IPO Report

Choice

“**Subscribe with Caution**” to

EPACK Durable Ltd.

Anticipating growth slowdown in FY24, plus the issue is fully priced

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17th Jan. 2024

Salient features of the IPO:

- **EPACK Durable Ltd.** (EPACK), the 2nd largest domestic original design manufacturer (ODM) of room air conditioners (RAC) is coming up with an IPO to raise around Rs. 640cr, which opens on 19th Jan. and closes on 23rd Jan. 2024. The price band is Rs. 218 - 230 per share.
- The IPO is a combination of fresh and OFS portion. From the OFS portion, the company will not receive any funds. From the fresh issue net proceeds, EPACK will be utilizing Rs. 230cr for funding the capacity expansion at the existing facility & setting-up new facilities and another Rs. 80cr will be used for the pre-paying/re-payment of debt. Rest of the net proceeds will be used for general corporate purposes.
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading around 0.518cr shares (considering the higher price band). Post-IPO, P&PG will have 48.09% stake in the company, compared to 65.36% earlier. Couple of investor selling shareholders i.e. India Advantage Fund and Dynamic India Fund (both managed by ICICI Venture Funds) are partially offloading their stake in the company via. OFS route. Post issue these funds will have 10.33% and 0.66% stake (considering the higher price band), respectively, compared to 18.52% and 1.61% (pre-IPO). Consequently, public shareholding will increase from 34.64% to 51.91%.

Key competitive strengths:

- Long-standing relationships with established customers, with potential to expand the customer base
- Among the key manufacturers in the fast-growing RAC and SDA (small domestic appliance) market
- Advanced vertically integrated manufacturing operations with product portfolio aimed at capturing the full spectrum of the RAC and SDA value chain
- Robust product development and design optimization capabilities
- Experienced promoters supported by senior management team with proven track record of performance

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Revenue concentration risk
- Difficulty in adding new RAC brands and SDAs for ODM operations
- Subdued capacity utilization
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- In volume terms, the Indian RAC market has grown by 8.8% CAGR between FY18-23, while 11.2% CAGR in value terms. Further, the market is forecasted to grow by 12.1% and 15.1% CAGR, in volume and value terms, respectively, over FY23-28E. Key growth drivers would be the improving purchasing power of the population, growth in the residential real estate market, easy financing options, more prevalence of heat waves etc.
- The RAC market is fairly organized and top-6 brands cornered around 65% of the market in FY23. Big brands largely manufacture RACs in-house, but since couple of years, ODM/OEMs (original equipment manufacturer) have gained prominence in the manufacturing of the RACs for the brands. In FY23, around 35% of the RAC manufacturing was outsourced by the big brands to these ODM/OEM manufacturers.

Issue details	
Price band	Rs. 218 - 230 per share
Face value	Rs. 10
Shares for fresh issue	1.739 - 1.835cr shares
Shares for OFS	1.044cr shares
Fresh issue size	Rs. 400cr
OFS issue size	Rs. 227.5 - 240.1cr
Total issue size	2.783 - 2.879cr shares (Rs. 627.5 - 640.1cr)
Bidding date	19th Jan. - 23rd Jan. 2024
Implied MCAP at higher price band	Rs. 2,203cr
Implied enterprise value at higher price band	Rs. 2,445cr
Book running lead manager	Axis Capital Ltd., DAM Capital Advisors Ltd. and ICICI Securities Ltd.
Registrar	KFin Technologies Ltd.
Sector	Consumer Durables
Promoters	Mr. Bajrang Bothra, Mr. Laxmi Pat Bothra, Mr. Sanjay Singhania and Mr. Ajay DD Singhania

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.391 - 1.439cr shares
Non institutional portion (Big)	10%	0.278 - 0.288cr shares
Non institutional portion (Small)	5%	0.139 - 0.144cr shares
Retail portion	35%	0.974 - 1.007cr shares

