

IPO Report

Choice

“SUBSCRIBE” to IKIO Lighting Ltd.

A leading LED lighting solution provider with vast product-line



Salient features of the IPO:

- Noida-based LED lighting solution provider, **IKIO Lighting Ltd.** (IKIO) is coming up with an IPO to raise around Rs. 605cr, which opens on 6th Jun. and closes on 8th Jun. 2023. The price band is Rs. 270 - 285 per share.
- The IPO consists of fresh issue (Rs. 350cr) and an OFS offering (Rs. 243 - 256.5cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, it will be utilizing Rs. 212cr for setting-up a new facility at Noida and another Rs. 50cr will be used for the repayment/prepayment of the certain borrowings.
- Few of the promoter & promoter group entities are participating in the OFS and offloading 0.9cr equity shares. Pre-IPO, the promoter & promoter group had 100% stake in IKIO, which will get reduced to 72.46% post the conclusion of the IPO.

Key competitive strengths:

- Poised to capture growth of LED market
- Diverse product basket with focus on high-margin areas
- Long-term relationships with leading industry customers
- Strong focus on R&D
- Established infrastructure with backward integration
- Strong and consistent financial performance
- Experienced promoters and management team

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Revenue concentration risk
- Difficulty in expanding the export business
- Delay in expanding the manufacturing capacity
- Unfavorable forex rates
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- On the back of population growth, rapid urbanization and improved demand for environmentally sustainable & cost-effective lighting solutions, the market of LED lighting has increased rapidly in the recent years. As a result, over FY18-22 the domestic LED lighting market has increased by 12.4% CAGR to Rs. 21,708cr. Further, with improved applications across the residential, commercial and industrial areas, the domestic LED lighting market is expected to increase by 11.7% CAGR over FY22-26E to reach a size of Rs. 33,820cr. The electronics manufacturing services (EMS) market supporting the domestic LED lighting market has increased by 21.5% CAGR over FY18-22 to Rs. 4,800cr and is expected to grow by 27% CAGR over FY22-26E to a size of Rs. 12,500cr. (Source: RHP)
- In FY22, high-end home & decorative lights was around 16% (Rs. 3,500cr) of the total domestic LED lighting market. High-end home & decorative lighting market was further split into Functional Decorative Lights (60%, i.e. Rs. 2,100cr) and True Blue Decorative Lights (40%, i.e. Rs. 1,400cr). With rising importance, the high-end home & decorative lights is estimated to expand by 14.2% CAGR over FY22-26E to Rs. 5,960cr. Signify Innovations India Ltd. (erstwhile Philips Electronics India Ltd.; Signify-Philips) had around 50% and 10% share in the Functional Decorative Lights and True Blue Decorative Lights market, respectively, in India. (Source: RHP)
- IKIO is a LED lighting manufacturer and solutions provider in India, deriving 100% of the business from B2B channel. It is largely an original design manufacturer (ODM; around 92% of the operations) with business operations ranging from designing, developing, manufacturing and supplying products to customers, which in-turn distribute these products under their own brands. IKIO also develops, manufacture and supplies products based on customers design. During 9M FY23, it derived around 50% of the proforma consolidated business from Signify-Philips. According to the RHP, the company had around 45% wallet share in the Signify-Philips's business in FY22.

Issue details

Price band	Rs. 270 - 285 per share
Face value	Rs. 10
Shares for fresh issue	1.228 - 1.296cr shares
Shares for OFS	0.9cr shares
Fresh issue size	Rs. 350cr
OFS issue size	Rs. 243 - 256.5cr

Total issue size	2.128 - 2.196cr shares (Rs. 593 - 606.5cr)
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Bidding date	6 th Jun. - 8 th Jun. 2023
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Implied MCAP at higher price band	Rs. 2,203cr
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Implied enterprise value at higher price band	Rs. 1,974cr
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Book running lead manager	Motilal Oswal Investment Advisors Ltd.
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Registrar	KFin Technologies Ltd.
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Sector	EMS - Household Appliances
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Promoters	Mr. Hardeep Singh and Mrs. Surmeet Kaur
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Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.064 - 1.098cr shares
Non institutional portion (Big)	10%	0.213 - 0.220cr shares
Non institutional portion (Small)	5%	0.106 - 0.11cr shares
Retail portion	35%	0.745 - 0.769cr shares

