

IPO Report

Choice

“SUBSCRIBE” to
JNK India Ltd.

A dominant player in the Indian industrial heating equipment market



Salient features of the IPO:

- **JNK India Ltd.** (JNK), one of the leading manufacturers of heating equipments, which mainly finds application in the oil refineries and petrochemical plants, is coming up with an IPO to raise around Rs. 650cr, which opens on 23rd Apr. and closes on 25th Apr. 2024. The price band is Rs. 395 - 415 per share.
- The IPO is a combination of fresh issue (Rs. 300cr) and OFS portion (Rs. 332.6 - 349.5cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 262.7cr for funding the working capital requirement. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.795cr shares. While one of the individual public shareholder is offloading 0.047cr shares. Consequently, post-IPO, the P&PG and public shareholders will have 67.97% and 32.03% stake in the company, respectively.

Key competitive strengths:

- Established track record with a diverse customer base
- Well-positioned to capture sector tailwinds through demonstrated capabilities over time
- Diversifying product portfolio to cater to varied sectors
- Demonstrated financial performance with a robust order-book reflecting revenue visibility for last three fiscals
- Skilled and experienced promoters & management team with committed employee base

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Sectoral revenue concentration risk
- Subdued expansion in new business verticals
- Working capital intensive operations
- Difficulty in maintaining the profitability
- Unfavorable forex rate
- Competition

Below are the key highlights of the company:

- Incorporated in 2010, JNK is engaged in the business of manufacturing process-fired heaters, reformers & cracking furnaces (together, referred as "Heating Equipment"), which finds application in sectors like oil & gas, petrochemical and fertilizer. The company also manufactures flares & incinerators systems, which are critical for emission control. Based on the domestic order-booking, JNK has around 27% share in the Indian Heating Equipment market in FY23.
- Since inception, it has working closely with JNK Global (formerly known as JNK Heaters Co. Ltd.), which is involved in the design, manufacturing, installation of process-fired heaters. JNK Global is the only industrial-use process-fired heater producer in Korea and is ranked amongst the top-3 industrial-use process-fired heater producers globally. JNK Global is also one of the corporate promoters of the company (with a pre-IPO shareholding of 25.79%) and is participating in the OFS by partially offloading its stake. Post-IPO, it will have 18.06% stake in JNK.
- The relationship between the company and JNK Global is both independent and collaborative in nature. JNK mainly participates independently and acquire Heating Equipment projects, while for certain projects; it collaborates with JNK Global as a joint engineering & implementing partner.

Issue details

Price band	Rs. 395 - 415 per share
Face value	Rs. 2
Shares for fresh issue	0.723 - 0.759cr shares
Shares for OFS	0.842cr shares
Fresh issue size	Rs. 300cr
OFS issue size	Rs. 332.6 - 349.5cr
Total issue size	1.565 - 1.602cr shares (Rs. 632.6 - 649.5cr)
Bidding date	23 rd Apr. - 25 th Apr. 2024
Implied MCAP at higher price band	Rs. 2,308cr
Implied enterprise value at higher price band	Rs. 2,022cr
Book running lead manager	IIFL Securities Ltd. and ICICI Securities Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Industrials
Promoters	Mascot Capital and Marketing Pvt. Ltd., JNK Global Co. Ltd. (formally known as JNK Heaters Co. Ltd.), Mr. Arvind Kamath, Mr. Goutam Rampelli and Mr. Dipak Kacharalal Bharuka

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.782 - 0.801cr shares
Non institutional portion (Big)	10%	0.156 - 0.16cr shares
Non institutional portion (Small)	5%	0.078 - 0.08cr shares
Retail portion	35%	0.548 - 0.561cr shares

Indicative IPO process time line

Finalization of basis of allotment	26 th Apr. 2024
Unblocking of ASBA account	29 th Apr. 2024
Credit to demat accounts	29 th Apr. 2024
Commencement of trading	30 th Apr. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	94.56%	67.97%
Public	5.44%	32.03%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	36
Application money	Rs. 14,940 per lot

