

IPO Report

Choice

“SUBSCRIBE” to

Elin Electronics Ltd.

A leading EMS company with diversified product profile



Salient features of the IPO:

- Electronics manufacturing services company **Elin Electronics Ltd.** (EEL), is coming up with an IPO to raise Rs. 475cr, which opens on 20th Dec. and closes on 22nd Dec. 2022. The price band is Rs. 234 - 247 per share.
- The IPO is a combination of fresh and OFS issue. The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Rs. 88cr will be utilized for the prepayment/repayment of the borrowing and Rs. 37.6cr will be used for funding the capital expenditure towards the upgradation & expansion in the existing production facilities.
- Some of the promoter group members are participating in the OFS issue and offloading 0.663cr shares. Post-IPO, the promoter group stake will be at 32.93%, compared to pre-IPO stake of 53.98%.

Key competitive strengths:

- Established market position in key verticals including leadership in fractional horsepower motors
- Diversified products resulting in a de-risked business model
- Entrenched relationships with a marquee customer base
- High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability
- Consistent and strong track record of financial performance

Risk and concerns:

- Unfavorable government policies & regulations
- Subdued economic growth and consumer demand
- Delay in expanding the capacity
- Unfavorable product-mix
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- The total addressable electronics manufacturing services (EMS) market in India was valued at Rs. 2,654bn in FY21, is expected to grow by 30.3% CAGR to Rs. 9,963bn in FY26. The contribution of Indian EMS companies was at around 40% i.e. Rs. 1,069bn in FY21, is expected to grow at 41.1% CAGR to reach a size of Rs. 5,978bn by FY26 (Source: RHP). Over FY16-21, the contribution of EMS companies for goods made in India grew at 22.7% CAGR.
- EEL is a leading EMS manufacturer for major brands of lighting, fans, and small/kitchen appliances in India. The company is one of the largest fractional horsepower motors manufacturers in India with a market share of 12% in FY21 (Source: RHP). It manufactures and sells fractional horsepower motors under the brand name "Elin". It is also one of the key players in LED lighting and flashlight with EMS market share of approximately 7%. Moreover, EEL also has an EMS market share of 10.7% in the small appliances vertical.
- Its diversified product portfolio in EMS includes (i) LED lighting products, fans and modular switches & sockets; (ii) small appliances such as dry & steam irons, toasters, hand blenders, mixer grinders, hair dryer and hair straightener; (iii) fractional horsepower motors, which is used in mixer grinder, hand blender, wet grinder, chimney, air conditioner, heat convector, table wall pedestal fans etc.; and (iv) other miscellaneous products such as terminal block for air conditioners, stainless steel blade for mixer grinders, die casting, radio sets. In addition to EMS offerings, the company also manufactures medical diagnostic cartridges for use in diagnostic devices, and plastic moulded and sheet metal parts & components, largely for customers in the auto ancillary and consumer durables sectors.

Issue details

Price band	Rs. 234 - 247 per share
Face value	Rs. 5
Shares for fresh issue	0.709 - 0.748cr shares
Shares for OFS	1.215 - 1.282cr shares
Fresh issue size	Rs. 175cr
OFS issue size	Rs. 300cr
Total issue size	1.923 - 2.030cr shares (Rs. 475cr)
Bidding date	20 th Dec. - 22 nd Dec. 2022
MCAP at higher price band	Rs. 1,227cr
Enterprise value at higher price band	Rs. 1,157cr
Book running lead manager	Axis Capital Ltd. and JM Financial Ltd.
Registrar	KFin Technologies Ltd.
Sector	EMS-Consumer Electronics

Promoters	Mr. Mangi Lall Sethia, Mr. Kamal Sethia, Mr. Kishore Sethia, Mr. Gaurav Sethia, Mr. Sanjeev Sethia, Mr. Sumit Sethia, Mrs. Suman Sethia, Mrs. Vasudha Sethia and Mr. Vinay Kumar Sethia
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Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.962 - 1.015cr shares
Non institutional portion (Big)	10%	0.192 - 0.203cr shares
Non institutional portion (Small)	5%	0.096 - 0.101cr shares
Retail portion	10%	0.673 - 0.710cr shares