Indicative IPO process time line

Finalization of basis of allotment	13 th Jun. 2023
Unblocking of ASBA account	14 th Jun. 2023
Credit to demat accounts	15 th Jun. 2023
Commencement of trading	16 th Jun. 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	72.46%
Public	0.00%	27.54%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	52
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				FY22 total operating revenue (Rs. cr)	FY22 EBITDA (Rs. cr)	FY22 PAT (Rs. cr)	FY22 gross margin	FY22 EBITDA margin	FY22 PAT margin
					1 M	3 M	6 M	1 Y						
IKIO Lighting Ltd.	10	285	2,203	1,974					332	77	51	42.1%	23.3%	15.2%
Amber Enterprises India Ltd.	10	2,119	7,139	7,439	13.5%	12.0%	10.1%	-19.6%	4,206	277	109	16.1%	6.6%	2.6%
Avalon Technologies Ltd.	2	431	2,495	2,779	15.1%				841	98	63	34.1%	11.6%	7.5%
Dixon Technologies (India) Ltd.	2	3,879	23,100	23,201	33.1%	34.1%	-8.8%	0.5%	10,697	384	190	8.6%	3.6%	1.8%
Elin Electronics Ltd.	5	134	667	747	-0.1%	-6.9%			1,094	79	39	25.4%	7.2%	3.6%
Kaynes Technology India Ltd.	10	1,431	8,318	8,466	44.8%	65.0%	97.4%		706	95	42	30.7%	13.5%	5.9%
Syrma SGS Technology Ltd.	10	393	6,939	7,057	33.1%	48.4%	39.3%		1,020	97	56	29.5%	9.5%	5.4%
Average												24.1%	8.7%	4.5%

Company name	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average fixed asset turnover (x)	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
IKIO Lighting Ltd.	22.7%	44.0%	53.6%	20.9%	12.8%	61.2%		86.6	4.1	1.1	38.8%	24.7%
Amber Enterprises India Ltd.	3.0%	-5.5%	-17.0%	7.2%	3.1%	9.5%	-7.0%	43.3	2.9	1.0	8.5%	8.4%
Avalon Technologies Ltd.	14.4%	22.9%	134.4%	10.4%	4.1%	133.5%	-54.0%	90.3	6.8	1.5	44.3%	53.4%
Dixon Technologies (India) Ltd.	55.9%	30.0%	25.6%	4.4%	2.3%	47.5%	7.2%	7.3	10.4	2.5	21.0%	19.4%
Elin Electronics Ltd.	18.0%	19.4%	45.2%	7.3%	3.3%	25.9%	-17.0%	58.2	5.7	1.9	11.7%	13.4%
Kaynes Technology India Ltd.	38.5%	49.8%	109.5%	11.7%	3.6%	40.8%	-31.7%	139.2	5.5	1.0	12.3%	22.3%
Syrma SGS Technology Ltd.	60.2%	18.0%	12.4%	12.6%	7.9%	150.1%	-54.1%	70.9	4.1	0.9	22.0%	23.1%
Average	31.7%	22.4%	51.7%	8.9%	4.1%	67.9%	-26.1%	68.2	5.9	1.5	20.0%	23.3%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	TTM P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
IKIO Lighting Ltd.	6.5	59.4	0.0	0.3	4.8	0.5	11.0%	44.9%	43.6	4.8	6.0	25.5	6.6	2.3%
Amber Enterprises India Ltd.	32.4	514.7	0.0	0.6	2.6	0.9	6.3%		65.4	4.1	1.8	26.9	1.7	1.5%
Avalon Technologies Ltd.	10.9	15.0	0.0	3.4	7.4	1.5	72.5%	49.4%	39.5	28.6	3.3	28.5	3.0	2.5%
Dixon Technologies (India) Ltd.	31.9	167.4	1.0	0.4	10.4	2.5	19.1%	24.5%	121.5	23.2	2.2	60.4	2.2	0.8%
Elin Electronics Ltd.	7.9	61.0	0.0	0.3	5.8	2.1	12.9%	18.9%	17.0	2.2	0.7	9.5	0.6	5.9%
Kaynes Technology India Ltd.	7.2	34.8	0.0	0.8	6.8	1.1	20.6%	34.4%	199.5	41.1	12.0	88.9	11.8	0.5%
Syrma SGS Technology Ltd.	3.1	32.4	0.0	0.3	2.4	0.8	9.7%		125.0	12.1	6.9	73.1	6.8	0.8%
Average			0.2	1.0	5.9	1.5	23.5%	31.8%	94.6	18.5	4.5	47.9	4.3	2.0%

