

# IPO Report

Choice

“SUBSCRIBE” to

**BLS E-Services Ltd.**

The largest exclusive business correspondence for SBI



**Salient features of the IPO:**

- **BLS E-Services Ltd.** (BLSEL), a technology-backed basic banking service provider is coming up with an IPO to raise around Rs. 310cr, which opens on 30<sup>th</sup> Jan. and closes on 1<sup>st</sup> Feb. 2024. The price band is Rs. 129 - 135 per share.
- The IPO only consists of fresh issue of shares. From the fresh issue net proceeds, BLSEL will be utilizing Rs. 97.6cr for strengthening the technological infrastructure and consolidating its existing platform; Rs. 74.8cr will be used for setting-up BLS Stores and another Rs. 28.7cr will be used for inorganic growth acquisitions. Rest of the net proceeds will be used for general corporate purposes.
- The company in consultation with the BRLM has undertaken a pre-IPO placement of 0.11cr share at Rs. 125 per share. Total amount realized was Rs. 13.8cr. Consequently, the number of fresh issue shares was reduced by similar quantum.
- Post-IPO, promoter & promoter group will have 68.89% stake in the company, compared to 92.28% earlier. Consequently, public shareholding will increase from 7.72% to 31.11%.

**Key competitive strengths:**

- Asset light business model
- Enabling social and financial inclusion in India
- Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition
- Business model with diverse sources of revenue and negligible customer acquisition and retention costs
- Successful track record of acquisitions
- Experienced senior management, skilled employees, strong parentage of promoters i.e. Mr. Diwakar Aggarwal & Mr. Shikhar Aggarwal and corporate promoter BLS International Services Ltd.

**Risk and concerns:**

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Improving penetration of digital banking in the operating markets
- Difficulty in scaling-up the operations
- Unfavorable commission rate
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition

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

- Introduced in Jan. 2006, Business Correspondent (BC) is the banking outreach initiative of RBI to boost financial inclusion in the country. The initiative aimed at leveraging information & communication technology to widen access to the banking system. BCs are mainly retail agents engaged by banks to offer banking services at locations other than a bank branch/ATM. Later in Jul. 2014, the RBI allowed micro-finance institutions to work with banks as BCs.
- Since FY21, the BC network in India has grown rapidly in villages and greater number of banks have established their presence in villages through BCs. Over FY18-22, banking outlets in villages through BCs has increased by 33.9% CAGR, compared to 31.9% CAGR rise in total banking outlets in villages. Moreover, by the end of FY22, almost 98% of banking outlets in villages were through BC.

**Issue details**

Price band	Rs. 129 - 135 per share
Face value	Rs. 10
Shares for fresh issue	2.303cr shares
Shares for OFS	Nil
Fresh issue size	Rs. 297.1 - 310.9cr
OFS issue size	N/a
Total issue size	2.303cr shares (Rs. 297.1 - 310.9cr)
Reserved for BLS International Ltd.'s shareholder	0.230cr shares (Rs. 29.7 – 31.1cr)
Net issue size	2.073cr shares (Rs. 267.4 - 279.8cr)
Bidding date	30 <sup>th</sup> Jan. - 1 <sup>st</sup> Feb. 2024
Implied MCAP at higher price band	Rs. 1,227cr
Implied enterprise value at higher price band	Rs. 915cr
Book running lead manager	Unistone Capital Pvt. Ltd.
Registrar	KFin Technologies Ltd.
Sector	IT Enabled Services
Promoters	BLS International Services Ltd., Mr. Diwakar Aggarwal and Mr. Shikhar Aggarwal

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	75%	1.555cr shares
Non institutional portion (Big)	10%	0.207cr shares
Non institutional portion (Small)	5%	0.104cr shares
Retail portion	10%	0.207cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	2 <sup>nd</sup> Feb. 2024
Unblocking of ASBA account	5 <sup>th</sup> Feb. 2024
Credit to demat accounts	5 <sup>th</sup> Feb. 2024
Commencement of trading	6 <sup>th</sup> Feb. 2024