Indicative IPO process time line

Finalization of basis of allotment	27 th Dec. 2022
Unblocking of ASBA account	28 th Dec. 2022
Credit to demat accounts	29 th Dec. 2022
Commencement of trading	30 th Dec. 2022

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	53.98%	32.93%
Public	46.02%	67.07%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	60
Application money	Rs. 14,820 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Elin Electronics Ltd.	5	247	1,227	1,157					1,180.0	84.3	40.5	25.3%	7.1%	3.4%
Amber Enterprises India Ltd.	10	2,013	6,782	7,082	0.1%	-11.6%	-4.7%	-41.5%	5,487.2	334.8	128.4	15.8%	6.1%	2.3%
Dixon Technologies (India) Ltd.	2	4,027	23,899	23,999	-11.3%	-9.5%	20.3%	-27.1%	12,747.8	466.5	232.3	8.8%	3.7%	1.8%
Kaynes Technology India Ltd.	10	706	349	497					706.2	95.2	41.7	30.7%	13.5%	5.9%
PG Electroplast Ltd.	10	1,108	2,368	2,675	8.1%	7.6%	25.8%	63.0%	1,624.9	106.4	56.7	18.0%	6.5%	3.5%
Syrma SGS Technology Ltd.	10	284	5,010	5,128	-8.4%	-1.2%			1,019.7	96.6	55.5	52.8%	9.5%	5.4%
Average												25.2%	7.9%	3.8%

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Elin Electronics Ltd.	9.7%	11.5%	10.4%	7.2%	3.7%	15.5%	21.9%	60	5.6	1.8	12.0%	13.1%
Amber Enterprises India Ltd.	15.2%	9.1%	5.2%	7.4%	3.2%	10.7%		22	3.0	1.1	8.7%	8.5%
Dixon Technologies (India) Ltd.	53.0%	41.3%	44.2%	4.5%	2.3%	33.2%		4	10.7	2.3	19.9%	19.3%
Kaynes Technology India Ltd.	24.7%	37.3%	62.6%	11.3%	3.4%	33.4%		98	5.8	1.0	11.8%	21.3%
PG Electroplast Ltd.	29.2%	31.9%	55.7%	6.2%	1.9%	31.5%		47	2.4	1.2	6.3%	6.4%
Syrma SGS Technology Ltd.	42.3%	32.0%	38.3%	12.5%	7.4%	88.8%	14.2%	20	4.1	1.0	25.7%	23.5%
Average	32.9%	30.3%	41.2%	8.4%	3.6%	39.5%	14.2%	38	5.2	1.3	14.5%	15.8%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	MCAP / EBITDA (x)	MCAP / Sales (x)	Earning yield
Elin Electronics Ltd.	8.2	96.3	0.0	0.2	6.3	1.7	8.5%	19.1%	30.3	2.6	1.0	13.7	1.0	3.3%
Amber Enterprises India Ltd.	38.1	514.7	0.0	0.6	3.4	1.1	7.4%	13.3%	52.8	3.9	1.3	21.2	1.2	1.9%
Dixon Technologies (India) Ltd.	39.1	168.0	1.0	0.4	12.4	3.0	23.3%	29.9%	102.9	24.0	1.9	51.4	1.9	1.0%
Kaynes Technology India Ltd.	84.2	409.3	0.0	0.8	6.8	1.1	20.6%	34.4%	8.4	1.7	0.7	5.2	0.5	11.9%
PG Electroplast Ltd.	26.5	146.1	0.0	1.1	3.6	1.5	18.2%	16.2%	41.8	7.6	1.6	25.1	1.5	2.4%
Syrma SGS Technology Ltd.	3.1	32.5	0.0	0.3	2.4	0.8	9.7%	12.6%	90.3	8.8	5.0	53.1	4.9	1.1%
Average			0.2	0.7	5.7	1.5	15.8%	21.3%	59.2	9.2	2.1	31.2	2.0	3.7%

Note: Financial data is for TTM with IPO related adjustments; Source: Choice Broking Research