Note: Financials as of FY22 (with IPO adjustments); Source: Choice Broking Research

- During 9M FY23, IKIO's products were categorized into four segments, namely, LED lighting, refrigeration lights, ABS (acrylonitrile butadiene styrene) piping and other products. These products were supplied to around 900 domestic and 19 international customers. These segments generated around 86%, 3%, 3.3% and 7.7%, respectively, to the proforma consolidated revenue during the period.
- Commenced in FY12, the LED lighting segment focuses on the premium segment and offers lighting, fittings, fixtures, accessories and components. Signify-Philips is the key customer in this segment. SKUs under this segment increased by 19.1% CAGR to 936 products in FY22 and further to 1,189 LED lighting products during 9M FY23. Of these, over 753 SKUs are manufactured only for Signify-Philips.
- Started in FY16, the Refrigeration lights segment provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers. Key customers in this segment are Voltas Ltd., Frigoglass India Pvt. Ltd. and Western Refrigeration Pvt. Ltd.
- IKIO also manufactures ABS piping (commenced operations in FY22) and mainly exports to the US market for plumbing applications in the recreational vehicles. Key customers in this segment are RLux RV LLC and Znergy Inc.
- Additionally, the company also manufactures fan regulator & switch products under the ODM and assembly business models. Key customers for the regulator & switches are Honeywell, Anchor Panasonic, Le-grand and Signify-Philips. It also manufactures and assembles products like light strips, moulding and fittings.
- The company has a history of high customer retention. It had relationships of over three years with seven of its top-10 customers. During FY22 and for the 9M FY23, it derived 78.8% and 73.6% of the proforma consolidated revenue from repeat customers.
- IKIO's operations are supported by four manufacturing facilities with an annual capacity to manufacture 20.6mn LED lights and 21.8mn pieces of fan regulators & switches. In order to provide end-to-end product solutions and to develop better control over the supply chain, it has backward integrated major manufacturing process. Currently, the company is able to manufacture almost all mechanical components in-house (except electronics parts & components).
- To meet the projected market growth, IKIO is in the process of expanding its capacity for LED home lighting. Accordingly, it has acquired a parcel of land in Noida and constructing a new manufacturing facility with a capital outlay of Rs. 263cr. From the IPO net proceeds, the company intends to utilize around Rs. 212cr for this proposed expansion.

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

- IKIO did not own 100% of the equity shareholding in its subsidiaries prior to 12th Sept. 2022, and thus the restated consolidated financial information does not include financial information of the subsidiaries prior to their acquisitions by IKIO. Since 12th Sept. 2022, IKIO owns 100% of the equity shareholding in its subsidiaries. For the purpose of understanding the combined businesses of IKIO on a consolidated basis, we have analyzed the proforma consolidated financial information as presented in the RHP.
- Mainly on the back of improved backward integration, continued higher demand of its products and addition of new products line for the exports market in FY22, IKIO reported a consistent profitable growth in the business (except in the Covid-19 year i.e. FY21) over FY20-22. During the period, proforma consolidated top-line increased by 22.7% CAGR to Rs. 331.8cr in FY22. Product-wise, business from LED lighting (contributing over 85% to the top-line) increased by 23.9% CAGR, while business from refrigeration lights was flat. Geography-wise, domestic sales (forming around 90% of the top-line in FY22) increased by 18.5% CAGR, while with addition of new products line led to a 97.1% CAGR rise in overseas sales (contributing around 10% to the FY22 top-line). Net cost of goods consumed increased by 17.5% CAGR (a rate lower than top-line growth), thereby resulting in a 31.3% CAGR higher gross profit with a margin of 42.1% (a 529bps expansion over FY20-22). Further with a relatively lower growth in the employee benefit expenses and other expenses, proforma consolidated EBITDA increased by 44% CAGR to Rs. 77.3cr in FY22. EBITDA margin stood at 23.3% (an expansion of 636bps during the period). Relatively lower growth in the depreciation charges and finance cost, coupled with lower effective tax rate, resulted in a 53.6% CAGR rise in the proforma consolidated PAT, which stood at Rs. 50.5cr in FY22. PAT margin expanded by 550bps during the period. Except for FY20, IKIO reported a negative operating cash flow over FY21-22, mainly due to relatively higher inventory and trade receivables. Financial liabilities increased by 30.5% CAGR, however with better profitability, debt-to-equity ratio stood at 1.1x in FY22, compared to 2x in FY20. Average pre-issue RoIC and RoE stood at 32.4% and 50.6%, respectively.
- During 9M FY23, the company reported a proforma consolidated top-line of Rs. 328.6cr, while EBITDA and PAT margin of 22.3% and 15.6%, respectively. Based on our quick estimate, over FY22-25E top-line is expected to grow by 25% CAGR to Rs. 647.5cr, with 63bps and 54bps expansion in the EBITDA and PAT margin respectively. RoIC and RoE is expected at 13.8% and 14.4%, respectively, in FY25E.