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

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	Adjusted PAT (Rs. cr)	Gross margin	EBITDA margin	Adjusted PAT margin
					1 M	3 M	6 M	1 Y						
JNK India Ltd.	2	415	2,308	2,022					407	69	46	38.6%	17.0%	11.4%
Bharat Heavy Electricals Ltd.	2	257	89,628	88,371	18.8%	26.8%	96.3%	258.4%	23,365	(2,018)	477	55.2%	-8.6%	2.0%
Thermax Ltd.	2	4,666	55,592	53,854	34.0%	47.8%	60.2%	105.1%	8,090	598	450	42.8%	7.4%	5.6%
Average												49.0%	-0.6%	3.8%

Company name	3Y ARPU growth (CAGR)	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 CFO / Capital employed	3Y average fixed asset turnover	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
JNK India Ltd.	72.0%	65.5%	67.8%	17.8%	11.8%	162.7%		105.8	35.7%	50.7%	24.7	0.9	35.2%	34.1%
Bharat Heavy Electricals Ltd.	16.2%	-39.5%		-17.2%	-3.8%	2.9%		64.3	-0.4%	0.7%	7.2	0.4	-2.3%	-30.8%
Thermax Ltd.	29.9%	29.7%	47.6%	7.1%	5.0%	21.3%	-22.7%	42.3	124.6%	35.4%	4.5	0.8	9.0%	9.2%
Average	23.1%	-4.9%	47.6%	-5.1%	0.6%	12.1%	-22.7%	53.3	62.1%	18.1%	5.9	0.6	3.3%	-10.8%

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)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
JNK India Ltd.	8.3	75.7	0.3	0.1	19.7	0.6	11.0%	61.0%	49.8	5.5	5.0	29.2	5.7	2.0%
Bharat Heavy Electricals Ltd.	1.4	77.0	0.4	0.2	8.3	0.4	1.8%	-8.8%	187.7	3.3	3.8	(43.8)	3.8	0.5%
Thermax Ltd.	37.8	324.6	8.6	0.2	4.8	0.9	11.6%	26.8%	123.5	14.4	6.7	90.1	6.9	0.8%
Average				4.5	0.2	6.5	6.7%	9.0%	155.6	8.9	5.2	23.2	5.4	0.7%

Note: Considered financials for the period during FY21-23; Source: Choice Broking Research

- Growing demand of transportation fuels and petrochemical feedstock are the primary growth drivers of the global refinery market. Around 18 refinery and 15 petrochemical projects are expected to be commissioned in India by FY31. Moreover, to remove the import dependency on urea, the Indian government is planning to increase the domestic urea production by commissioning four urea projects by FY26. Thus, the overall domestic demand of Heating Equipment from the refineries, petrochemical and urea sector is estimated at around Rs. 27,000cr between FY24-29. Similarly, with global expansion of the refinery and petrochemical capacities, the potential demand of Heating Equipment is expected to be around Rs. 49,000cr between CY23-28 (Source: RHP).
- With flares & incinerators systems, JNK diversified into waste gas handling systems. Flare systems are used in industrial plants such as petroleum refineries, chemical & fertilizer plants, natural gas processing plants. Incinerator system are mainly used in the refinery for tail gas incineration. Globally, the demand for waste gas handling systems is estimated to be around Rs. 6,500cr between CY23-28. Similarly, the domestic demand is estimated at around Rs. 2,200cr between FY24-29 (Source: RHP).
- From just over 13 years of operations, JNK has developed capabilities across thermal designing, engineering, manufacturing, supplying, installing and commissioning Heating Equipment both in the domestic and overseas market. As of 31st Dec. 2023, the company has served 21 customers in India and eight customers in the overseas market. Further, seven out of the 12 domestic oil refining companies are its customers for Heating Equipment. The company's domestic clientele include names like Indian Oil Corporation Ltd., Tata Projects Ltd., Rashtriya Chemicals & Fertilizers Ltd. and Numaligarh Refinery Ltd. Globally, JNK has executed 17 projects for JNK Global across Europe and Middle-East. With the co-operation of JNK Global, the company intends to expand in new geographies of Europe, Middle-East and Africa region.
- In FY22, JNK ventured into the Indian renewable energy sector. It has installed one hydrogen re-fuelling station at Indian Oil R&D Center, Haryana. The company supplies grey hydrogen through on-site and off-site production and storage systems. Going forward, it intends to leverage the technical know-how of JNK Global to capitalize opportunities in the hydrogen re-fuelling systems in India. Besides this, JNK also intends to expand into Solar-EPC market.
- JNK executes its projects from a leased fabrication facility located in Mundra, Gujarat, as well as from third-party fabricators. Spread across at around 20,250 square meters of area, the Mundra facility has a fabrication capacity of 5,000 tonnes per annum. It largely executes projects from a third party fabricator's premises and thus follows an asset-light business model in project execution. As a result, it has a fixed asset and total asset turnover of 19.7x and 1.2x in FY23 (pre-issue), which is higher than the peers.
- During FY21-23, the company has reported 145.9% CAGR growth in the order-book, which stood at Rs. 868.3cr, representing an order-book to sales ratio of 2.1x in FY23, compared to 1x in FY21. Of the total order-book, domestic orders made upto 89%, while the rest was contributed from the overseas market. Further, 64.8% of the orders were directly from the end customers, while the rest 17.5% and 17.7% were from JNK Group and other contracting customers, respectively. During the period, order inflow increased by 91% CAGR, with an average annual order inflow of Rs. 537.1cr. However, during 9M FY24, the order inflow stood at just Rs. 226.5cr.