- The company offers innovative and cost-effective solutions to its marquee clients, including leading international and national brands. Product-wise clientele includes original equipment manufacturers (OEM) like Signify Innovations and Eveready for LED lighting, fans and switches; Philips, Bosch, Faber, Panasonic and Usha for small appliances; Havells, Bosch, Faber, Panasonic, Preethi (owned by Philips), Groupe SEB (Maharaja brand) and Usha for fractional horsepower motors; Molbio Diagnostics for medical diagnostic cartridges; and Denso and IFB for its moulded and sheet metal parts & components.
- It has developed longstanding relationships with customers across the product vertical. Out of its top-20 customers (as of 30th Sept. 2022), the company is serving 11 customers for over 10 years and is serving 16 customers for over five years. According to the management, high customer retention capabilities are due to its one-stop-shop facilities and consistently maintaining high standards of manufacturing quality of products in a timely manner.
- The company intends to leverage the existing customer relationships to expand into new product categories. For instance, it has been selected as manufacturing partner by Philips for trimmers. Business from this product is expected to commence in FY23. EEL commenced manufacturing medical diagnostic cartridges in the year 2019. It further intends to expand its customer and product base in the medical diagnostics equipment market. The company is planning to double the existing production capacity for medical diagnostic cartridges and also focus on other diagnostic products like sterilizer for Philips.
- EEL also operates vis original design manufacturer (ODM) business model. Under the ODM model, apart from manufacturing, the company conceptualize and design the products which are then marketed under customer's brands. It has developed ODM capabilities with respect to lighting products and small appliances. During FY19-22, OEM and ODM business-mix averaged around to 90% and 10%, respectively. An average 16.6% and 16.4% of its lighting products and small appliance's business was generated through ODM model during FY19-22.
- The company has three manufacturing facilities which are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa). As of 31st Oct. 2022, its large scale setup included 157 units of molding machines and 104 units of power presses. EEL's modern and state-of-art manufacturing facilities are equipped with high quality machinery, assembly lines and full power backup for 100% capacity.
- In Jun. 2022, it received an approval under the Production Linked Incentive Scheme for White Goods (Air Conditioners and LEDs). The company has committed an investment of Rs. 10cr.

Key highlights of the company (Contd...):

- On the back of growing demand of its products, EEL has reported a consistent growth in the business with stability in the profitability margins over FY19-22. The company reported a 9.7% CAGR rise in the consolidated revenue over FY19-22 to Rs. 1,093.8cr. Business from the EMS and moulded and sheet metal parts & components increased by 8.7% and 9.3% CAGR, respectively. Net cost of revenue increased by 10.2% CAGR (a rate higher than top-line growth), thereby leading to an 110bps contraction in the gross profit margin. However relatively lower other expenses resulted in a 34bps expansion in the EBITDA margin, which stood at 7.2% in FY22. Consolidated EBITDA increased by 11.5% CAGR over FY19-22 to Rs. 79cr in FY22. Addition of machinery in the asset base mainly led to a 25.3% CAGR rise in depreciation charges, while lower interest expenses resulted in 0.7% CAGR fall in the finance costs. Consequently, reported PAT increased by 10.4% CAGR to Rs. 39.1cr in FY22. PAT margin expanded by 7bps during the period.
- Excluding FY21, EEL reported positive operating cash flow during the period, which increased by 21.9% CAGR. Average operating cash flow stood at Rs. 30.7cr over FY19-22. Financial liabilities increased by 4.9% CAGR with debt-to-equity ratio of 0.4x in FY22, compared to 0.5x in FY19. Pre-issue average RoIC and RoE stood at 14.3% and 13.2%, respectively.
- During H1 FY23, consolidated revenue increased by 16.6% Y-o-Y to Rs. 604.5cr. EBITDA and PAT margin contracted by 16bps and 31bps Y-o-Y, respectively, to 7.1% and 3.4%. On TTM basis, top-line stood at Rs. 1,180cr with an EBITDA and PAT margin of 7.1% and 3.4%, respectively.
- Based on our conservative assumptions, we are forecasting an 11.5% CAGR growth in the top-line over FY22-24E to Rs. 1,358.8cr. EBITDA and PAT margins are likely to remain at FY22 levels. However, post-issue RoIC and RoE is expected to expand by 127bps and 131bps, respectively, to 10.5% and 9.5% in FY24E.

