

# IPO Report

Choice

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IRM Energy Ltd.**



**Salient features of the IPO:**

- **IRM Energy Ltd.** (IEL), engaged in the business of laying, building, operating and expanding the city and local natural gas distribution network in India, is coming up with an IPO to raise around Rs. 545.40cr. It opens on 18<sup>th</sup> Oct. 2023 and closes on 20<sup>th</sup> Oct. 2023. The price band is Rs. 480-505 per share.
- The IPO consists of fresh issue only. From the fresh issue net proceeds, IEL will be utilizing Rs. 307.26cr for funding capital expenditure for development of the City Gas Distribution network in the Geographical Areas of Namakkal and Tiruchirappalli (Tamil Nadu) in FY24, FY25, FY26, and FY27; Rs. 135cr for the prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company. Residual funds will be used for general corporate purposes.

**Key competitive strengths:**

- Exclusivity in CNG and PNG supply in the awarded geographical areas
- Successful development and operation of CGD business.
- Diverse customer portfolio and distribution network of CNG and PNG
- Technology adoption & digital initiatives for efficient and optimal operations
- Connectivity to gas pipelines and establishing cost-effective gas sourcing arrangements

**Risk and concerns:**

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Capital intensive operations
- Delay in expanding the CGD coverage area
- Unfavorable gas procurement and sales-mix
- Difficulty in maintaining the profitability

**Below are the key highlights of the company:**

- Incorporated on 1<sup>st</sup> December 2015, IEL is a city gas distribution (CGD) company in India, with operations at Banaskantha (Gujarat), Fatehgarh Sahib (Punjab), Diu & Gir Somnath (Union Territory of Daman and Diu/Gujarat), and Namakkal & Tiruchirappalli (Tamil Nadu). It is engaged in the business of laying, building, operating and expanding the city and local natural gas distribution network. The company develops natural gas distribution projects in the GAs allotted to them for industrial, commercial, domestic and automobile customers.
- IEL holds the exclusive distribution rights for both Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) within the GAs allocated to them as per the permissions granted by the Petroleum and Natural Gas Regulatory Board (PNGRB). The company's marketing exclusivity extends until September 2028 for the Diu & Gir Somnath GA, and until March 2030 for the Namakkal & Tiruchirappalli GA, which were obtained during the eleventh round of bidding. However, marketing exclusivity for the Banaskantha GA and Fatehgarh Sahib GA expired in June 2023 and September 2023, respectively.
- In addition to marketing exclusivity, IEL has also been awarded exclusive network rights for a period of 25 years to develop essential infrastructure within all their GAs. This infrastructure includes the construction of pipelines and the establishment of CNG distribution networks, all of which align with the authorizations received.

**Issue details**

Price band	Rs. 480 - 505 per share
Face value	Rs. 10
Shares for fresh issue	1.08cr shares
Shares for OFS	Nil
Fresh issue size	Rs. 518.4 - 545.4cr
OFS issue size	N/a
Total issue size	1.08cr shares (Rs. 518.4 - 545.4cr)
Employee reservation	0.022cr shares (Rs. 10.4 - 10.9cr)
Net issue size	1.0584cr shares (Rs. 508 - 534.5cr)
Bidding date	18 <sup>th</sup> Oct. - 20 <sup>th</sup> Oct. 2023

Implied MCAP at higher price band	Rs. 2,074cr
Implied enterprise value at higher price band	Rs. 1,769cr

Book running lead managers	HDFC Bank Ltd., BOB Capital Markets Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	City Gas Distribution
Promoters	Dr. Rajiv Indravadan Modi, Cadila Pharmaceuticals Ltd., and IRM Trust

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.529cr shares
Non institutional portion (Big)	10%	0.106cr shares
Non institutional portion (Small)	5%	0.053cr shares
Retail portion	35%	0.370cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	27 <sup>th</sup> Oct. 2023
Unblocking of ASBA account	27 <sup>th</sup> Oct. 2023
Credit to demat accounts	30 <sup>th</sup> Oct. 2023
Commencement of trading	31 <sup>st</sup> Oct. 2023

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	67.94%	50.07%
Public	32.06%	49.93%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Number of shares per lot	29
Employee discount	Rs. 48 per share
Application money	Rs. 14,645 per lot