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

- On the back of robust order inflows and executions, JNK reported a strong business growth during FY21-23. Profitability was almost stable during the period. The company reported 72% CAGR growth in the total operating revenue, which stood at Rs. 407.3cr in FY23. Business from the sales of Heating Equipment products increased by 66.2% CAGR and formed 82.6% of the consolidated revenue during FY23. Geographically, business from the overseas operation stood at an average of 69%, while the rest was from domestic operations. With relatively higher steel prices and freight costs, net cost of production increased by 116.5% CAGR (a rate higher than the top-line growth), thereby leading to around 23ppts contraction in the gross profit margin. However, relatively lower employee benefit expenses and other expenses led to just 135bps contraction in the EBITDA margin. In absolute terms, consolidated EBITDA increased by 65.5% CAGR to Rs. 69.3cr in FY23. With expansion in the business, depreciation charge and finance costs increased by 88.2% and 76.8% CAGR, respectively. Consequently, adjusted PAT increased by 67.8% CAGR to Rs. 46.4cr in FY23. During the period, PAT margin contracted by 58bps to 11.4% in FY23.
- Except for FY23, JNK reported positive operating cash flows during the period, with an average operating cash flow of Rs. 14.4cr. Total consolidated financial liabilities increased by 67% CAGR, however, with an improved profitability, debt-to-equity ratio improved from 0.6x in FY21 to 0.5x in FY23. Pre-issue RoIC and RoE stood at 33.2% and 37.9%, respectively, in FY23.
- During 9M FY24, JNK reported consolidated revenue of Rs. 253.4cr, with EBITDA and PAT margin of 26.4% and 18.2%, respectively. Based on our conservative assumptions, over FY23-25E, we are forecasting a 23.3% CAGR growth in the top-line to Rs. 619.4cr in FY25E. Anticipating higher cost of production (mainly arising from the on-going geo-political risks) EBITDA and PAT margins are expected to report a modest expansion of 62bps and 111bps, respectively, to 17.6% and 12.5%, in FY25E; compared to 17% and 11.4% in FY23. Post-issue, RoIC and RoE are estimated to be at 13.4% and 14%, respectively, in FY25E, compared to 10.5% and 11% in FY23.

Peer comparison and valuation: With growing demand of transportation fuels and petrochemical feedstock, there is an expansion in the refinery and petrochemical capacities across the globe, which will positively impact the demand for Heating Equipment. JNK independently has the capabilities to meet the domestic Heating Equipment demand, while for the overseas markets, it has a business collaboration with JNK Global, which is among the top-3 process-fired heater producers globally. With a dominant share in the domestic Heating Equipment market and asset-light operations, JNK is well placed to capitalize the demand growth in the medium-term.

We believe there is no peer having product-line similar to the JNK. The above peers considered are having diversified operations. At higher price band, JNK is demanding an P/E multiple of 49.8x, which is at a significant discount to the peer average. Thus, considering the niche product profile and medium-term growth prospects, we are assigning a **"SUBSCRIBE"** rating for the issue.