Indicative IPO process time line	
Finalization of basis of allotment	24th Jan. 2024
Unblocking of ASBA account	25th Jan. 2024
Credit to demat accounts	25th Jan. 2024
Commencement of trading	29th Jan. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	65.36%	48.09%
Public	34.64%	51.91%
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	65
Application money	Rs. 14,950 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 1 M	3 M	6 M	1 Y	Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	Gross margin	EBITDA margin	PAT margin
EPACK Durable Ltd.	**10**	**230**	**2,203**	**2,445**					**1,539**	**103**	**34**	**14.0%**	**6.7%**	**2.2%**
Amber Enterprises India Ltd.	10	3,635	12,247	12,812	17.7%	21.4%	62.7%	93.8%	6,927	418	157	15.3%	6.0%	2.3%
Elin Electronics Ltd.	5	159	792	725	6.8%	-14.3%	2.9%	-23.9%	1,075	65	27	25.9%	6.1%	2.5%
PG Electroplast Ltd.	10	2,163	5,629	6,074	-7.6%	9.2%	38.6%	83.6%	2,160	171	78	18.3%	7.9%	3.6%
Average												**19.8%**	**6.7%**	**2.8%**

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 CFO / EBITDA	3Y average CFO / Capital employed	3Y average fixed asset turnover	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
EPACK Durable Ltd.	**44.6%**	**56.2%**	**109.8%**	**6.6%**	**1.7%**	**60.5%**	**-37.0%**	**85.1**	**29.7%**	**6.0%**	**4.0**	**1.0**	**10.1%**	**11.8%**
Amber Enterprises India Ltd.	51.2%	37.4%	38.8%	6.6%	2.5%	14.2%	20.4%	39.7	88.0%	15.0%	2.7	0.9	6.5%	6.4%
Elin Electronics Ltd.	11.7%	-1.1%	-12.4%	7.0%	3.4%	20.3%		64.8	39.2%	6.7%	5.3	1.7	10.6%	11.9%
PG Electroplast Ltd.	75.3%	88.4%	158.5%	7.5%	2.9%	54.1%	-10.7%	49.5	17.7%	3.8%	2.9	1.2	12.5%	11.3%
Average	**46.0%**	**41.6%**	**61.6%**	**7.0%**	**2.9%**	**29.5%**	**4.9%**	**51.3**	**48.3%**	**8.5%**	**3.6**	**1.3**	**9.9%**	**9.9%**

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
EPACK Durable Ltd.	**3.6**	**74.5**	**0.0**	**1.0**	**3.0**	**0.8**	**4.8%**	**18.1%**	**64.2**	**3.1**	**1.6**	**23.8**	**1.4**	**1.6%**
Amber Enterprises India Ltd.	46.7	566.5	0.0	0.7	3.0	1.1	8.2%	13.7%	77.9	6.4	1.8	30.7	1.8	1.3%
Elin Electronics Ltd.	5.4	99.3	0.8	0.1	4.6	1.5	5.4%	11.1%	29.5	1.6	0.7	11.1	0.7	3.4%
PG Electroplast Ltd.	29.8	152.1	0.0	1.2	3.7	1.4	19.6%	20.7%	72.6	14.2	2.8	35.6	2.6	1.4%
Average			**0.3**	**0.7**	**3.8**	**1.3**	**11.1%**	**15.2%**	**60.0**	**7.4**	**1.8**	**25.8**	**1.7**	**2.0%**

Note: Financials considered for the period between FY21-23; Source: Choice Broking Research