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

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM gas sales volume (mmscm)	TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross profit margin	TTM EBITDA margin	TTM PAT margin	TTM gross margin per SCM	TTM EBITDA margin per SCM
					1 M	3 M	6 M	1 Y									
IRM Energy Ltd.	10	505	2,074	1,769					195	1,054	122	70	19.8%	11.6%	6.6%	19.8%	11.6%
Adani Total Gas Ltd.	1	602	66,154	66,817	-5.4%	-4.5%	-34.2%	-81.0%	768	4,709	899	558	34.5%	19.1%	11.9%	34.5%	19.1%
Gujarat Gas Ltd.	2	427	29,374	28,693	-4.9%	-7.8%	-7.8%	-8.9%	2,991	15,927	2,173	1,362	24.2%	13.6%	8.6%	24.2%	13.6%
Indraprastha Gas Ltd.	2	473	33,075	30,023	2.0%	-2.2%	-2.6%	27.5%	2,980	15,835	2,065	1,680	33.1%	13.0%	10.6%	33.1%	13.0%
Mahanagar Gas Ltd.	10	1,129	11,147	9,609	9.5%	4.1%	14.0%	44.1%	1,246	7,018	1,420	973	39.1%	20.2%	13.9%	39.1%	20.2%
Average													32.7%	16.5%	11.2%	32.7%	16.5%

Company name	4Y gas sales volume growth (CAGR)	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 CFO / EBITDA	4Y average CFO / Capital employed	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
IRM Energy Ltd.	63.1%	84.4%	31.2%	44.2%	27.4%	14.7%	36.3%	14.9%	(0.5)	58.7%	18.3%	0.8	29.4%	16.0%
Adani Total Gas Ltd.	9.0%	32.7%	13.5%	7.8%	29.6%	20.0%	19.7%	20.1%	6.3	92.1%	26.9%	0.7	23.3%	27.7%
Gujarat Gas Ltd.	-4.3%	17.6%	13.7%	8.4%	16.1%	10.4%	11.2%	18.7%	9.6	85.6%	27.4%	1.4	27.3%	21.3%
Indraprastha Gas Ltd.	7.8%	29.7%	10.3%	9.5%	23.2%	18.5%	14.3%	17.9%	(4.0)	100.3%	39.3%	0.8	20.6%	17.6%
Mahanagar Gas Ltd.	5.0%	28.5%	4.0%	-0.1%	30.8%	21.2%	17.0%	-0.5%	(3.5)	90.0%	41.6%	0.7	20.4%	17.8%
Average	16.1%	27.1%	10.4%	6.4%	25.0%	17.5%	15.6%	14.0%	2.1	92.0%	33.8%	0.9	22.9%	21.1%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM Earning yield
IRM Energy Ltd.	16.9	217.2	0.4	0.4	2.2	0.8	7.8%	17.9%	29.8	2.3	1.7	14.5	2.0	3.4%
Adani Total Gas Ltd.	5.1	26.7	0.3	0.4	1.2	0.8	19.0%	25.2%	118.5	22.5	14.2	74.3	14.0	0.8%
Gujarat Gas Ltd.	19.8	102.1	2.0	0.0	1.9	1.5	19.4%	23.3%	21.6	4.2	1.8	13.2	1.8	4.6%
Indraprastha Gas Ltd.	24.0	113.3	18.5	0.0	2.2	1.3	21.2%	31.7%	19.7	4.2	1.9	14.5	2.1	5.1%
Mahanagar Gas Ltd.	98.5	418.5	25.5	0.0	1.9	1.2	23.5%	40.2%	11.5	2.7	1.4	6.8	1.6	8.7%
Average			11.6	0.1	1.8	1.2	20.8%	30.1%	17.6	8.4	4.8	27.2	4.9	4.8%