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	92.28%	68.89%
Public	7.72%	31.11%
Non-promoter & Non-public	0.00%	0.00%
<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	365
Discount for BLS International Ltd.'s shareholder	Rs. 7 per share
Application money	Rs. 14,580 per lot

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

- Banks are required to take full responsibility for the acts of omission and commission of the BCs that they engage and therefore have to ensure thorough due diligence and additional safeguards for minimizing the agency's risk. Over the period of operations, BCs became the viable option for the banks to expand its outreach and offer limited range of banking services at low cost, as setting up a brick-and-mortar branch may not be viable for banks. Thus, BCs became an integral part of a business strategy for achieving greater financial inclusion in the country.
- BC's are authorized to perform a variety of activities including collection of small-value deposits, disbursement of small-value credits, recovery of principal payments, collection of interest payments, sale of micro-insurance, mutual fund products, pension products, other third-party products and receipt & delivery of small value remittances/other payment instruments.
- BLSEL is a technology enabled digital service provider, providing BC services, Assisted e-services and e-governance services at grass root levels in India. Merchants are the key stakeholders in each of its business segments for delivery of its products and services to the citizens.
- Incorporated in 2016, BLSEL initially executed Government-to-Citizen (G2C) contracts awarded to its corporate promoter BLS International Services Ltd. G2C services are mainly linked to Aadhaar, Pension schemes, PAN card, Insurance, Passport and other government schemes. Subsequently, with the acquisition of Starfin India Pvt. Ltd. (in Aug. 2018, Starfin) and Zero Mass Pvt. Ltd. (in Jun. 2022, ZMPL), BLSEL ventured into the operations of BC. Further, in Oct. 2022, BLSEL acquired BLS Kendras Pvt. Ltd. (BLS Kendra), which provides e-governance services. Currently, BLSEL executes its BC operations through Starfin and ZMPL, while e-governance services through BLS Kendra.
- Operating since 2007, ZMPL was the first ever BC in the history of Indian banking system and operated the largest exclusive network of BCs (with 10,903 customer service points (CSP)) for State Bank of India, the largest public sector bank in India. Moreover, SBI held 6.83% equity stake in ZMPL. Together with its subsidiaries i.e. ZMPL and Starfin (with 1,633 CSPs), BLSEL operated the largest exclusive BC network for SBI (as of 31<sup>st</sup> Aug. 2022).
- Subsequently, BLSEL also collaborated with five nationalized banks and three regional rural banks (RRB) for providing BC services. According to the management, presently, there are 15 banks (including private, public and RRBs) availing its BC services. Also as of 30<sup>th</sup> Sept. 2023, both ZMPL and Starfin had 19,362 active exclusive CSPs under its BC network. Over FY21-23, revenue from the BC segment increased by 187.4% CAGR (mainly due to the integration of ZMPL business in FY23) to Rs. 148.3cr. This segment contributed 61% to the total revenue in FY23. Further, as per our assessment, SBI seems to be the largest revenue contributor for the BC segment with around 97.5% and 90.5% revenue contribution in FY23 and H1 FY24, respectively.