- In terms of number of units (indoor units + outdoor units) manufactured in FY23, EPACK was the 2nd largest RAC ODM manufacturer in India. Starting its journey as the OEM for one of the prominent RAC brands, over the years the company has evolved itself as the key ODM player with around 25% market share in the domestic RAC ODM market.
- EPACK's RAC product portfolio comprised of window AC and indoor & outdoor unit for split ACs. Its RAC manufacturing process is backward integrated, with in-house manufacturing of key components like heat exchangers, cross flow fans, axial fans, sheet metal press parts, injection moulded components, etc. Leveraging its presence in the RAC market and backward integrated operations, the company in 2013 ventured in the domestic SDA market. Currently, it designs & manufactures SDA products like induction cooktops, mixer-grinders, water dispensers etc.
- The company's RAC clientele includes four of the top-6 RAC brands in the domestic market. Some of its key RAC clients are Blue Star Ltd., Daikin Airconditioning India Pvt. Ltd., Carrier Midea India Pvt. Ltd., Voltas Ltd., Havells India Ltd., Haier Appliances (India) Pvt. Ltd. etc. Further its SDA clientele includes names like Bajaj Electricals Ltd., BSH Household Appliances Manufacturing Pvt. Ltd., Usha International Ltd., etc. EPACK has developed long-standing relations with these customers.
- Its operations are supported by three manufacturing facilities, one each located in Dehradun (Uttarakhand, operational since 2003), Bhiwadi (Rajasthan, operational since 2022) and Sri City (Andhra Pradesh). Both Dehradun and Bhiwadi had cumulative installed capacity of 0.9mn indoor units, 0.7mn outdoor unit, 0.4mn outdoor unit kits, 0.4mn window ACs, 0.1mn water dispensers, 1.2mn induction cooktops, 0.3mn mixer grinders and other components. The Sri City facility, which got operational from Dec. 2023 had 0.7mn indoor & outdoor units each and 0.7mn induction cooktops. EPACK is further in the process of expanding its capacity at the Bhiwadi and Sri City facility. For the same it will be utilizing Rs. 230cr from the IPO net proceeds.
- The company has participated in the government's PLI scheme for white goods (specifically for the manufacturing of the air-conditioner components). Based on the components manufactured, it has recognized an incentive of Rs. 15cr for FY23 and Rs. 7.5cr for H1 FY24. Currently, it is in the process of submitting claims to the concerned government authorities. According to the management, the claims would be disbursed by the end of FY24.
- In future, the company intends to expand its product portfolio by manufacturing semi-commercial air conditioner products and domestic air coolers. It also plans to manufacture hair dryers, induction water heaters and nutri-blenders, tower fans, kitchen chimneys etc. under the SDA segment.

Key highlights of the company (Contd…):

- Mainly on the back of expanded capacities and improved demand post-Covid-19 pandemic (resulting from extended extreme heat waves across the country and easy availability of financing options), EPACK has reported a strong set of operating and financial performance. Over FY21-23, the company has reported a 44.6% CAGR rise in operating revenue, which stood at Rs. 1,538.8cr in FY23. Business from the sales of RACs (which contributed around 80% to the total revenue) increased by 41.6% CAGR, while business from the sales of SDA products (contributing around 14% to the top-line) increased by 61.8% CAGR. With easing commodity prices, net cost of revenue increased by 42.8% CAGR (a rate lower than top-line growth), thereby resulting in a 212bps expansion in the gross profit margin. However, relatively higher other expanse led to a 95bps expansion in the EBITDA margin, which stood at 6.7% in FY23. In absolute terms EBITDA increased by 56.2% CAGR during the period to Rs. 102.5cr in FY23. With expanded capacities, depreciation charge increased by 70.3% CAGR, whereas higher financial liabilities led to a 10.9% CAGR rise in finance costs. Consequently, adjusted PAT increased by 109.8% CAGR to Rs. 34.3cr in FY23. During the period, PAT margin expanded by 117bps. Baring FY22, the company has reported a positive operating cash flow. Average operating cash flow stood at Rs. 12.4cr. Total financial liabilities increased by 61.5% CAGR, however, due to better profitability debt-to-equity ratio improved to 2.3x in FY23, compared to 4x in FY21. Pre-issue RoIC and RoE stood at 13.3% and 10.9%, respectively, in FY23, compared to 13.7% and 11.3% in FY21.
- During H1 FY24, EPACK has reported a top-line of Rs. 614.8cr with EBITDA and PAT margins of 6% and 0.5%, respectively. During FY24E, we are anticipating RAC sales volume growth of around 2-3%, mainly on account of unseasonal rains, which led to lower temperatures in North India during the peak summer period of 2023. However, RAC sales volume is expected to rebound in FY25E, by reporting a sales growth of 6%. Business from the sales of SDA products is expected to increase by 10% CAGR during the period. Thus based on quick conservative estimate, over FY23-25E, we are forecasting a top-line growth of 3.1% CAGR to Rs. 1,635.2cr in FY25E. EBITDA and PAT margins are likely to expand by 151bps and 109bps, respectively, on better economies of scale. Post-issue RoIC and RoE are forecasted to expand by 254bps and 185bps, respectively, to 9.3% and 6.7% in FY25E, compared to 6.8% and 4.8% in FY23.

Peer comparison and valuation: At higher price band, EPACK is demanding a P/E multiple of 64.2x (to its FY23 EPS of Rs. 3.6), which is at premium to the peer average of 60x. Thus the issue is fully priced.