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- The company's revenues from distribution of CNG and PNG vary for each of their GAs. While distribution of CNG is predominant in the Banaskantha and Diu & Gir Somnath GAs, the Fatehgarh Sahib GA focuses on supply of PNG.
- The company serves two primary customer segments in the natural gas sector, which are CNG (Compressed Natural Gas): The CNG customers encompass operators of various public transport vehicles, including taxis, auto-rickshaws, as well as private vehicles such as cars, buses, light goods vehicles, and heavy goods vehicles.
- PNG (Piped Natural Gas): The PNG customers are categorized into three main segments: a) Industrial PNG: This segment comprises small, medium, and large-sized enterprises. B) Commercial PNG: Encompassing establishments like hotels, restaurants, bakeries, hostels, and community halls. C) Domestic PNG: Predominantly serving households using PNG for cooking purposes.
- IEL has cultivated robust relationships with a diverse customer base spanning industrial, commercial, and domestic sectors. Over the years, their customer base has consistently expanded. As of March 31, 2021, there were 59 industrial customers, 125 commercial customers, and 25,626 domestic customers. By FY22, the company had grown to serve 96 industrial customers, 179 commercial customers, and 35,725 domestic customers. As of FY23, their clientele has further expanded to include 186 industrial customers, 248 commercial customers, and 48,172 domestic customers. As of June 30, 2023, the company's customer base stood at 184 industrial customers, 269 commercial customers, and 52,454 domestic customers.
- The company benefits from the robust backing of Cadila Pharmaceuticals Limited, a renowned Indian multinational entity with a rich heritage of over three decades in the domestic pharmaceutical industry. As of the date of the RHP, Cadila Pharma holds a significant 49.50% of the company's equity shares. Furthermore, the company is bolstered by a highly skilled and technically proficient execution team, which places a strong emphasis on maintaining quality standards and expanding the company's market presence.
- The company has made smart decisions to connect with natural gas pipelines across the country within their operating area. This helps them save money on transportation costs. For example, GAIL's gas pipeline runs through Fatehgarh Sahib, the GSPL's pipeline goes through Banaskantha and Diu & Gir Somnath, and the Indian Oil Corporation's Ennore Tuticorin pipeline passes through Namakkal & Tiruchirappalli. The company also has long-term agreements with gas suppliers like GAIL and RIL. These agreements allow them to buy gas at reasonable prices and ensure a smooth supply of gas to their distribution networks.

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

- On August 24, 2022, the company signed an MoU with Mindra EV Pvt. Ltd. to establish electric vehicle (EV) charging stations at both DODO (Dealer owned and dealer operated) Stations and COCO (Company owned and company operated) Stations for a five-year duration. This move aligns with their vision of transforming into an energy-focused company. As of the date of the RHP, Mindra EV Pvt. Ltd. has already installed two EV charging units at the Banaskantha GA.
- IEL established a strategic partnership with Shizuoka Gas Co. Ltd. (ShizGas), the fourth-largest natural gas company in Japan based on sales volume in 2021. ShizGas is well-experienced in the CGD sector. As part of this alliance, ShizGas invested in IEL. This collaboration presents various exciting business prospects for IEL. One of these opportunities involves exploring the import and wholesale of R-LNG (Re-Gasified Liquefied Natural Gas) to India through bilateral contracts on a gas exchange platform. This initiative allows IEL to secure a competitive source of R-LNG and unlock new paths for growth in the Indian natural gas market. Additionally, ShizGas will share its expertise in industrial burner technology, delivering added advantages to IEL's industrial clients.
- On December 2, 2022, the company issued 275,000 equity shares to Shizuoka Gas Co. Ltd. Each of these shares were priced at Rs. 550, and this transaction gave Shizuoka Gas Co. Ltd. a total ownership stake of 2.94% in the company.
- As of June 30, 2023, the company got natural gas from seven different suppliers. The seven main suppliers provided all the natural gas that the company needed. After getting the natural gas from these suppliers, the company then distributed it to its customers. They used pipelines for providing PNG and had retail outlets where customers could fill up with CNG. As of June 30, 2023, the company operates a total of 66 CNG stations, comprising 2 COCO stations, 36 DODO stations, and 28 OMC stations.
- IEL have received the authorization for the GA of Namakkal & Tiruchirappalli in the eleventh round of bidding conducted by PNGRB in January 2022 for creating the infrastructure of 1,450 inch kms gas pipeline (consisting of steel pipelines), 17,74,000 PNG domestic connections and 290 CNG stations in Namakkal & Tiruchirappalli.
- The company intends to establish the key infrastructure for expediting the development of CGD network in the newly awarded GA of Namakkal & Tiruchirappalli districts in Tamil Nadu. Namakkal & Tiruchirappalli being urban and highly populated districts have a great potential of residents converting to PNG. The geographic area has a large urban population, which provides an excellent opportunity for IEL to convert prospective customers from other alternative fuels such as LPG to natural gas.
- The company has demonstrated a consistent pattern of growth across various key metrics, including volumes, revenues, and profits. Particularly, there has been a remarkable increase from 63 MMSCM in FY21 to an impressive 196.43 MMSCM in FY23, representing a remarkable CAGR of 76.58%. However, the volume of natural gas supplied exhibited a minor decrease, moving from 46.93 MMSCM for the three months ending June 30, 2022, to 45.69 MMSCM for the same period in 2023.
- As part of the strategy, the company works towards distribution and sale of CNG through the DODO stations and COCO stations, since it is cost saving when compared to the OMC stations. In June 2023, 70.83% of CNG sales were done through DODO stations, down from 74.36% in June 2022 and 1.87% of CNG sales were done through COCO stations in June 2023, down from 2.09% in June 2022. Moreover, the DODO Stations and COCO Stations include the 'IRM Energy' branding to reflect the Company's corporate identity, thereby strengthening the brand.