- Under the e-governance segment, the company through its infrastructure, network of BLS Kendras and technology delivers government services (from birth & death certificate to property registration) to citizens. As of 30<sup>th</sup> Sept. 2023, with 21,000 touch points, it provided the e-governance services in Punjab, Uttar Pradesh and West Bengal. During FY21-23, business from this segment increased by 33.8% CAGR to Rs. 82.6cr in FY23 (contributing 34% to the total revenue).
- Under the Assisted e-services segment, BLSEL mainly provides e-commerce services, insurance, footwear/automobile, IT hardware, digital & technological services, IRCTC ticket booking, laptop & accessories, refurbish sales etc. Over FY21-23, business from this segment increased by 443.9% CAGR to Rs. 12.2cr in FY23. This segment contributed 5% to the total revenue in FY23.
- BLSEL provides the above services (BC, e-governance and assisted e-services) through its robust network of merchants, which are categorized as BLS Touchpoints and BLS Stores. All merchants registered with the company are treated as BLS Touchpoints and have access to multiple services extended by BLSEL. BLS Stores are BLS branded stores, which offer entire suite of offerings to the consumers including availability of select goods on a sample basis supplied by e-commerce players which can be ordered and procured by the retail consumers after having a touch and feel experience of such goods. Recently, the company has launched BLS Sewa application for merchants thereby enabling retail consumers to transact in-store for availing products and services. As of 30<sup>th</sup> Sept. 2023, BLSEL had 98,034 BLS Touchpoints, which includes 1,016 BLS Stores. From the IPO net proceeds, the company will be utilizing Rs. 74.8cr for converting certain BLS Touchpoints into BLS Stores.
- The BC and the e-governance segments are operated through asset light business model. The company incurs minimal capex on merchant acquisition and developed its own technology platform, which allows it to provide its diversified services to merchants and retail customers. All the BLS Touchpoints and BLS Stores are leased by the merchant and also the required technological expenses (towards laptop, internet connectivity, micro-ATM, IRIS scanner) are also borne by the merchant.
- Over FY21-23, BLSEL has acquired and integrated couple of acquisitions, thus its reported operating and financial are not comparable. With the integration of BLS Kendra in FY22 and ZMPL in FY23, the company has reported a 94.1% CAGR growth in the consolidated revenue, which stood at Rs. 243.1cr in FY23. The BC segment contributed 61% to the top-line in FY23, compared to 27.8% in FY21, while the e-governance and Assisted e-services segments contributed 34% and 5%, respectively, in FY23, compared to 71.5% and 0.6% in FY21. Cost of services increased by 96.3% CAGR, resulting to a 142bps contraction in the gross profit margin. However, relatively lower other expenses led to around 11ppts expansion in the EBITDA margin, which stood at 13.6% in FY23. In absolute terms, consolidated EBITDA increased by 164.5% CAGR to Rs. 33.1cr in FY23. With expansion in the business, depreciation increased by 516.1% CAGR. Further, with higher effective tax rate, adjusted PAT increased by 161.2% CAGR to Rs. 21.5% in FY23. PAT margin expanded by around 400bps during the period to 8.8% in FY23. The company has reported a positive operating cash flow during the period, which increased by 82.8% CAGR. Average operating cash flow stood at Rs. 19.1cr. Total financial liabilities increased by 45% CAGR, however, due to better profitability, debt-to-equity ratio improved to 0.5x in FY23, compared to 2.9x in FY21. Pre-issue RoIC and RoE stood at 24.3% and 20.1%, respectively, in FY23.