Peer comparison and valuation: At higher price band, EEL is demanding a EV/S multiple of 1x (to its TTM sales), which is at discount to the peer average of 2.1x. Considering the government policy tailwind for the electronics manufacturing sector, EEL's positioning in its product vertical and vast growth opportunities, we believe the IPO is attractively priced. Thus we assign a **"SUBSCRIBE"** rating for the issue.

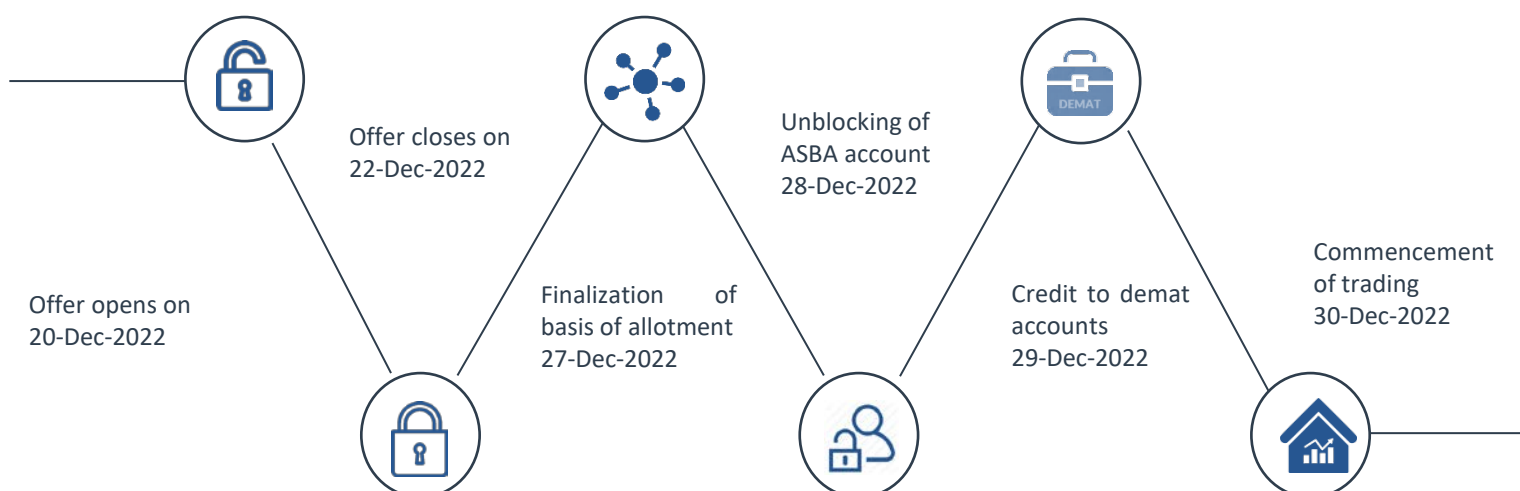
About the issue:

- EEL is coming up with an IPO with 1.923 - 2.030cr shares (fresh issue: 0.709 - 0.748cr shares; OFS shares: 1.215 - 1.282cr shares) in offering. This offer represents around 38.73% - 40.56% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 475cr.
- The issue will open on 20th Dec. 2022 and close on 22nd Dec. 2022.
- The issue is through book building process with a price band of Rs. 234 - 247 per share.
- Lot size is 60 equity shares and in multiple of 60 shares thereafter.
- The IPO is a combination of fresh and OFS issue. The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Rs. 88cr will be utilized for the prepayment/repayment of the borrowing and Rs. 37.6cr will be used for funding the capital expenditure towards the upgradation & expansion in the existing production facilities.
- Some of the promoter group members are participating in the OFS issue and offloading 0.663cr shares.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 53.98% stake in the company and post-IPO this will come down to 32.93%. Public holding will increase from current 46.02% to 67.07%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	53.98%	32.93%
Public	46.02%	67.07%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-22: On the back of growing demand of its products, EEL has reported a consistent growth in the business with stability in the profitability margins over FY19-22.

The company reported a 9.7% CAGR rise in the consolidated revenue over FY19-22 to Rs. 1,093.8cr. Business from the EMS increased by 8.7% CAGR, mainly due to 32.4%, 3.5% and 1.7% CAGR rise in business from the sales of fractional horsepower motors, small appliances, and LED lighting, fans and switches, respectively. Business from the moulded and sheet metal parts & components was higher by 9.3% CAGR during the period.