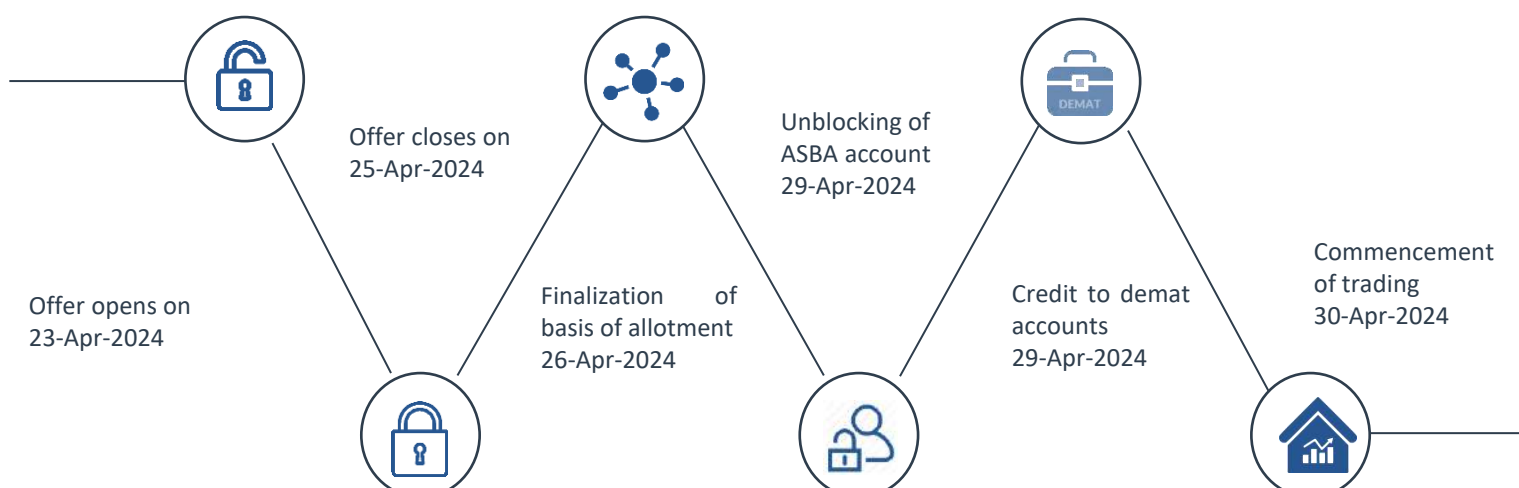
About the issue:

- JNK is coming up with an IPO with 1.565 - 1.602cr shares (fresh issue: 0.723 - 0.759cr shares; OFS shares: 0.842cr shares) in offering. This offer represents 28.14 - 28.61% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 632.6 - 649.5cr.
- The issue is through book building process with a price band of Rs. 395 - 415 per share.
- Lot size comprises of 36 equity shares and in-multiple of 36 shares thereafter.
- The issue will open on 23rd Apr. 2024 and close on 25th Apr. 2024.
- The IPO is a combination of fresh issue (Rs. 300cr) and OFS portion (Rs. 332.6 - 349.5cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 262.7cr for funding the working capital requirement. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.795cr shares. While one of the individual public shareholder is offloading 0.047cr shares. Consequently, post-IPO, the P&PG and public shareholders will have 67.97% and 32.03% stake in the company, respectively.
- 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.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	94.56%	67.97%
Public	5.44%	32.03%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-23: On the back of robust order inflows and executions, JNK reported a strong business growth during FY21-23. Profitability was almost stable during the period.

The company reported 72% CAGR growth in the total operating revenue, which stood at Rs. 407.3cr in FY23. Business from the sales of Heating Equipment products increased by 66.2% CAGR and formed 82.6% of the consolidated revenue during FY23. Geographically, business from the overseas operation stood at an average of 69%, while the rest was from domestic operations.

With relatively higher steel prices and freight costs, net cost of production increased by 116.5% CAGR (a rate higher than the top-line growth), thereby leading to around 23ppts contraction in the gross profit margin. However, relatively lower employee benefit expenses and other expenses led to just 135bps contraction in the EBITDA margin. In absolute terms, consolidated EBITDA increased by 65.5% CAGR to Rs. 69.3cr in FY23.

With expansion in the business, depreciation charge and finance costs increased by 88.2% and 76.8% CAGR, respectively. Consequently, adjusted PAT increased by 67.8% CAGR to Rs. 46.4cr in FY23. During the period, PAT margin contracted by 58bps to 11.4% in FY23.