Peer comparison and valuation: IKIO doesn't have any peer company having business operations similar to it. The above peer companies are operating in the EMS sector and are considered only for valuation benchmarking. At higher price band, IKIO is demanding a P/E multiple of 43.6x (to its restated FY22 EPS of Rs. 6.5), compared to the peer average of 94.6x.

Based on our FY23E earnings, the demanded P/E is 32.7x, which is at discount to peer's prevailing TTM P/E multiple of 43.2x. Thus we assign a **"SUBSCRIBE"** rating for the issue.

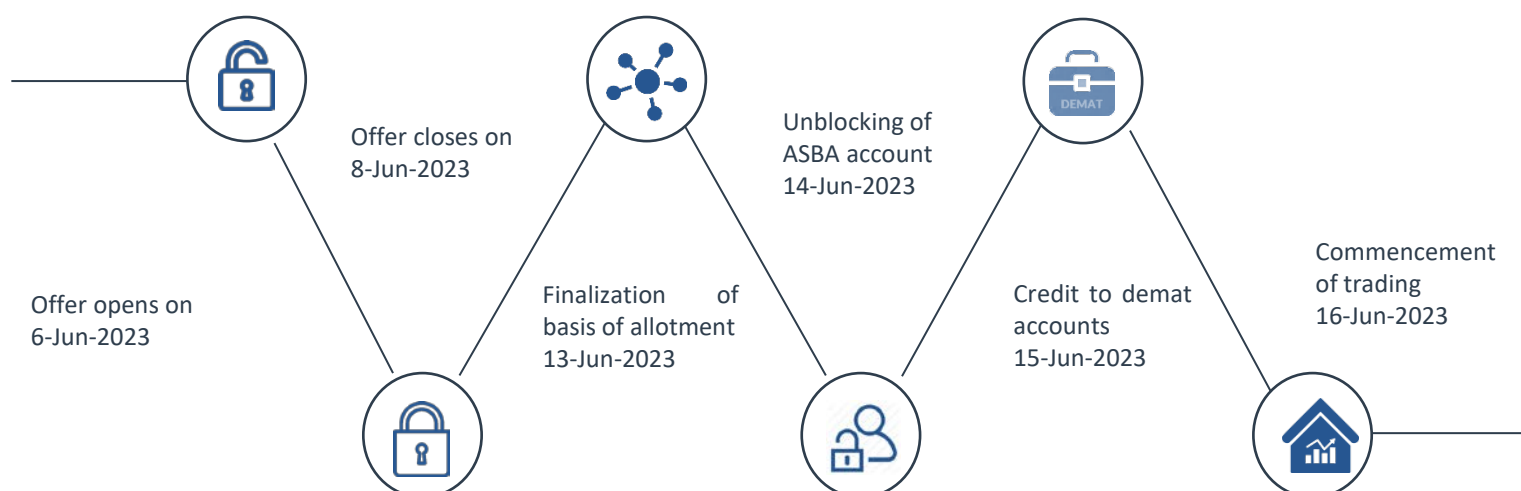
About the issue:

- IKIO is coming up with an IPO with 2.128 - 2.196cr shares (fresh issue: 1.228 - 1.296cr shares; OFS shares: 0.9cr shares) in offering. This offer represents 27.54 - 28.17% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 593 - 606.5cr.
- The issue is through book building process with a price band of Rs. 270 - 285 per share.
- Lot size comprises of 52 equity shares and in multiple of 52 shares thereafter.
- The issue will open on 6th Jun. 2023 and close on 8th Jun. 2023.
- The IPO consists of fresh issue (Rs. 350cr) and an OFS offering (Rs. 243 - 256.5cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, it will be utilizing Rs. 212cr for setting-up a new facility at Noida and another Rs. 50cr will be used for the repayment/prepayment of the certain borrowings. Residual net proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group entities are participating in the OFS and offloading 0.9cr equity 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 & promoter group currently holds 100% stake in the company and post-IPO this will come down to 72.46%. Public holding will increase from current nil to 27.54%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	72.46%
Public	0.00%	27.54%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY20-22: IKIO did not own 100% of the equity shareholding in its subsidiaries prior to 12th Sept. 2022, and thus the restated consolidated financial information does not include financial information of the subsidiaries prior to their acquisitions by IKIO. Since 12th Sept. 2022, IKIO owns 100% of the equity shareholding in its subsidiaries. For the purpose of understanding the combined businesses of IKIO on a consolidated basis, we have analyzed the proforma consolidated financial information for the period between FY20-22 and during 9M FY23.

Mainly on the back of improved backward integration, continued higher demand of its products and addition of new products line for the exports market in FY22, IKIO reported a consistent profitable growth in the business (except in the Covid-19 year i.e. FY21) over FY20-22. During the period, proforma consolidated top-line increased by 22.7% CAGR to Rs. 331.8cr in FY22. Product-wise, business from LED lighting (contributing over 85% to the top-line) increased by 23.9% CAGR, while business from refrigerator lights was flat. Business from other products increased by 15.3% CAGR (contributing around 8.5% to the top-line). Geography-wise, domestic sales (forming around 90% of the top-line in FY22) increased by 18.5% CAGR, while with addition of new products line led to a 97.1% CAGR rise in overseas sales (contributing around 10% to the FY22 top-line).

Net cost of goods consumed increased by 17.5% CAGR (a rate lower than top-line growth), thereby resulting in a 31.3% CAGR higher gross profit with a margin of 42.1% (a 529bps expansion over FY20-22). Further with a relatively lower growth in the employee benefit expenses and other expenses, proforma consolidated EBITDA increased by 44% CAGR to Rs. 77.3cr in FY22. EBITDA margin stood at 23.3% (an expansion of 636bps during the period).

Relatively lower growth in the depreciation charges and finance cost, coupled with lower effective tax rate, resulted in a 53.6% CAGR rise in the proforma consolidated PAT, which stood at Rs. 50.5cr in FY22. PAT margin expanded by 550bps during the period.

Except for FY20, IKIO reported a negative operating cash flow over FY21-22, mainly due to relatively higher inventory and trade receivables. Financial liabilities increased by 30.5% CAGR, however with better profitability, debt-to-equity ratio stood at 1.1x in FY22, compared to 2x in FY20. Average pre-issue RoIC and RoE stood at 32.4% and 50.6%, respectively.

Performance during 9M FY23: Proforma consolidated top-line stood at Rs. 328.6cr with EBITDA and PAT margin of 22.3% and 15.6%, respectively.

Pre-issue proforma consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	9M FY23	CAGR over FY20-22	Y-o-Y (FY22 annual)
LED lighting	187.7	186.3	288.0	282.8	23.9%	54.6%
ABS pipes			5.1	9.9		
Refrigerator lights	13.4	8.3	13.3	10.7	-0.3%	61.7%
Others	19.1	18.9	25.4	25.2	15.3%	34.3%
Revenue from operations	220.2	213.4	331.8	328.6	22.7%	55.5%
Gross profit	81.0	93.0	139.6	126.5	31.3%	50.1%
EBITDA	37.3	47.8	77.3	73.4	44.0%	61.7%
Reported PAT	21.4	28.8	50.5	51.3	53.6%	75.4%
Restated reported EPS	2.8	3.7	6.5	6.6	53.6%	75.4%
Cash flow from operating activities	23.2	(8.6)	(15.5)	29.6		79.3%
NOPLAT	23.6	31.1	52.5	51.7	49.3%	68.6%
FCF		(8.2)	2.3			-127.9%
RoIC (%)	34.5%	29.1%	33.4%	30.1%	(111) bps	434 bps
Revenue growth rate		-3.1%	55.5%			
Gross profit growth rate		14.8%	50.1%			
Gross profit margin	36.8%	43.6%	42.1%	38.5%	529 bps	(151) bps
EBITDA growth rate		28.2%	61.7%			
EBITDA margin	16.9%	22.4%	23.3%	22.3%	636 bps	90 bps
Restated reported PAT growth rate		34.6%	75.4%			
Restated reported PAT margin	9.7%	13.5%	15.2%	15.6%	550 bps	173 bps
Inventory days	61.6	81.3	92.2	139.2	22.3%	13.5%
Debtor days	49.4	53.5	48.7	81.3	-0.7%	-8.9%
Payable days	(53.8)	(47.5)	(25.5)	(34.2)	-31.2%	-46.4%
Cash conversion cycle	57.2	87.2	115.5	186.3	42.0%	32.3%
Fixed asset turnover ratio	4.0	3.4	4.8	3.3	8.5%	39.4%
Total asset turnover ratio	1.5	1.2	1.3	1.0	-9.2%	2.4%
Current ratio	1.2	1.7	1.9	1.4	25.5%	10.0%
Quick ratio	0.7	0.8	0.8	0.7	6.6%	-1.6%
Total debt	73.2	83.5	124.7	153.9	30.5%	49.3%
Net debt	64.9	79.9	122.0	151.3	37.0%	52.7%
Debt to equity	2.0	1.3	1.1	1.1	-25.0%	-13.8%
Net debt to EBITDA	1.7	1.7	1.6	2.1	-4.8%	-5.6%
RoE (%)	59.6%	45.8%	46.4%	36.5%	(1,323) bps	57 bps
RoA (%)	14.8%	16.5%	19.1%	15.3%	429 bps	256 bps
RoCE (%)	53.6%	40.4%	44.9%	39.8%	(876) bps	450 bps