EPACK is the 2nd largest player in the RAC ODM space. In FY24E, there would be slowdown in the demand of RACs, but the medium-term growth drivers are intact for the domestic air conditioning market. The company with its expanded manufacturing capacities is well positioned to capture the medium-term growth in the RAC market. EPACK claims to be a 100% ODM player with one of the highest integrated operations, however, the benefits are not getting reflected in the profitability margins and return ratios. Considering the medium-term growth levers and stretched valuations, we assign a "**Subscribe with Caution**" rating for the issue.

About the issue:

- EPACK is coming up with an IPO with 2.783 - 2.879cr shares (fresh issue: 1.739 - 1.835cr shares; OFS shares: 1.044cr shares) in offering. This offer represents 29.05 - 29.75% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 627.5 - 640.1cr.

- The issue is through book building process with a price band of Rs. 218 - 230 per share.

- Lot size comprises of 65 equity shares and in-multiple of 65 shares thereafter.

- The issue will open on 19th Jan. and close on 23rd Jan. 2024.

- The IPO is a combination of fresh and OFS portion. From the OFS issue, the company will not receive any funds. From the fresh issue net proceeds, EPACK will be utilizing Rs. 230cr for funding the capacity expansion at the existing facility & setting-up new facilities and another Rs. 80cr will be used for the pre-paying/re-payment of debt. Rest of the net proceeds will be used for general corporate purposes.

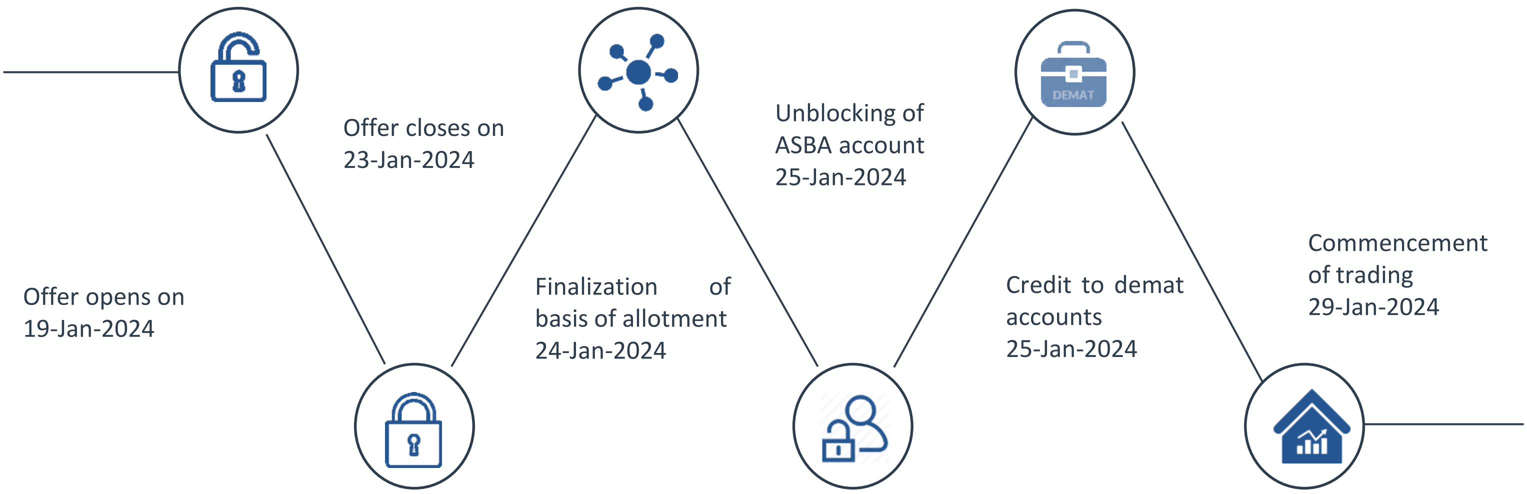
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading around 0.518cr shares (considering the higher price band). Post-IPO, P&PG will have 48.09% stake in the company, compared to 65.36% earlier. Couple of investor selling shareholders i.e. India Advantage Fund and Dynamic India Fund (both managed by ICICI Venture Funds) are partially offloading their stake in the company via. OFS route. Post issue these funds will have 10.33% and 0.66% stake (considering the higher price band), respectively, compared to 18.52% and 1.61% (pre-IPO). Consequently, public shareholding will increase from 34.64% to 51.91%.