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

- During H1 FY24, BLSEL reported a top-line of Rs. 156.2cr with EBITDA and PAT margin of 13.2% and 8.7%, respectively. Based on our quick conservative estimate, over FY23-25E, we are forecasting a top-line growth of 22.3% CAGR to Rs. 363.6cr in FY23. EBITDA and PAT margins are anticipated to expand by 70bps and 22bps, respectively. Post-issue RoIC and RoE are estimated at 7.8% and 6.7%, respectively, compared to 5.5% and 5% in FY23.

**Peer comparison and valuation:** There are no peers having business model similar to BLSEL. The company through its subsidiary is the largest BC in the domestic banking space and is the largest exclusive BC for the SBI, which is the largest public sector bank in India. SBI also has around 6.8% stake in the operating subsidiary BC, which eases the concerns on the operating risk related to the BC operations. Considering the scalable business model, minimal operating risk and almost stable operating performance, we assign a “**SUBSCRIBE**” rating for the issue.

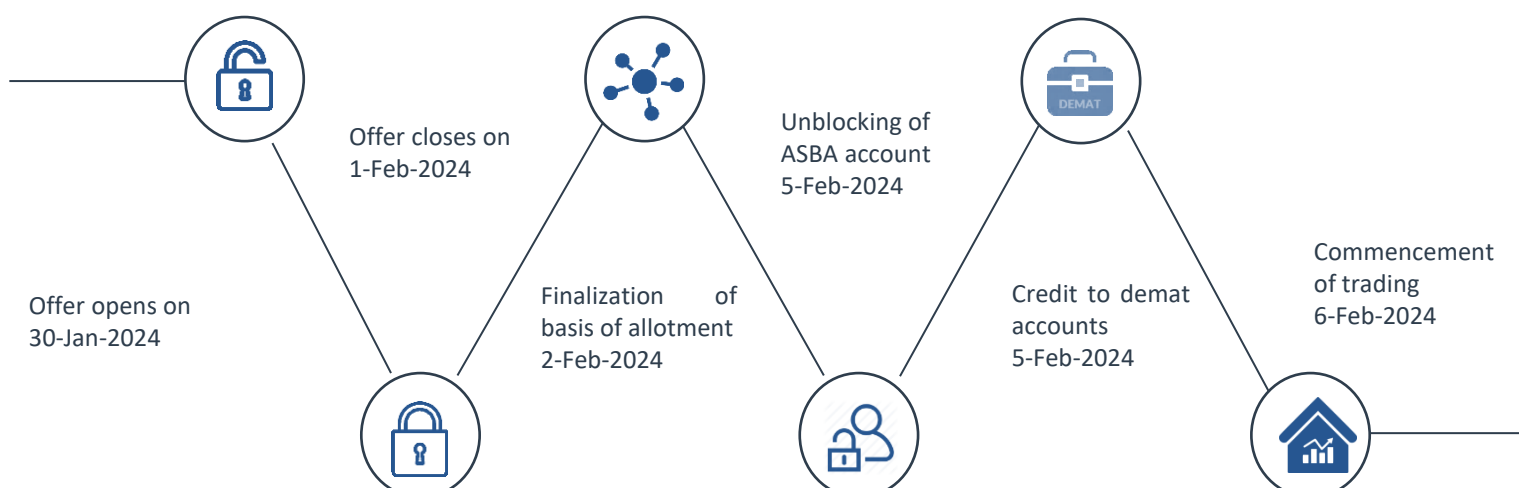
## About the issue:

- BLSEL is coming up with an IPO with 2.303cr shares (fresh issue: 2.303cr shares; OFS shares: nil) in offering. This offer represents 25.35% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 297.1 - 310.9cr.
- The issue is through book building process with a price band of Rs. 129 - 135 per share.
- Lot size comprises of 108 equity shares and in-multiple of 108 shares thereafter.
- The issue will open on 29<sup>th</sup> Jan. and close on 1<sup>st</sup> Feb. 2024.
- The IPO only consists of fresh issue of shares. From the fresh issue net proceeds, BLSEL will be utilizing Rs. 97.6cr for strengthening the technological infrastructure and consolidating its existing platform; Rs. 74.8cr will be used for setting-up BLS Stores and another Rs. 28.7cr will be used for inorganic growth acquisitions. Rest of the net proceeds will be used for general corporate purposes.
- The company in consultation with the BRLM has undertaken a pre-IPO placement of 0.11cr share at Rs. 125 per share. Total amount realized was Rs. 13.8cr. Consequently, the number of fresh issue shares was reduced by similar quantum.
- Post-IPO, promoter & promoter group will have 68.89% stake in the company, compared to 92.28% earlier. Consequently, public shareholding will increase from 7.72% to 31.11%.
- 75% of the net issue is reserved for qualified institutional buyers, while 15% and 10% 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	92.28%	68.89%
Public	7.72%	31.11%
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:** Over FY21-23, BLSEL has acquired and integrated couple of acquisitions, thus its reported operating and financial are not comparable.

With the integration of BLS Kendra in FY22 and ZMPL in FY23, the company has reported a 94.1% CAGR growth in the consolidated revenue, which stood at Rs. 243.1cr in FY23. Business from the BC segment increased by 187.4% CAGR, whereas e-governance and Assisted e-services segments reported 33.8% and 443.9% CAGR growth, respectively. In FY23, the BC segment contributed 61% to the top-line, compared to 27.8% in FY21, while the e-governance and Assisted e-services segments contributed 34% and 5%, respectively, in FY23, compared to 71.5% and 0.6% in FY21.