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



Competitive strengths:

- Poised to capture growth of LED market
- Diverse product basket with focus on high-margin areas
- Long-term relationships with leading industry customers
- Strong focus on R&D
- Established infrastructure with backward integration
- Strong and consistent financial performance
- Experienced promoters and management team

Business strategy:

- Expand into new product lines
- Expand manufacturing capacities for existing and new product lines
- Diversify customer base and expand across geographies
- Continue to invest in R&D and expand the ODM business
- Continue focus on sustainability through ESG investments



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Revenue concentration risk
- Difficulty in expanding the export business
- Delay in expanding the manufacturing capacity
- Unfavorable forex rates
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Proforma consolidated profit and loss statement (Rs. cr)						
	FY20	FY21	FY22	9M FY23	CAGR over FY20 - 22	Annual growth over FY21
Revenue from operations	220.2	213.4	331.8	328.6	22.7%	55.5%
Cost of materials consumed	(139.2)	(121.4)	(209.6)	(209.2)	22.7%	72.7%
Change in inventories	0.0	1.0	17.4	7.0	2780.4%	1696.2%
Gross profit	81.0	93.0	139.6	126.5	31.3%	50.1%
Employee benefits expenses	(28.7)	(29.4)	(42.3)	(29.2)	21.4%	43.9%
Other expenses	(15.0)	(15.8)	(20.0)	(23.9)	15.4%	26.5%
EBITDA	37.3	47.8	77.3	73.4	44.0%	61.7%
Depreciation & amortization expenses	(4.1)	(4.7)	(5.1)	(4.3)	11.7%	8.5%
EBIT	33.2	43.1	72.2	69.1	47.4%	67.5%
Finance costs	(4.6)	(4.4)	(4.9)	(4.7)	3.0%	12.5%
Other income	1.6	1.1	2.2	4.2	16.8%	91.4%
PBT	30.2	39.9	69.5	68.6	51.7%	74.2%
Tax expenses	(8.8)	(11.1)	(19.0)	(17.3)	47.0%	71.1%
Reported PAT	21.4	28.8	50.5	51.3	53.6%	75.4%