- 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	65.36%	48.09%
Public	34.64%	51.91%
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: Mainly on the back of expanded capacities and improved demand post-Covid-19 pandemic (resulting from extended extreme heat waves across the country and easy availability of financing options), EPACK has reported a strong set of operating and financial performance.

Over FY21-23, the company has reported a 44.6% CAGR rise in operating revenue, which stood at Rs. 1,538.8cr in FY23. Business from the sales of RACs (which contributed around 80% to the total revenue) increased by 41.6% CAGR, while business from the sales of SDA products (contributing around 14% to the top-line) increased by 61.8% CAGR.

With easing commodity prices, net cost of revenue increased by 42.8% CAGR (a rate lower than top-line growth), thereby resulting in a 212bps expansion in the gross profit margin. However, relatively higher other expanse led to a 95bps expansion in the EBITDA margin which stood at 6.7% in FY23. In absolute terms EBITDA increased by 56.2% CAGR during the period to Rs. 102.5cr in FY23.

With expanded capacities, depreciation charge increased by 70.3% CAGR, whereas higher financial liabilities led to a 10.9% CAGR rise in finance costs. Consequently, adjusted PAT increased by 109.8% CAGR to Rs. 34.3cr in FY23. During the period, PAT margin expanded by 117bps.

Baring FY22, the company has reported a positive operating cash flow. Average operating cash flow stood at Rs. 12.4cr. Total financial liabilities increased by 61.5% CAGR, however, due to better profitability debt-to-equity ratio improved to 2.3x in FY23, compared to 4x in FY21. Pre-issue RoIC and RoE stood at 13.3% and 10.9%, respectively, in FY23, compared to 13.7% and 11.3% in FY21.

Pre-issue financial snapshot (Rs. cr)	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Y-o-Y (FY23 annual)
Business from sale of RAC	*639.1*	*754.8*	*1,280.7*	*481.6*	*41.6%*	*69.7%*
Business from sale of SDA	*83.2*	*149.1*	*217.8*	*113.1*	*61.8%*	*46.0%*
Other operating revenue	*14.0*	*20.2*	*40.4*	*20.1*	*69.9%*	*99.7%*
Revenue from operations	736.2	924.2	1,538.8	614.8	44.6%	66.5%
Gross profit	87.2	129.8	214.8	87.3	57.0%	65.4%
EBITDA	42.0	68.8	102.5	37.0	56.2%	49.0%
Adjusted PAT	7.8	17.4	34.3	3.2	109.8%	96.9%
Restated reported EPS	0.8	1.8	3.6	0.3	109.8%	96.9%
Cash flow from operating activities	47.4	(28.9)	18.8	158.1	-37.0%	
NOPLAT	23.7	34.8	55.5	14.0	53.0%	59.4%
FCF	(24.4)	32.9	(158.4)		154.9%	
RoIC (%)	13.7%	14.9%	13.3%	2.1%	(44) bps	(165) bps
Revenue growth rate	-4.4%	25.5%	66.5%			
Gross profit growth rate	10.6%	49.0%	65.4%			
Gross profit margin	11.8%	14.0%	14.0%	14.2%	212 bps	(9) bps
EBITDA growth rate	15.0%	63.7%	49.0%			
EBITDA margin	5.7%	7.4%	6.7%	6.0%	95 bps	(78) bps
EBIT growth rate	2.7%	58.9%	45.6%			
EBIT margin	4.5%	5.7%	5.0%	3.4%	48 bps	(71) bps
Restated reported PAT growth rate	291.0%	123.4%	96.9%			
Restated reported PAT margin	1.1%	1.9%	2.2%	0.5%	117 bps	34 bps
Inventory days	68.3	82.5	67.7	55.4	-0.4%	-17.9%
Trade receivables days	75.3	116.6	99.1	40.3	14.7%	-15.0%
Trade payables days	(72.6)	(95.9)	(85.7)	(35.5)	8.7%	-10.6%
Cash conversion cycle	71.1	103.1	81.0	60.2	6.8%	-21.4%
Fixed asset turnover ratio	6.4	2.8	3.0	1.0	-31.2%	8.9%
Total asset turnover ratio	1.4	0.9	1.1	0.6	-13.8%	22.4%
Current ratio	1.2	0.9	0.9	1.1	-12.0%	2.9%
Quick ratio	0.8	0.5	0.6	0.5	-11.2%	10.2%
Total debt	274.6	590.0	716.6	447.4	61.5%	21.5%
Net debt	263.1	531.0	641.2	436.8	56.1%	20.7%
Debt to equity	4.0	4.8	2.3	0.9	-24.3%	-52.8%
Net debt to EBITDA	6.3	7.7	6.3	11.8	0.0%	-19.0%
RoE (%)	11.3%	14.3%	10.9%	0.7%	(38) bps	(336) bps
RoA (%)	1.5%	1.6%	2.3%	0.3%	85 bps	73 bps
RoCE (%)	20.1%	27.8%	18.1%	2.9%	(206) bps	(979) bps