Net cost of revenue increased by 10.2% CAGR (a rate higher than top-line growth), thereby leading to an 110bps contraction in the gross profit margin. However relatively lower other expenses resulted in a 34bps expansion in the EBITDA margin, which stood at 7.2% in FY22. Consolidated EBITDA increased by 11.5% CAGR over FY19-22 to Rs. 79cr in FY22.

Addition of machinery in the asset base mainly led to a 25.3% CAGR rise in depreciation charges, while lower interest expenses resulted in 0.7% CAGR fall in the finance costs. Consequently, reported PAT increased by 10.4% CAGR to Rs. 39.1cr in FY22. PAT margin expanded by 7bps during the period.

Excluding FY21, EEL reported positive operating cash flow during the period, which increased by 21.9% CAGR. Average operating cash flow stood at Rs. 30.7cr over FY19-22. Financial liabilities increased by 4.9% CAGR with debt-to-equity ratio of 0.4x in FY22, compared to 0.5x in FY19. Pre-issue average RoIC and RoE stood at 14.3% and 13.2%, respectively.

Performance during H1 FY23: Consolidated revenue increased by 16.6% Y-o-Y to Rs. 604.5cr. EBITDA and PAT margin contracted by 16bps and 31bps Y-o-Y, respectively, to 7.1% and 3.4%.

On TTM basis, top-line stood at Rs. 1,180cr with an EBITDA and PAT margin of 7.1% and 3.4%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	FY22	H1 FY22	H2 FY22	H1 FY23	TTM	CAGR over FY20-22	Y-o-Y (FY22 annual)
Sale of products	810.2	767.7	841.3	1,064.6	504.8	559.8	588.6	1,148.4	9.5%	26.5%
Sale of services	2.3	2.5	1.5	1.7	0.9	0.8	0.9	1.7	-10.0%	13.9%
Other operating revenues	16.1	15.3	19.6	27.5	12.6	14.9	15.0	29.9	19.6%	40.1%
Revenue from operations	828.5	785.6	862.4	1,093.8	518.2	575.5	604.5	1,180.0	9.7%	26.8%
Gross profit	219.8	231.8	237.7	278.1	133.0	145.1	153.2	298.2	8.2%	17.0%
EBITDA	57.0	55.5	66.5	79.0	37.8	41.2	43.1	84.3	11.5%	18.9%
Reported PAT	29.1	27.5	34.9	39.1	19.3	19.8	20.7	40.5	10.4%	12.3%
Restated reported EPS	5.9	5.5	7.0	7.9	3.9	4.0	4.2	8.2	10.4%	12.3%
Cash flow from operating activities	28.3	76.8	(33.6)	51.3	11.2	40.0	31.4	71.5	21.9%	
NOPLAT	38.1	36.0	40.1	47.9	23.4	24.4	26.0	50.5	7.9%	19.4%
FCF		(4.7)	0.1	11.7			(8.6)			
RoIC (%)	16.7%	13.4%	13.1%	14.0%	7.1%	7.2%	6.9%	13.4%	(266) bps	94 bps
Revenue growth rate		-5.2%	9.8%	26.8%			16.6%			
Gross profit growth rate		5.5%	2.5%	17.0%			15.1%			
Gross profit margin	26.5%	29.5%	27.6%	25.4%	25.7%	25.2%	25.3%	25.3%	(110) bps	(214) bps
EBITDA growth rate		-2.7%	19.9%	18.9%			14.0%			
EBITDA margin	6.9%	7.1%	7.7%	7.2%	7.3%	7.2%	7.1%	7.1%	34 bps	(48) bps
EBIT growth rate		-7.4%	18.7%	18.3%			12.5%			
EBIT margin	6.0%	5.9%	6.3%	5.9%	6.0%	5.9%	5.7%	5.8%	(9) bps	(42) bps
Restated reported PAT growth rate		-5.5%	26.8%	12.3%			6.9%			
Restated reported PAT margin	3.5%	3.5%	4.0%	3.6%	3.7%	3.4%	3.4%	3.4%	7 bps	(46) bps
Inventory days	49.1	53.3	56.9	52.5	52.7	50.1	50.4	52.4	2.3%	-7.8%
Debtor days	60.6	53.0	57.9	60.1	74.4	55.5	63.6	66.0	-0.3%	3.8%
Payable days	(55.2)	(52.8)	(50.5)	(45.6)	(49.9)	(41.5)	(52.4)	(54.4)	-6.2%	-9.6%
Cash conversion cycle	54.4	53.5	64.3	67.0	77.2	64.0	61.7	64.0	7.2%	4.1%
Fixed asset turnover ratio	6.2	5.1	5.3	5.8	2.9	3.1	3.0	5.8	-2.3%	8.8%
Total asset turnover ratio	2.1	2.0	1.7	2.1	0.9	1.1	1.0	2.0	-0.5%	21.0%
Current ratio	1.6	2.1	1.8	1.9	1.7	1.9	1.9	1.9	5.1%	5.8%
Quick ratio	1.1	1.3	1.2	1.2	1.2	1.2	1.2	1.2	3.2%	2.7%
Total debt	96.9	79.3	123.9	111.9	145.1	111.9	113.6	113.6	4.9%	-9.7%
Net debt	80.4	43.9	105.0	105.8	125.7	105.8	110.9	110.9	9.6%	0.8%
Debt to equity	0.5	0.3	0.5	0.4	0.5	0.4	0.4	0.4	-8.8%	-21.9%
Net debt to EBITDA	1.4	0.8	1.6	1.3	3.3	2.6	2.6	1.3	-1.7%	-15.2%
RoE (%)	14.6%	12.1%	13.3%	12.9%	6.8%	6.5%	6.5%	12.6%	(169) bps	(37) bps
RoA (%)	7.3%	7.1%	6.9%	7.4%	3.5%	3.7%	3.5%	6.9%	4 bps	49 bps
RoCE (%)	21.4%	18.4%	17.7%	18.1%	9.4%	9.4%	8.8%	17.3%	(331) bps	39 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Established market position in key verticals including leadership in fractional horsepower motors
- Diversified products resulting in a de-risked business model
- Entrenched relationships with a marquee customer base
- High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability
- Consistent and strong track record of financial performance