Cost of services increased by 96.3% CAGR, resulting to a 142bps contraction in the gross profit margin. However, relatively lower other expenses led to around 11ppts expansion in the EBITDA margin, which stood at 13.6% in FY23. In absolute terms, consolidated EBITDA increased by 164.5% CAGR to Rs. 33.1cr in FY23.

With expansion in the business, depreciation increased by 516.1% CAGR. Further, with higher effective tax rate, adjusted PAT increased by 161.2% CAGR to Rs. 21.5% in FY23. PAT margin expanded by around 400bps during the period to 8.8% in FY23.

The company has reported a positive operating cash flow during the period, which increased by 82.8% CAGR. Average operating cash flow stood at Rs. 19.1cr. Total financial liabilities increased by 45% CAGR, however, due to better profitability, debt-to-equity ratio improved to 0.5x in FY23, compared to 2.9x in FY21. Pre-issue RoIC and RoE stood at 24.3% and 20.1%, respectively, in FY23.

**Performance during H1 FY24:** The company reported a top-line of Rs. 156.2cr with EBITDA and PAT margin of 13.2% and 8.7%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Y-o-Y (FY23 annual)
BC business	18.0	21.5	148.3	103.2	187.4%	590.0%
e-governance	46.1	70.7	82.6	44.3	33.8%	16.7%
Assisted e-services	0.4	4.5	12.2	8.8	443.9%	172.4%
Revenue from operations	64.5	96.7	243.1	156.2	94.1%	151.4%
Gross profit	22.5	33.2	81.5	51.0	90.2%	145.6%
EBITDA	4.7	6.9	33.1	20.6	164.5%	377.5%
EBIT	4.7	6.1	30.3	19.3	155.1%	396.1%
Adjusted PAT	3.1	5.4	21.5	13.6	161.2%	299.3%
Restated reported EPS	0.3	0.6	2.4	1.5	161.2%	299.3%
Cash flow from operating activities	8.6	19.7	28.9	20.4	82.8%	46.2%
NOPLAT	3.7	4.8	22.8	13.6	147.2%	371.0%
FCF		(10.6)	(59.3)			457.9%
RoIC (%)	-193.7%	35.8%	24.3%	11.9%		(1,145) bps
Revenue growth rate		49.9%	151.4%			
Gross profit growth rate		47.2%	145.6%			
Gross profit margin	35.0%	34.3%	33.5%	32.6%	(142) Bps	(79) bps
EBITDA growth rate		46.5%	377.5%			
EBITDA margin	7.3%	7.2%	13.6%	13.2%	627 bps	644 bps
EBIT growth rate		31.2%	396.1%			
EBIT margin	7.2%	6.3%	12.5%	12.3%	524 bps	614 bps
Restated reported PAT growth rate		70.9%	299.3%			
Restated reported PAT margin	4.9%	5.6%	8.8%	8.7%	396 bps	327 bps
Inventory days	0.0		0.8	6.1		
Trade receivables days	50.1	32.8	20.1	55.7	-36.6%	-38.8%
Trade payables days	(9.1)	(18.0)	(7.8)	(3.5)	-7.3%	-56.5%
Cash conversion cycle	41.0	14.8	13.1	58.4	-43.5%	-11.4%
Fixed asset turnover ratio	7.9	6.6	2.8	1.7	-40.8%	-58.1%
Total asset turnover ratio	1.6	1.7	1.4	0.7	-7.7%	-21.7%
Current ratio	0.7	1.0	1.1	1.3	27.9%	14.2%
Quick ratio	0.7	1.0	1.1	1.3	27.3%	13.3%
Total debt	27.8	30.4	58.5	72.6	45.0%	92.3%
Net debt	18.5	16.8	13.5	6.7	-14.7%	-19.9%
Debt to equity	2.9	2.0	0.5	0.6	-56.4%	-72.9%
Net debt to EBITDA	3.9	2.4	0.4	0.3	-67.8%	-83.2%
RoE (%)	32.5%	35.7%	20.1%	11.3%	(1,244) bps	(1,562) bps
RoA (%)	7.8%	9.6%	12.0%	6.4%	421 bps	235 bps
RoCE (%)	943.7%	42.2%	43.0%	28.0%		71 bps

Source: Choice Equity Broking



### Competitive strengths:

- Asset light business model
- Enabling social and financial inclusion in India
- Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition
- Business model with diverse sources of revenue and negligible customer acquisition and retention costs
- Successful track record of acquisitions
- Experienced senior management, skilled employees, strong parentage of promoters i.e. Mr. Diwakar Aggarwal & Mr. Shikhar Aggarwal and corporate promoter BLS International Services Ltd.

