity Regulatory Commission (GERC) for Green Energy Open Access, which will allow for solar energy generation for captive consumption. This policy entails certain charges but is expected to significantly lower overall electricity costs, enhancing profitability. On June 26, 2024, GERC granted company provisional registration for the renewable energy project under the Gujarat Renewable Energy Policy-2023, valid for six months.

Pursues Forward Integration with New Rolling Mill Plant Initiative: Company aims to enhance its business by exploring forward integration through the establishment of a rolling mill plant. Currently manufacturing Alloy and M.S. Billets, which serve various industries, the company plans to utilize its existing products as raw materials for the new facility. This initiative will diversify its product portfolio and open up new market opportunities, leveraging its industry expertise and proven track record.

Strategic Location Enhances Operational Efficiency : Company manufacturing unit is strategically located on a highway and within 300-400 km of a port, facilitating the efficient procurement of both domestic and imported raw materials. This advantageous position also allows for easy distribution of finished products. Additionally, the proximity to several rolling mills within 200-300 km enhances demand for the company's Alloy and M.S. Billets, which serve as essential raw materials for these mills.

Strong Leadership Drives Growth : Company is guided by a strong management team led by Promoter Directors Mr. Aftabhusen S. Khandwawala and Mr. Varghese Joseph Pottakerry, both of whom bring extensive experience in manufacturing Alloy and M.S. Billets. Their leadership and long-term vision have been key to the company's consistent growth, reflected in its impressive track record. The dedicated efforts of the management team have significantly contributed to the business's expansion.

Valuation and View : Company is actively pursuing strategies to enhance profitability and operational efficiency. And company plans to install a 4 MW DC and 3.5 MW AC Ground Mounted Solar Power Plant to reduce electricity costs, having received Provisional Registration from the Gujarat Electricity Regulatory Commission for this initiative. Additionally, They aims to establish a rolling mill plant to utilize its existing Alloy and M.S. Billets as raw materials, diversifying its product portfolio and tapping into new markets. Guided by experienced Promoter Directors, the company's strong leadership has driven consistent growth. Its strategic location on a highway and proximity to a port facilitate efficient raw material procurement and distribution, while nearby rolling mills create additional demand for its products. At the upper band of INR 66, the issue is valued at a P/E ratio of 36.37x, based on a FY24 EPS of INR 1.8. We are recommending a "Subscribe for Listing Gain" for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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