**Peer comparison and valuation:** IEL is a rising company in the CGD sector, serving a wide range of customers, operating in three states with promising growth prospects. The company has seen growth in its revenue and profits, but in FY23, it faced challenges due to higher costs caused by the geopolitical conflict, which put pressure on its profit margins.

At higher price band, IEL is demanding a TTM P/E multiple of 29.8x (to its TTM earning per share of Rs. 16.9), which is at a premium to its adjusted peer average. The issue seems to be fully priced considering its subdued profitability and return ratios. Thus, we assign a

**"Subscribe with Caution"** rating for the issue.

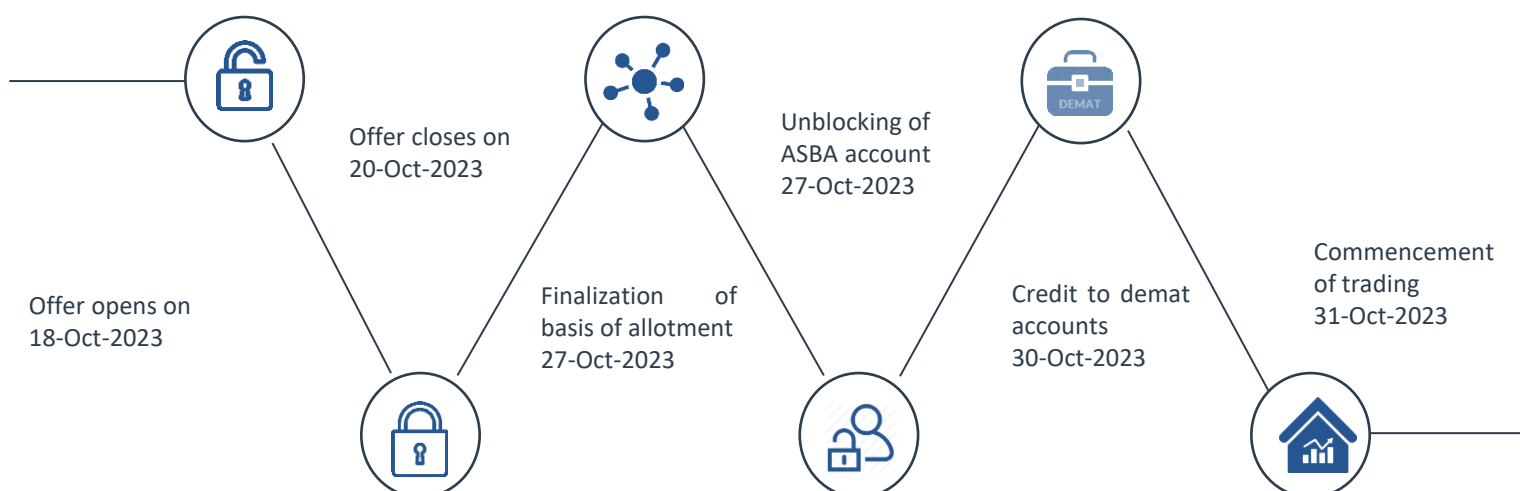
## About the issue:

- IEL is coming up with an IPO with 1.08cr shares (fresh issue: 1.08cr shares) in offering. This offer represents 26.30% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 518.4- 545.4cr.
- The issue is through book building process with a price band of Rs. 480 - 505 per share.
- Lot size comprises of 29 equity shares and in multiple of 29 shares thereafter.
- The issue will open on 18<sup>th</sup> Oct. 2023 and close on 20<sup>th</sup> Oct. 2023.
- 0.022cr shares are reserved for eligible employees. Discount offered to the employees is Rs. 48 per equity share.
- Consequently, the net-issue consists of 0.022cr shares with an issue size of Rs. 508 – 534.5cr
- The IPO consists of fresh issue only. From the fresh issue net proceeds, IEL will be utilizing Rs. 307.26cr for funding capital expenditure for development of the City Gas Distribution network in the Geographical Areas of Namakkal and Tiruchirappalli (Tamil Nadu) in FY24, FY25, FY26, and FY27; Rs. 135cr for the prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company. Residual funds will be used for general corporate purposes.
- 50% of the net issue is 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 have 67.94% in the company, which will get reduced to 50.07% post-IPO. Consequently, the public stake will increase from 32.06% to 49.93% post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	67.94%	50.07%
Public	32.06%	49.93%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY20-23:** Over FY20-23, IEL reported a steady growth in revenue supported by healthy growth in volume, driven by infrastructure augmentation as well as increased penetration in the Banaskantha and Fatehgarh Sahib Gas. However profitability has been impacted because of the higher purchase of stock-in-trade of natural gas.

The company reported an 84.4% CAGR growth in consolidated revenue to Rs. 1,039.1cr over FY20-23, on account of increase in overall sales volume of CNG and PNG. EBITDA margin and EBIT margin have been impacted because of the higher cost of input gas, where it has decreased by 1920 bps and 1570 bps over FY20, reaching 10.8% and 8.8%, respectively, in FY23. PAT margin has also decreased by 660 bps to 6.1% in FY23 from 12.7% in FY20.

Over the years, both total debt and net debt have shown an upward trend, reaching Rs. 393.3cr and Rs. 240.5cr, respectively. The D/E ratio decreased from 2.4x in FY20 to 1.1x in FY23. RoE, RoA, and RoCE experienced a decline, with figures dropping to 18.2%, 8%, and 16.3% in FY23, compared to 28.2%, 7.9%, and 18.3% in FY20.

**Performance during Q1FY24:** The consolidated top-line saw a robust 6.5% year-on-year increase, reaching Rs. 245.2cr in Q1FY24. This growth was primarily driven by a 1.8% rise in the overall sales volume of Compressed Natural Gas (CNG), which increased from 22.2 MMSCM in Q1FY23 to 22.6 MMSCM in Q1FY24.

The EBITDA margin also demonstrated significant improvement, increasing by 321 bps year-on-year to 17.2%. This positive shift was attributed to lower operating costs. Furthermore, the PAT margin expanded in-line with the operating margin, showing an impressive year-on-year improvement of 205 bps, resulting in a PAT margin of 11.0% during Q1FY24.

Pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	TTM	CAGR	Y-o-Y (FY23 annual)
CNG sales	147.4	163.6	296.7	472.3	481.7	47.4%	59.2%
PNG sales	17.1	46.1	246.5	563.0	568.4	220.7%	128.4%
Revenue from Operations	165.7	211.8	546.1	1,039.1	1,054.1	84.4%	90.3%
EBITDA	49.7	73.2	186.4	112.2	122.2	31.2%	-39.8%
Reported PAT	21.1	34.9	128.0	63.1	69.5	44.2%	-50.7%
Restated reported EPS	5.1	8.5	31.2	15.4	16.9	44.2%	-50.7%
Cash flow from operating activities	30.8	45.4	128.6	46.7	92.7	14.9%	-63.7%
NOPLAT	27.3	46.7	127.7	69.3	78.5	36.4%	-45.8%
FCF		(7.6)	8.3	(143.6)			
RoIC (%)	12.1%	16.1%	29.9%	11.2%	11.6%	(86) bps	(1,870) bps
Revenue growth rate (%)		27.9%	157.8%	90.3%			
EBITDA growth rate (%)		47.3%	154.7%	-39.8%			
EBITDA margin (%)	30.0%	34.6%	34.1%	10.8%	11.6%	(1,921) bps	(2,333) bps
EBIT growth rate (%)		51.0%	180.0%	-46.7%			
EBIT margin (%)	24.5%	28.9%	31.4%	8.8%	9.5%	(1,567) bps	(2,259) bps
Restated reported PAT growth rate (%)		65.6%	267.0%	-50.7%			
Restated reported PAT margin (%)	12.7%	16.5%	23.4%	6.1%	6.6%	(664) bps	(1,737) bps
Inventory days	1.5	1.3	0.8	0.6	1.9	-25.2%	-24.0%
Debtor days	10.3	13.7	11.3	10.8	21.2	1.3%	-4.9%
Payable days	(15.9)	(14.9)	(11.7)	(9.9)	(10.2)	-14.6%	-15.9%
Cash conversion cycle	(4.0)	0.1	0.4	1.5	12.9		262.6%
Fixed asset turnover ratio	0.7	0.8	1.5	2.2	2.1	44.5%	42.3%
Total asset turnover ratio	0.6	0.6	1.0	1.3	1.3	28.3%	33.1%
Current ratio	1.0	2.1	2.1	2.8	3.4	43.4%	34.0%
Quick ratio	0.9	2.0	2.1	2.8	3.4	44.2%	34.5%
Total debt	175.8	197.4	255.7	393.3	407.7	30.8%	53.8%
Net debt	157.7	154.6	145.8	240.5	260.6	15.1%	65.0%
Debt to equity	2.4	1.7	1.0	1.1	1.1	-21.6%	8.2%
Net debt to EBITDA	3.2	2.1	0.8	2.1	2.1	-12.3%	174.0%
Net debt to equity	2.1	1.3	0.6	0.7	0.7	-31.0%	16.1%
RoE (%)	28.2%	29.7%	52.5%	18.2%	18.6%	(996) bps	(3,430) bps
RoA (%)	7.9%	10.3%	23.1%	8.0%	8.3%	8 bps	(1,511) Bps
RoCE (%)	18.3%	22.9%	45.4%	16.3%	16.1%	(202) bps	(2,911) bps

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





### Competitive strengths:

- Exclusivity in CNG and PNG supply in the awarded geographical areas
- Successful development and operation of CGD business.
- Diverse customer portfolio and distribution network of CNG and PNG
- Technology adoption & digital initiatives for efficient and optimal operations
- Connectivity to gas pipelines and establishing cost-effective gas sourcing arrangements

### Business strategy:

- Expand the presence in existing and newer GAs through an improved captive distribution channel
- Infrastructure roll-out for development and operation of the new licensed GA of Namakkal & Tiruchirappalli, Tamil Nadu
- Technology adoption to increase operational efficiency and enhance customer value
- Business integration for transition into a complete energy solution provider
- Continue to focus on sourcing reliable and cost-effective gas from leading Gas Suppliers



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Capital intensive operations
- Delay in expanding the CGD coverage area
- Unfavorable gas procurement and sales-mix
- Difficulty in maintaining the profitability