Proforma consolidated balance sheet statement (Rs. cr)						
	FY20	FY21	FY22	9M FY23	CAGR over FY20 - 22	Annual growth over FY21
Equity share capital	0.1	0.1	25.0	65.0	2136.1%	49900.0%
Other equity	35.8	62.8	83.9	75.8	53.0%	33.5%
Non-current borrowings	24.0	36.9	44.4	25.5	36.1%	20.3%
Non-current lease liabilities	9.3	9.2	8.6	7.7	-3.7%	-6.4%
Non-current provisions	1.0	1.4	1.8	2.1	32.3%	24.1%
Trade payables	32.5	23.1	23.2	30.8	-15.4%	0.5%
Current borrowings	22.9	32.4	62.1	110.8	64.8%	91.6%
Current lease liabilities	0.6	0.8	0.9	1.3	21.0%	17.6%
Other current financial liabilities	16.4	4.1	8.6	8.6	-27.7%	107.9%
Current provisions	0.0	0.2	0.5	0.3	319.3%	159.5%
Current net tax liabilities		1.1	4.0	2.8		273.8%
Other current liabilities	2.2	2.3	1.8	4.8	-9.8%	-21.1%
Total liabilities	144.8	174.5	264.9	335.5	35.2%	51.8%
Property, plant and equipment	21.7	22.5	25.5	30.3	8.3%	13.3%
Capital work-in-progress	0.5	4.1	9.4	21.5	324.9%	129.7%
Intangible assets	0.1	0.1	0.1	0.0	-35.3%	-17.7%
Right-of-use assets	32.3	36.0	34.9	33.9	4.1%	-3.0%
Goodwill				14.7		
Other non-current financial assets	0.3	0.3	0.5	1.0	34.2%	58.7%
Net deferred tax assets	0.9	1.8	1.7	0.7	39.9%	-3.7%
Non-current tax assets	0.0	0.2	0.2	0.1	163.4%	1.8%
Other non-current assets	0.7	1.0	4.1	2.2	138.5%	306.6%
Inventories	37.2	57.9	109.8	125.4	71.8%	89.7%
Trade receivables	29.8	32.8	55.9	73.2	36.9%	70.6%
Cash & cash equivalents	8.2	3.6	2.7	2.6	-42.5%	-24.8%
Other current financial assets	0.6	0.3	0.4	0.4	-17.1%	28.3%
Other current assets	12.4	13.9	19.7	29.5	25.7%	41.5%
Total assets	144.8	174.5	264.9	335.5	35.2%	51.8%

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

Financial statements (Contd...):

Proforma consolidated cash flow statement (Rs. cr)						
	FY20	FY21	FY22	9M FY23	CAGR over FY20 - 22	Annual growth over FY21
Cash flow before working capital changes	39.7	50.0	79.2	76.9	41.2%	58.4%
Working capital changes	(5.0)	(47.0)	(79.1)	(30.0)	297.7%	68.2%
Cash flow from operating activities	23.2	(8.6)	(15.5)	29.6		79.3%
Purchase of fixed assets and CWIP	(35.2)	(13.3)	(12.5)	(20.6)		-6.0%
Cash flow from investing activities	2.7	(6.1)	(9.2)	(35.3)		50.6%
Cash flow from financing activities	(20.5)	10.3	23.6	4.9		129.6%
Net cash flow	5.3	(4.5)	(1.1)	(0.8)		-75.4%
Opening balance of cash	2.4	7.8	3.3	2.2	15.9%	-57.7%
Closing balance of cash	7.8	3.3	2.2	1.3	-47.0%	-33.6%

Proforma consolidated financial ratios				
Particulars	FY20	FY21	FY22	9M FY23
Profitability ratios				
Revenue growth rate		-3.1%	55.5%	
Gross profit growth rate		14.8%	50.1%	
Gross profit margin	36.8%	43.6%	42.1%	38.5%
EBITDA growth rate		28.2%	61.7%	
EBITDA margin	16.9%	22.4%	23.3%	22.3%
EBIT growth rate		29.8%	67.5%	
EBIT margin	15.1%	20.2%	21.8%	21.0%
Restated adjusted PAT growth rate		34.6%	75.4%	
Restated adjusted PAT margin	9.7%	13.5%	15.2%	15.6%
Turnover ratios				
Inventory receivable turnover ratio	5.9	4.5	4.0	2.6
Trade receivable turnover ratio	7.4	6.8	7.5	4.5
Accounts payable turnover ratio	6.8	7.7	14.3	10.7
Fixed asset turnover ratio	4.0	3.4	4.8	3.3
Total asset turnover ratio	1.5	1.2	1.3	1.0
Return ratios				
RoIC (%)	34.5%	29.1%	33.4%	30.1%
RoE (%)	59.6%	45.8%	46.4%	36.5%
RoA (%)	14.8%	16.5%	19.1%	15.3%
RoCE (%)	53.6%	40.4%	44.9%	39.8%
Per share data				
Restated adjusted EPS (Rs.)	2.8	3.7	6.5	6.6
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	4.6	8.1	14.1	18.2
Operating cash flow per share (Rs.)	3.0	(1.1)	(2.0)	3.8
Free cash flow per share (Rs.)		(1.1)	0.3	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%

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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