Source: Choice Equity Broking

Competitive strengths:

- Long-standing relationships with established customers, with potential to expand the customer base
- Among the key manufacturers in the fast-growing RAC and SDA market
- Advanced vertically integrated manufacturing operations with product portfolio aimed at capturing the full spectrum of the RAC and SDA value chain
- Robust product development and design optimization capabilities
- Experienced promoters supported by senior management team with proven track record of performance

Business strategy:

- Expanding the existing product portfolio, including RAC and SDA components portfolio
- Continue to drive operational efficiencies through expansion in the integrated manufacturing capabilities and continued investment in R&D infrastructure
- Increase wallet share with existing customers and continue to focus on expanding the customer base
- Further explore initiatives to strengthen control over the supply chain

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Revenue concentration risk
- Difficulty in adding new RAC brands and SDAs for ODM operations
- Subdued capacity utilization
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Profit and loss statement (Rs. cr)	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
Revenue from operations	**736.2**	**924.2**	**1,538.8**	**614.8**	**44.6%**	**66.5%**
Cost of materials consumed	(655.0)	(798.5)	(1,298.8)	(505.1)	40.8%	62.7%
Purchase of stock-in-trade			(29.6)	(13.8)		
Changes in inventories of finished goods and work-in-progress	5.9	4.1	4.4	(8.6)	-13.9%	5.9%
Gross profit	**87.2**	**129.8**	**214.8**	**87.3**	**57.0%**	**65.4%**
Employee benefits expense	(17.0)	(23.3)	(33.4)	(21.0)	40.1%	43.5%
Other expenses	(28.1)	(37.8)	(78.8)	(29.3)	67.4%	108.8%
EBITDA	**42.0**	**68.8**	**102.5**	**37.0**	**56.2%**	**49.0%**
Depreciation and amortization expense	(9.0)	(16.3)	(26.1)	(16.1)	70.3%	60.0%
EBIT	**33.0**	**52.5**	**76.4**	**20.9**	**52.1%**	**45.6%**
Finance costs	(25.6)	(29.4)	(31.5)	(17.9)	10.9%	7.1%
Other income	3.4	3.2	1.4	1.5	-35.5%	-55.3%
Share of profit/(loss) of associate			(0.8)	(0.6)		
Exceptional items			(1.6)			
PBT	**10.9**	**26.3**	**44.0**	**4.0**	**101.2%**	**67.5%**
Tax expenses	(3.1)	(8.9)	(12.1)	(1.3)	98.2%	36.2%
Reported PAT	**7.8**	**17.4**	**32.0**	**2.7**	**102.4%**	**83.4%**
Adjusted PAT	**7.8**	**17.4**	**34.3**	**3.2**	**109.8%**	**96.9%**