## Financial statements:

Consolidated profit and loss statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20-FY23	Annual growth over FY22
<b>Revenue from operations</b>	<b>165.7</b>	<b>211.8</b>	<b>546.1</b>	<b>1,039.1</b>	<b>1,054.1</b>	<b>84.4%</b>	<b>90.3%</b>
Purchases of stock-in-trade of natural gas	(67.8)	(77.1)	(249.2)	(779.5)	(790.5)	125.7%	212.8%
Changes in inventories of finished goods	0.1	0.0	1.0	(0.3)	3.5		-125.1%
Excise duty on sale of compressed natural gas	(18.1)	(22.2)	(39.0)	(59.0)	(58.6)	48.3%	51.4%
<b>Gross profit</b>	<b>79.9</b>	<b>112.5</b>	<b>258.9</b>	<b>200.3</b>	<b>208.5</b>	<b>35.9%</b>	<b>-22.6%</b>
Employee benefit expense	(3.9)	(4.1)	(7.2)	(9.1)	(10.0)	33.0%	26.9%
Other expenses	(26.3)	(35.2)	(65.3)	(79.0)	(76.2)	44.3%	20.9%
<b>EBITDA</b>	<b>49.7</b>	<b>73.2</b>	<b>186.4</b>	<b>112.2</b>	<b>122.2</b>	<b>31.2%</b>	<b>-39.8%</b>
Depreciation and amortization expenses	(9.2)	(12.0)	(15.0)	(20.9)	(21.9)	31.5%	38.9%
<b>EBIT</b>	<b>40.5</b>	<b>61.2</b>	<b>171.4</b>	<b>91.3</b>	<b>100.3</b>	<b>31.1%</b>	<b>-46.7%</b>
Finance costs	(9.7)	(15.9)	(22.1)	(22.9)	(23.1)	33.3%	3.8%
Other income	0.5	0.7	3.1	6.0	7.5	133.4%	95.6%
<b>PBT</b>	<b>31.3</b>	<b>46.1</b>	<b>152.4</b>	<b>74.4</b>	<b>84.8</b>	<b>33.5%</b>	<b>-51.2%</b>
Tax expenses	(10.2)	(11.0)	(38.8)	(18.0)	(18.4)	20.8%	-53.7%
<b>PAT before share of profit/(loss) from JV entities</b>	<b>21.1</b>	<b>35.1</b>	<b>113.6</b>	<b>56.4</b>	<b>66.3</b>	<b>38.8%</b>	<b>-50.3%</b>
Profit/(loss) from JV entities	0.0	(0.2)	14.5	6.7	3.2		-53.8%
Minority interest				0.0	0.0		
<b>Reported PAT</b>	<b>21.1</b>	<b>34.9</b>	<b>128.0</b>	<b>63.1</b>	<b>69.5</b>	<b>44.2%</b>	<b>-50.7%</b>

Consolidated balance sheet statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20-FY23	Annual growth over FY22
Equity share capital	27.1	29.0	29.4	30.3	30.3	3.7%	3.0%
Other equity	47.6	88.6	214.4	316.2	343.1	88.0%	47.5%
Minority interest				0.0	0.0		
Non-current borrowings	144.9	163.4	197.6	303.8	321.2	28.0%	53.8%
Non-current lease liabilities	3.9	5.0	10.8	15.1	17.6	57.2%	39.3%
Other non-current financial liabilities	7.8	14.3	19.5	27.4	36.7	51.8%	40.2%
Non-current provisions	0.4	0.7	0.9	1.4	1.6	51.4%	46.7%
Net deferred tax liabilities	7.4	9.4	14.7	18.5	19.0	35.9%	25.9%
Trade payables	7.2	10.1	25.1	31.2	29.6	62.9%	24.2%
Current borrowings	1.8	0.0	5.0	0.0	0.0	-100.0%	-100.0%
Current lease liabilities	0.5	0.6	0.9	0.9	0.8	21.1%	-3.5%
Other current financial liabilities	16.9	14.1	21.9	46.1	31.3	39.9%	110.6%
Current provisions	0.0	0.0	0.0	0.1	0.1	143.8%	41.5%
Net current tax liabilities			8.4		0.0		
Other current liabilities	1.6	3.0	6.1	2.1	7.0	8.4%	-65.9%
<b>Total liabilities</b>	<b>267.2</b>	<b>338.1</b>	<b>554.8</b>	<b>792.9</b>	<b>838.2</b>	<b>43.7%</b>	<b>42.9%</b>
Property, plant and equipment	189.0	230.8	284.8	361.0	387.6	24.1%	26.8%
Intangible assets	2.4	2.7	2.7	3.4	3.2	11.8%	26.8%
Capital work-in-progress	29.0	19.7	52.3	91.1	99.2	46.5%	74.2%
Intangible assets under development	0.2	0.2	0.2		0.1		
Right-of-use assets	6.3	7.1	12.9	16.2	19.0	37.3%	25.5%
Non-current investments	0.1	6.1	25.7	32.4	31.4	537.5%	26.1%
Non-current loans			7.7	7.7	7.7		-1.0%
Other non-current financial assets	4.0	4.3	18.2	11.0	13.1	39.7%	-39.7%
Net income tax assets	2.9	3.2		4.2	2.1	13.5%	
Other non-current assets	6.5	6.3	8.8	40.4	38.0	83.8%	357.6%
Inventories	0.7	0.8	1.7	1.9	5.5	40.5%	12.5%
Trade receivables	4.7	11.2	22.7	38.6	61.3	101.8%	70.0%
Current investments		1.4	10.3	54.3	64.9		428.6%
Cash & cash equivalents	18.1	41.4	99.7	98.5	82.2	75.9%	-1.2%
Other current financial assets	0.9	0.5	2.6	3.8	5.3	61.5%	47.1%
Other current assets	2.3	2.3	4.4	28.4	17.6	130.7%	542.2%
<b>Total assets</b>	<b>267.2</b>	<b>338.1</b>	<b>554.8</b>	<b>792.9</b>	<b>838.2</b>	<b>43.7%</b>	<b>42.9%</b>