Except for FY23, JNK reported positive operating cash flows during the period, with an average operating cash flow of Rs. 14.4cr. Total consolidated financial liabilities increased by 67% CAGR, however, with improved profitability, debt-to-equity ratio improved from 0.6x in FY21 to 0.5x in FY23. Pre-issue RoIC and RoE stood at 33.2% and 37.9%, respectively, in FY23.

Performance during 9M FY24: JNK reported consolidated revenue of Rs. 253.4cr, with EBITDA and PAT margin of 26.4% and 18.2%, respectively.

Pre-issue financial snapshot (Rs. cr)	FY21	FY22	FY23	9M FY24	CAGR over FY21-23	Y-o-Y (FY23 annual)
Heating equipment	121.6	261.2	336.0	235.2	66.2%	28.6%
Flares, incinerators and others	15.2	27.6	70.6	18.2	115.4%	155.7%
Sales of products and services	136.8	288.8	406.6	253.4	72.4%	40.8%
Other operating revenue	0.9	7.6	0.8		-9.7%	-90.1%
Revenue from operations	137.7	296.4	407.3	253.4	72.0%	37.4%
EBITDA	25.3	53.8	69.3	66.9	65.5%	28.7%
Reported PAT	16.5	36.0	46.4	46.2	67.7%	28.8%
Adjusted PAT	16.5	36.0	46.4	46.2	67.8%	28.8%
Restated adjusted EPS	3.0	6.5	8.3	8.3	67.8%	28.8%
Cash flow from operating activities	11.5	38.9	(7.2)	(9.2)		
NOPLAT	16.9	38.3	46.3	47.8	65.5%	21.1%
FCF		4.9	(18.6)	26.3		
RoIC (%)	40.6%	51.0%	33.2%	29.7%	(743) bps	(1,783) bps
Revenue growth rate		115.2%	37.4%			
Gross profit growth rate		57.6%	18.1%			
Gross profit margin	61.2%	44.8%	38.6%	43.9%	(2,268) bps	(629) bps
EBITDA growth rate		113.0%	28.7%			
EBITDA margin	18.4%	18.2%	17.0%	26.4%	(135) bps	(116) bps
Restated adjusted PAT growth rate		118.5%	28.8%			
Restated adjusted PAT margin	12.0%	12.1%	11.4%	18.2%	(58) bps	(76) bps
Inventories days	13.7	41.6	64.7	114.3	117.2%	55.5%
Trade receivables days	143.2	101.0	100.5	145.1	-16.2%	-0.5%
Trade payables days	(66.1)	(43.3)	(38.1)	(65.4)	-24.1%	-11.9%
Cash conversion cycle	90.8	99.4	127.2	194.0	18.4%	28.0%
Fixed asset turnover ratio	39.7	14.7	19.7	9.9	-29.7%	33.3%
Total asset turnover ratio	1.1	1.1	1.2	0.6	4.7%	9.2%
Current ratio	1.5	1.3	1.6	1.5	5.9%	26.2%
Quick ratio	1.4	1.0	1.2	1.1	-7.4%	24.9%
Total debt	21.8	34.0	60.8	84.8	67.0%	79.2%
Net debt	(5.4)	(2.8)	13.7	48.2		
Debt to equity	0.6	0.5	0.5	0.5	-8.3%	5.9%
Net debt to EBITDA	(0.2)	(0.1)	0.2	0.7		
RoE	44.7%	49.9%	37.9%	27.4%	(679) bps	(1,190) bps
RoA	13.2%	13.4%	13.7%	10.2%	56 bps	32 bps
RoCE	157.2%	107.5%	60.2%	41.9%	(9,701) bps	(4,732) bps

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

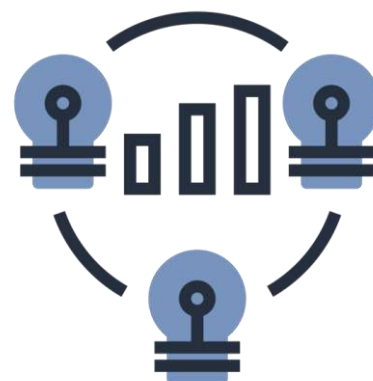


Competitive strengths:

- Established track record with a diverse customer base
- Well-positioned to capture sector tailwinds through demonstrated capabilities over time
- Diversifying product portfolio to cater to varied sectors
- Demonstrated financial performance with a robust order-book reflecting revenue visibility for last three fiscals
- Skilled and experienced promoters & management team with committed employee base