Business strategy:

- Enhance customer base and relationships through cross-selling and product development
- Expand ODM share of the business
- Augmenting our R&D capabilities
- Expanding operations in medical diagnostics cartridges and manufacturing facilities
- Focus on one-stop-shop facility with increased degree of backward integration



Risk and concerns:

- Unfavorable government policies & regulations
- Subdued economic growth and consumer demand
- Delay in expanding the capacity
- Unfavorable product-mix
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)										
	FY19	FY20	FY21	FY22	H1 FY22	H2 FY22	H1 FY23	TTM	CAGR over FY19 - 22	Annual growth over FY21
Revenue from operations	828.5	785.6	862.4	1,093.8	518.2	575.5	604.5	1,180.0	9.7%	26.8%
Cost of material consumed	(591.1)	(542.6)	(616.8)	(792.4)	(385.0)	(407.4)	(447.6)	(855.0)	10.3%	28.5%
Purchases of stock-in-trade	(17.8)	(16.8)	(11.9)	(28.3)	(2.4)	(25.9)	(5.3)	(31.3)	16.7%	137.7%
Change in inventories of finished goods, work-in-progress and stock-in-trade	0.2	5.6	4.0	5.0	2.2	2.8	1.6	4.5	208.7%	24.7%
Gross profit	219.8	231.8	237.7	278.1	133.0	145.1	153.2	298.2	8.2%	17.0%
Employee benefits expense	(94.4)	(106.3)	(108.0)	(125.2)	(60.5)	(64.8)	(67.1)	(131.9)	9.9%	15.9%
Other expenses	(68.3)	(70.0)	(63.2)	(73.8)	(34.8)	(39.0)	(43.0)	(82.0)	2.6%	16.8%
EBITDA	57.0	55.5	66.5	79.0	37.8	41.2	43.1	84.3	11.5%	18.9%
Depreciation, impairment & amortization expenses	(7.3)	(9.4)	(11.8)	(14.4)	(6.9)	(7.4)	(8.4)	(15.8)	25.3%	21.3%
EBIT	49.7	46.0	54.6	64.7	30.8	33.8	34.7	68.5	9.2%	18.3%
Finance costs	(13.0)	(11.7)	(9.7)	(12.7)	(6.1)	(6.6)	(7.4)	(14.1)	-0.7%	31.3%
Other income	1.2	0.8	2.5	0.9	0.7	0.2	0.3	0.5	-8.5%	-63.8%
PBT	37.9	35.1	47.5	52.9	25.5	27.4	27.6	55.0	11.7%	11.3%
Tax expenses	(8.9)	(7.6)	(12.6)	(13.7)	(6.1)	(7.6)	(6.9)	(14.5)	15.7%	8.6%
Reported PAT	29.1	27.5	34.9	39.1	19.3	19.8	20.7	40.5	10.4%	12.3%