### Business strategy:

- Strengthening and integrating the technology backbone
- Grow the merchants and BLS Stores network
- Pursue strategic investments and acquisitions to enhance product and service capabilities
- Leverage existing market position to grow each business segments, with an aim to improve cross-selling results



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Improving penetration of digital banking in the operating markets
- Difficulty in scaling-up the operations
- Unfavorable commission rate
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition



## Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
<b>Revenue from operations</b>	<b>64.5</b>	<b>96.7</b>	<b>243.1</b>	<b>156.2</b>	<b>94.1%</b>	<b>151.4%</b>
Cost of services	(41.9)	(63.5)	(161.6)	(105.2)	96.3%	154.4%
<b>Gross profit</b>	<b>22.5</b>	<b>33.2</b>	<b>81.5</b>	<b>51.0</b>	<b>90.2%</b>	<b>145.6%</b>
Employee benefits expense	(3.8)	(6.4)	(23.2)	(14.2)	146.8%	262.4%
Other expenses	(14.0)	(19.9)	(25.2)	(16.2)	34.2%	27.0%
<b>EBITDA</b>	<b>4.7</b>	<b>6.9</b>	<b>33.1</b>	<b>20.6</b>	<b>164.5%</b>	<b>377.5%</b>
Depreciation and amortization expense	(0.1)	(0.8)	(2.8)	(1.4)	516.1%	239.2%
<b>EBIT</b>	<b>4.7</b>	<b>6.1</b>	<b>30.3</b>	<b>19.3</b>	<b>155.1%</b>	<b>396.1%</b>
Finance costs	(1.5)	(1.0)	(3.9)	(0.3)	63.1%	283.9%
Other income	0.7	1.7	3.2	1.9	108.1%	90.4%
Exceptional items			(2.6)			
<b>PBT</b>	<b>3.9</b>	<b>6.8</b>	<b>27.0</b>	<b>20.8</b>	<b>162.3%</b>	<b>298.1%</b>
Tax expenses	(0.8)	(1.4)	(6.6)	(6.1)	193.1%	375.6%
<b>PAT before minority interest</b>	<b>3.1</b>	<b>5.4</b>	<b>20.3</b>	<b>14.7</b>	<b>154.1%</b>	<b>277.9%</b>
Minority interest			(1.5)	(1.0)		
<b>Reported PAT</b>	<b>3.1</b>	<b>5.4</b>	<b>18.9</b>	<b>13.6</b>	<b>144.9%</b>	<b>251.0%</b>
<b>Adjusted PAT</b>	<b>3.1</b>	<b>5.4</b>	<b>21.5</b>	<b>13.6</b>	<b>161.2%</b>	<b>299.3%</b>