Balance sheet statement (Rs. cr)	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
Equity share capital	48.2	52.1	52.1	52.1	4.0%	0.0%
Instruments entirely equity in nature			18.8	29.9		
Other equity	20.7	69.8	242.7	396.4	242.1%	247.8%
Non-current borrowings	80.6	85.4	142.5	184.3	32.9%	66.8%
Non-current lease liabilities	18.5	25.8	26.0	43.9	18.6%	0.6%
Non-current provisions	1.0	2.0	2.8	3.4	72.0%	43.0%
Net deferred tax liabilities	6.9	12.4	13.9	14.3	42.1%	11.9%
Trade payables	151.9	333.9	389.1	121.3	60.0%	16.5%
Current borrowings	158.0	298.6	350.0	185.2	48.9%	17.2%
Current lease liabilities	5.2	5.6	6.5	16.2	10.9%	15.0%
Other current financial liabilities	12.3	174.6	191.7	17.7	294.3%	9.8%
Current provisions	1.6	1.1	0.6	1.3	-38.3%	-41.4%
Net current tax liabilities		0.1				
Other current liabilities	15.4	15.3	27.5	5.4	33.5%	79.6%
Total liabilities	**520.4**	**1,076.7**	**1,464.2**	**1,071.4**	**67.7%**	**36.0%**
Property, plant & equipment	81.0	237.9	323.5	336.2	99.8%	36.0%
Intangible assets	0.0	0.2	0.2	0.2	532.5%	20.5%
Capital work-in-progress		8.5	91.5	144.1		977.6%
Right-of-use assets	34.9	88.2	95.1	139.4	65.1%	7.7%
Goodwill		0.5	0.5	0.5		0.0%
Investments accounted for using equity method			1.8	1.2		
Non-current investments		3.1	3.1	3.1		0.0%
Non-current loans			4.6	4.6		
Other non-current financial assets	1.5	2.3	2.0	2.3	13.0%	-14.8%
Net non-current income tax assets		1.4	4.2	9.3		190.1%
Other non-current assets	1.4	7.7	67.1	52.4	581.6%	776.1%
Inventories	140.5	277.3	293.7	189.1	44.6%	5.9%
Trade receivables	234.2	356.2	479.1	137.8	43.0%	34.5%
Cash & cash equivalents	11.5	59.0	75.5	10.6	155.7%	28.0%
Other current financial assets	2.2	2.6	1.3	8.1	-23.8%	-50.5%
Current loans						
Net current income tax assets	0.1	0.6		1.3		
Other current assets	12.9	31.2	21.2	31.4	28.1%	-32.2%
Total assets	**520.4**	**1,076.7**	**1,464.2**	**1,071.4**	**67.7%**	**36.0%**

Source: Choice Equity Broking

Financial statements (Contd…):

Cash flow statement (Rs. cr)	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	47.0	72.2	105.8	40.3	50.0%	46.5%
Working capital changes	38.9	(92.0)	(74.3)	125.1		-19.2%
Cash flow from operating activities	**47.4**	**(28.9)**	**18.8**	**158.1**	**-37.0%**	
Purchase of fixed assets and CWIP	(5.4)	(177.4)	(232.5)	(77.8)	555.7%	31.1%
Cash flow from investing activities	**(6.7)**	**(204.2)**	**(217.5)**	**(62.1)**	**470.1%**	**6.5%**
Cash flow from financing activities	**(42.5)**	**253.5**	**234.5**	**(145.5)**		**-7.5%**
Net cash flow	**(1.8)**	**20.4**	**35.9**	**(49.5)**		**75.8%**
Opening balance of cash	5.5	3.7	24.1	60.0	110.3%	546.0%
Closing balance of cash	**3.6**	**24.1**	**60.0**	**10.5**	**305.6%**	**148.5%**

Financial ratios				
Particulars	**FY21**	**FY22**	**FY23**	**H1 FY24**
Profitability ratios				
Revenue growth rate		25.5%	66.5%	
Gross profit growth rate		49.0%	65.4%	
Gross profit margin	11.8%	14.0%	14.0%	14.2%
EBITDA growth rate		63.7%	49.0%	
EBITDA margin	5.7%	7.4%	6.7%	6.0%
EBIT growth rate		58.9%	45.6%	
EBIT margin	4.5%	5.7%	5.0%	3.4%
Restated reported PAT growth rate		123.4%	96.9%	
Restated reported PAT margin	1.1%	1.9%	2.2%	0.5%
Turnover ratios				
Inventory receivable turnover ratio	5.3	4.4	5.4	3.3
Trade receivable turnover ratio	4.8	3.1	3.7	4.5
Accounts payable turnover ratio	5.0	3.8	4.3	5.1
Fixed asset turnover ratio	6.4	2.8	3.0	1.0
Total asset turnover ratio	1.4	0.9	1.1	0.6
Return ratios				
RoIC (%)	13.7%	14.9%	13.3%	2.1%
RoE (%)	11.3%	14.3%	10.9%	0.7%
RoA (%)	1.5%	1.6%	2.3%	0.3%
RoCE (%)	20.1%	27.8%	18.1%	2.9%
Per share data				
Restated adjusted EPS (Rs.)	0.8	1.8	3.6	0.3
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	7.2	12.7	32.7	49.9
Operating cash flow per share (Rs.)	4.9	(3.0)	2.0	16.5
Free cash flow per share (Rs.)	(2.5)	3.4	(16.5)	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%

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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