Consolidated balance sheet statement (Rs. cr)										
	FY19	FY20	FY21	FY22	H1 FY22	H2 FY22	H1 FY23	TTM	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	5.0	6.8	6.8	20.4	20.4	20.4	20.4	20.4	60.3%	200.0%
Other equity	194.1	220.9	255.4	282.7	262.0	282.7	299.7	299.7	13.4%	10.6%
Non current borrowings	46.5	50.8	57.1	50.8	56.0	50.8	68.0	68.0	3.0%	-11.1%
Non current lease liabilities	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.8%	-1.0%
Non current provisions	0.6	0.5	0.9	0.9	0.8	0.9	0.8	0.8	15.1%	4.1%
Net deferred tax liabilities	3.0	5.6	7.8	9.2	8.3	9.2	9.7	9.7	46.0%	18.8%
Trade payables	92.1	68.2	104.6	99.2	106.7	99.2	131.3	131.3	2.5%	-5.1%
Current borrowings	40.1	19.1	56.7	51.5	76.0	51.5	34.8	34.8	8.7%	-9.0%
Current lease liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Other current financial liabilities	10.1	9.2	9.9	9.4	12.8	9.4	10.6	10.6	-2.5%	-5.7%
Current net tax liabilities	1.1	0.6	4.1	2.3	2.5	2.3	4.2	4.2	26.2%	-44.2%
Current provisions	0.8	0.8	0.8	0.9	0.7	0.9	0.8	0.8	4.9%	16.7%
Other current liabilities	4.3	4.8	4.1	5.1	5.9	5.1	8.8	8.8	6.4%	25.0%
Total liabilities	397.7	387.6	508.3	532.6	552.4	532.6	589.2	589.2	10.2%	4.8%
Property, plant and equipment	132.1	154.4	160.5	187.5	170.0	187.5	201.4	201.4	12.4%	16.8%
Intangible assets	0.1	0.1	0.7	0.4	0.5	0.4	0.7	0.7	41.0%	-38.3%
Right-of-use assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-1.7%	-1.3%
Capital work-in-progress	0.4	0.0	0.1	0.0	7.6	0.0	1.8	1.8	-61.1%	-57.1%
Non current investments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-14.3%	0.0%
Other non current financial assets	2.2	1.8	2.5	1.9	1.8	1.9	2.0	2.0	-5.2%	-25.3%
Other non current assets	18.5	15.0	18.8	20.6	14.4	20.6	20.7	20.7	3.6%	9.3%
Inventories	81.8	79.9	115.0	119.7	112.8	119.7	126.5	126.5	13.5%	4.1%
Trade receivables	137.5	90.8	182.6	177.4	214.2	177.4	213.5	213.5	8.9%	-2.9%
Current investment	13.3	25.1	13.6	1.2	14.0	1.2	1.2	1.2	-55.7%	-91.5%
Cash and cash equivalents	3.3	10.3	5.4	4.9	5.3	4.9	1.6	1.6	14.6%	-8.3%
Current loans	0.5					0.0		0.0		
Other current financial assets	1.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-17.9%	-4.9%
Current net tax assets	0.2	0.6	0.6	0.7	0.6	0.7	0.8	0.8	68.3%	22.8%
Other current assets	5.9	8.4	7.4	17.2	10.0	17.2	18.0	18.0	42.4%	132.1%
Total assets	397.7	387.6	508.3	532.6	552.4	532.6	589.2	589.2	10.2%	4.8%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)										
	FY19	FY20	FY21	FY22	H1 FY22	H2 FY22	H1 FY23	TTM	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	57.8	60.9	66.9	79.0	37.8	41.2	43.1	84.3	11.0%	18.1%
Working capital changes	(24.1)	22.3	(93.6)	(13.0)	(19.1)	6.2	(6.9)	(0.8)	-18.7%	-86.2%
Cash flow from operating activities	28.3	76.8	(33.6)	51.3	11.2	40.0	31.4	71.5	21.9%	
Purchase of fixed assets and CWIP	(30.0)	(32.6)	(19.7)	(42.4)	(23.8)	(18.6)	(24.2)	(42.7)	12.2%	115.4%
Cash flow from investing activities	(31.8)	(42.4)	(4.9)	(27.8)	(23.6)	(4.2)	(24.0)	(28.2)	-4.4%	461.9%
Cash flow from financing activities	(3.7)	(28.4)	34.2	(24.1)	12.2	(36.3)	(11.1)	(47.4)	86.5%	
Net cash flow	(7.2)	6.0	(4.4)	(0.7)	(0.1)	(0.5)	(3.7)	(4.2)	-55.0%	-84.9%
Opening balance of cash	10.4	3.1	9.1	4.7	4.7	4.5	4.0	4.5	-23.3%	-48.5%
Closing balance of cash	3.1	9.1	4.7	4.0	4.5	4.0	0.3	0.3	8.8%	-14.2%