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



## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	52.4	73.5	191.3	130.1	111.1	35.4%	-32.0%
Working capital changes	(15.7)	(18.9)	(40.8)	(55.4)	16.1	52.1%	35.8%
<b>Cash flow from operating activities</b>	<b>30.8</b>	<b>45.4</b>	<b>128.6</b>	<b>46.7</b>	<b>92.7</b>	<b>14.9%</b>	<b>-63.7%</b>
Purchase of fixed assets and CWIP	(62.2)	(35.1)	(90.5)	(162.5)	(195.6)	37.7%	79.7%
<b>Cash flow from investing activities</b>	<b>(61.9)</b>	<b>(42.0)</b>	<b>(110.3)</b>	<b>(201.6)</b>	<b>(242.7)</b>	<b>48.2%</b>	<b>82.7%</b>
<b>Cash flow from financing activities</b>	<b>35.3</b>	<b>10.3</b>	<b>15.1</b>	<b>117.7</b>	<b>132.0</b>	<b>49.3%</b>	<b>679.2%</b>
<b>Net cash flow</b>	<b>4.2</b>	<b>13.7</b>	<b>33.4</b>	<b>(37.3)</b>	<b>(18.0)</b>		
Opening balance of cash	7.8	12.1	25.8	59.1	21.9	96.1%	129.7%
<b>Closing balance of cash</b>	<b>12.1</b>	<b>25.8</b>	<b>59.1</b>	<b>21.9</b>	<b>3.9</b>	<b>21.9%</b>	<b>-63.0%</b>

Consolidated financial ratios					
Particulars	FY20	FY21	FY22	FY23	TTM
Profitability ratios					
Revenue growth rate (%)			27.9%	157.8%	90.3%
Gross profit growth rate (%)			40.9%	130.1%	-22.6%
Gross profit margin (%)	48.2%	53.1%	47.4%	19.3%	19.8%
EBITDA growth rate (%)			47.3%	154.7%	-39.8%
EBITDA margin (%)	30.0%	34.6%	34.1%	10.8%	11.6%
EBIT growth rate (%)			51.0%	180.0%	-46.7%
EBIT margin (%)	24.5%	28.9%	31.4%	8.8%	9.5%
Restated reported PAT growth rate (%)			65.6%	267.0%	-50.7%
Restated reported PAT margin (%)	12.7%	16.5%	23.4%	6.1%	6.6%
Turnover ratios					
Inventory receivable turnover ratio	238.4	282.4	433.4	570.3	191.0
Trade receivable turnover ratio	35.3	26.7	32.2	33.9	17.2
Accounts payable turnover ratio	23.0	24.5	31.1	36.9	35.7
Fixed asset turnover ratio	0.7	0.8	1.5	2.2	2.1
Total asset turnover ratio	0.6	0.6	1.0	1.3	1.3
Return ratios					
RoIC (%)	12.1%	16.1%	29.9%	11.2%	11.6%
RoE (%)	28.2%	29.7%	52.5%	18.2%	18.6%
RoA (%)	7.9%	10.3%	23.1%	8.0%	8.3%
RoCE (%)	18.3%	22.9%	45.4%	16.3%	16.1%
Per Share data					
Restated adjusted EPS (Rs.)	5.1	8.5	31.2	15.4	16.9
DPS (Rs.)	1.0	0.0	0.9	0.4	0.4
BVPS (Rs.)	18.2	28.6	59.4	84.4	90.9
Operating cash flow per share (Rs.)	7.5	11.1	31.3	11.4	22.6
Free cash flow per share (Rs.)		(1.8)	2.0	(35.0)	
Dividend payout ratio	19.6%	0.0%	2.7%	2.3%	2.1%

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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