Business strategy:

- Geographical expansion with focus on high growth markets to capitalize on the sector tailwinds
- Enhance diversified offerings including renewables
- Pursue strategic investment, partnerships & acquisition opportunities and integrate them with the business operations



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Sectoral revenue concentration risk
- Subdued expansion in new business verticals
- Working capital intensive operations
- Difficulty in maintaining the profitability
- Unfavorable forex rate
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY21	FY22	FY23	9M FY24	CAGR over FY21-23	Annual growth over FY22
Revenue from operations	137.7	296.4	407.3	253.4	72.0%	37.4%
Purchase of stock-in-trade	(30.3)	(150.3)	(160.2)	(122.8)	130.0%	6.6%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	4.8	57.3	19.6	25.2	102.0%	-65.7%
Project Expenses	(27.9)	(70.4)	(109.7)	(44.5)	98.2%	55.8%
Gross profit	84.3	132.9	157.0	111.2	36.5%	18.1%
Employee benefits expenses	(32.6)	(41.4)	(53.2)	(25.5)	27.7%	28.4%
Other expenses	(26.4)	(37.6)	(34.5)	(18.8)	14.3%	-8.3%
EBITDA	25.3	53.8	69.3	66.9	65.5%	28.7%
Depreciation and amortization expenses	(1.9)	(3.0)	(6.6)	(4.0)	88.2%	120.4%
EBIT	23.4	50.9	62.7	62.8	63.6%	23.3%
Finance costs	(1.3)	(3.8)	(4.2)	(5.5)	76.8%	11.9%
Other income	0.7	0.7	4.2	3.4	140.8%	473.4%
Exceptional items	0.0					
PBT	22.8	47.8	62.7	60.7	65.8%	31.1%
Tax expenses	(6.3)	(11.8)	(16.3)	(14.5)	60.7%	38.0%
Reported PAT	16.5	36.0	46.4	46.2	67.7%	28.8%
Adjusted PAT	16.5	36.0	46.4	46.2	67.8%	28.8%

Consolidated balance sheet statement (Rs. cr)						
	FY21	FY22	FY23	9M FY24	CAGR over FY21-23	Annual growth over FY22
Equity share capital	0.6	9.6	9.6	9.7	300.0%	0.0%
Other equity	36.2	62.6	112.6	158.9	76.3%	79.9%
Non-current borrowings	0.4	2.9	3.6	4.2	187.6%	27.0%
Non-current lease liabilities	1.8	7.5	8.1	9.4	112.7%	7.1%
Other non-current financial liabilities	0.4	0.4	0.9		44.2%	126.1%
Net deferred tax liabilities	0.2					
Non-current provisions	0.1		1.5	4.4	284.0%	
Other non-current liabilities	2.3	1.1	15.0		152.7%	1249.9%
Trade payables	24.9	45.3	39.8	61.4	26.2%	-12.2%
Current borrowings	8.5	3.1	30.1	52.5	88.2%	860.8%
Current lease liabilities	1.0	1.5	2.3	1.8	53.6%	53.7%
Other current financial liabilities	9.7	18.6	15.9	16.8	28.0%	-14.6%
Current provisions	8.7	4.9	7.8	15.8	-5.5%	57.4%
Net current tax liabilities	2.2	3.2	6.2	13.3	68.1%	94.7%
Other current liabilities	28.0	107.7	84.5	105.2	73.7%	-21.5%
Total liabilities	125.1	268.3	337.8	453.4	64.3%	25.9%
Property, plant & equipments	0.8	5.5	5.4	8.4	161.6%	-0.3%
Intangible assets	0.1	0.4	0.4	0.3	85.9%	-16.6%
Capital work-in-progress				1.4		
Right-of-use assets	2.6	14.2	14.9	15.4	141.1%	4.9%
Non-current loans & advances				1.6		
Other non-current financial assets	0.3	8.1	8.9	21.7	453.5%	9.7%
Net deferred tax assets		0.8	2.5	2.2		213.2%
Other non-current assets	0.2	0.2	0.3	0.1	29.6%	68.0%
Inventories	5.2	62.4	82.1	107.2	298.2%	31.4%
Trade receivables	54.0	110.0	114.4	136.2	45.5%	3.9%
Current investments		11.1				
Cash & cash equivalents	27.2	25.7	47.2	36.6	31.6%	83.5%
Current loans & advances	0.2	0.8	0.3	0.6	26.3%	-65.0%
Other current financial assets	10.2	4.8	12.2	47.6	9.6%	154.9%
Other current assets	24.4	24.3	49.3	74.1	42.1%	102.7%
Total assets	125.1	268.3	337.8	453.4	64.3%	25.9%

Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY21	FY22	FY23	9M FY24	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	29.2	55.7	75.9	69.9	61.2%	36.2%
Working capital changes	(12.8)	(4.9)	(68.1)	(70.7)	130.9%	1282.3%
Cash flow from operating activities	11.5	38.9	(7.2)	(9.2)		
Purchase of fixed assets and CWIP	(4.0)	(19.6)	(7.5)	(8.8)	36.5%	-61.9%
Cash flow from investing activities	(16.7)	(24.9)	(25.0)	(6.0)	22.3%	0.4%
Cash flow from financing activities	8.2	0.5	25.1	18.7	74.9%	4666.6%
Net cash flow	2.9	14.5	(7.1)	3.4		
Opening balance of cash	5.1	8.0	22.5	15.4	110.4%	181.1%
Closing balance of cash	8.0	22.5	15.4	18.8	38.6%	-31.6%

Consolidated financial ratios				
Particulars	FY21	FY22	FY23	9M FY24
Profitability ratios				
Revenue growth rate		115.2%	37.4%	
Gross profit growth rate		57.6%	18.1%	
Gross profit margin	61.2%	44.8%	38.6%	43.9%
EBITDA growth rate		113.0%	28.7%	
EBITDA margin	18.4%	18.2%	17.0%	26.4%
EBIT growth rate		117.1%	23.3%	
EBIT margin	17.0%	17.2%	15.4%	24.8%
Restated adjusted PAT growth rate		118.5%	28.8%	
Restated adjusted PAT margin	12.0%	12.1%	11.4%	18.2%
Turnover ratios				
Inventory turnover ratio	26.6	8.8	5.6	2.4
Trade receivable turnover ratio	2.5	3.6	3.6	1.9
Accounts payable turnover ratio	5.5	8.4	9.6	4.1
Fixed asset turnover ratio	39.7	14.7	19.7	9.9
Total asset turnover ratio	1.1	1.1	1.2	0.6
Liquidity ratios				
Current ratio	1.5	1.3	1.6	1.5
Quick ratio	1.4	1.0	1.2	1.1
Total debt	21.8	34.0	60.8	84.8
Net debt	(5.4)	(2.8)	13.7	48.2
Debt to equity	0.6	0.5	0.5	0.5
Net debt to EBITDA	(0.2)	(0.1)	0.2	0.7
Cash flow ratios				
CFO to PAT	0.7	1.1	(0.2)	(0.2)
CFO to Capex	2.9	2.0	(1.0)	(1.0)
CFO to total debt	0.5	1.1	(0.1)	(0.1)
CFO to current liabilities	0.1	0.2	(0.0)	(0.0)
Return ratios				
RoIC (%)	40.6%	51.0%	33.2%	29.7%
RoE (%)	44.7%	49.9%	37.9%	27.4%
RoA (%)	13.2%	13.4%	13.7%	10.2%
RoCE (%)	157.2%	107.5%	60.2%	41.9%
Per share data				
Restated adjusted EPS (Rs.)	3.0	6.5	8.3	8.3
DPS (Rs.)	0.1	0.1	0.3	0.3
BVPS (Rs.)	6.6	13.0	22.0	30.3
Operating cash flow per share (Rs.)	2.1	7.0	(1.3)	(1.7)
Free cash flow per share (Rs.)		0.9	(3.3)	4.7
Dividend payout ratio	3.6%	1.7%	3.1%	3.1%

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.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Pvt. Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH000000222; Cin. No. U65999MH2010PTC198714). Registered Address: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400-099. Tel. No. 022-6707 9999.

Compliance Officer: Prashant Saliang; Tel. No. 022-6707-9999; Ext. 2310; email-id: compliance@choiceindia.com

Grievance officer: Deepika Singhvi ; Tel. No. 022-6707-9999; Ext. 834; email-id: ig@choiceindia.com

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors .

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL", or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.