Consolidated financial ratios									
Particulars	FY19	FY20	FY21	FY22	H1 FY22	H2 FY22	H1 FY23	TTM	
Profitability ratios									
Revenue growth rate		-5.2%	9.8%	26.8%					16.6%
Gross profit growth rate		5.5%	2.5%	17.0%					15.1%
Gross profit margin	26.5%	29.5%	27.6%	25.4%	25.7%	25.2%	25.3%	25.3%	25.3%
EBITDA growth rate		-2.7%	19.9%	18.9%					14.0%
EBITDA margin	6.9%	7.1%	7.7%	7.2%	7.3%	7.2%	7.1%	7.1%	7.1%
EBIT growth rate		-7.4%	18.7%	18.3%					12.5%
EBIT margin	6.0%	5.9%	6.3%	5.9%	6.0%	5.9%	5.7%	5.8%	5.8%
Restated reported PAT growth rate		-5.5%	26.8%	12.3%					6.9%
Restated reported PAT margin	3.5%	3.5%	4.0%	3.6%	3.7%	3.4%	3.4%	3.4%	3.4%
Turnover ratios									
Inventory receivable turnover ratio	10.1	9.7	8.8	9.3	4.6	4.8	4.8	9.3	9.3
Trade receivable turnover ratio	6.0	6.9	6.3	6.1	2.4	3.2	2.8	5.5	5.5
Accounts payable turnover ratio	9.0	9.8	10.0	10.7	4.9	5.8	4.6	9.0	9.0
Fixed asset turnover ratio	6.2	5.1	5.3	5.8	2.9	3.1	3.0	5.8	5.8
Total asset turnover ratio	2.1	2.0	1.7	2.1	0.9	1.1	1.0	2.0	2.0
Return ratios									
RoIC (%)	16.7%	13.4%	13.1%	14.0%	7.1%	7.2%	6.9%	13.4%	13.4%
RoE (%)	14.6%	12.1%	13.3%	12.9%	6.8%	6.5%	6.5%	12.6%	12.6%
RoA (%)	7.3%	7.1%	6.9%	7.4%	3.5%	3.7%	3.5%	6.9%	6.9%
RoCE (%)	21.4%	18.4%	17.7%	18.1%	9.4%	9.4%	8.8%	17.3%	17.3%
Per share data									
Restated adjusted EPS (Rs.)	5.9	5.5	7.0	7.9	3.9	4.0	4.2	8.2	8.2
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.8
BVPS (Rs.)	40.1	45.9	52.8	61.0	56.9	61.0	64.5	64.5	64.5
Operating cash flow per share (Rs.)	5.7	15.5	(6.8)	10.3	2.3	8.1	6.3	14.4	14.4
Free cash flow per share (Rs.)		(0.9)	0.0	2.4			(1.7)		
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.8%	10.1%	10.1%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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