Consolidated balance sheet statement (Rs. cr)						
	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
Equity share capital	0.0	0.0	66.7	66.7		
Share capital pending allotment	8.3	8.3				
Other equity	1.4	6.8	40.2	53.6	436.7%	492.8%
Minority interest			4.5	5.5		
Non-current borrowings		7.3				
Non-current lease liabilities		5.5	3.9	6.0		-29.9%
Non-current provisions	0.2	0.2	0.3	0.4	29.8%	7.6%
Other non-current liabilities				2.5		
Trade payables	1.6	7.9	2.5	1.5	24.4%	-68.6%
Current borrowings	11.0	1.5				
Current lease liabilities		0.9	1.3	1.9		40.8%
Other current financial liabilities	16.8	15.2	53.4	64.7	78.1%	250.4%
Current provisions	0.0	0.0	0.0	0.5	-21.5%	89.2%
Other current liabilities	1.3	2.2	6.7	10.4	129.6%	201.8%
<b>Total liabilities</b>	<b>40.6</b>	<b>55.9</b>	<b>179.5</b>	<b>213.8</b>	<b>110.3%</b>	<b>220.9%</b>
Property, plant & equipments	0.1	0.2	1.1	1.0	183.7%	428.3%
Intangible assets	0.0	0.0	0.0	0.0	411.1%	25.9%
Right-of-use assets		6.3	4.9	7.5		-22.4%
Goodwill	8.0	8.0	81.5	81.5	219.0%	917.7%
Other non-current financial assets	8.3	10.3	11.7	10.3	18.5%	13.1%
Net deferred tax assets	2.5	2.8	2.7	1.7	3.4%	-4.6%
Non-current net tax assets	1.0	1.4	7.4	8.7	176.8%	412.6%
Inventories			0.6	2.6		
Trade receivables	8.8	8.5	18.2	23.8	43.5%	113.4%
Current investments				3.6		
Cash & cash equivalents	9.3	13.7	45.1	62.3	119.7%	230.4%
Current loans	0.5					
Other current financial assets	1.4	2.1	1.3	4.8	-2.9%	-37.6%
Other current assets	0.7	2.5	5.1	5.8	178.8%	99.7%
<b>Total assets</b>	<b>40.6</b>	<b>55.9</b>	<b>179.5</b>	<b>213.8</b>	<b>110.3%</b>	<b>220.9%</b>

Source: Choice Equity Broking



## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY21	FY22	FY23	H1 FY24	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	4.8	7.8	35.5	21.0	170.6%	352.8%
Working capital changes	4.4	14.1	(2.7)	5.7		
<b>Cash flow from operating activities</b>	<b>8.6</b>	<b>19.7</b>	<b>28.9</b>	<b>20.4</b>	<b>82.8%</b>	<b>46.2%</b>
Purchase of fixed assets and CWIP	(0.1)	(7.3)	(77.5)	(0.2)	3093.7%	968.6%
<b>Cash flow from investing activities</b>	<b>(0.6)</b>	<b>(13.6)</b>	<b>(65.6)</b>	<b>(13.3)</b>	<b>971.6%</b>	<b>381.9%</b>
<b>Cash flow from financing activities</b>	<b>(4.8)</b>	<b>(7.6)</b>	<b>46.4</b>	<b>(1.4)</b>		
<b>Net cash flow</b>	<b>3.3</b>	<b>(1.5)</b>	<b>9.7</b>	<b>5.6</b>	<b>72.1%</b>	
Opening balance of cash	4.2	7.5	6.0	15.7	19.5%	-19.3%
<b>Closing balance of cash</b>	<b>7.5</b>	<b>6.0</b>	<b>15.7</b>	<b>21.4</b>	<b>44.7%</b>	<b>159.6%</b>

Consolidated financial ratios				
Particulars	FY21	FY22	FY23	H1 FY24
<b>Profitability ratios</b>				
Revenue growth rate		49.9%	151.4%	
Gross profit growth rate		47.2%	145.6%	
Gross profit margin	35.0%	34.3%	33.5%	32.6%
EBITDA growth rate		46.5%	377.5%	
EBITDA margin	7.3%	7.2%	13.6%	13.2%
EBIT growth rate		31.2%	396.1%	
EBIT margin	7.2%	6.3%	12.5%	12.3%
Restated reported PAT growth rate		70.9%	299.3%	
Restated reported PAT margin	4.9%	5.6%	8.8%	8.7%
<b>Turnover ratios</b>				
Inventory receivable turnover ratio			436.9	59.4
Trade receivable turnover ratio	7.3	11.1	18.2	6.6
Accounts payable turnover ratio	40.0	20.2	46.6	105.0
Fixed asset turnover ratio	7.9	6.6	2.8	1.7
Total asset turnover ratio	1.6	1.7	1.4	0.7
<b>Return ratios</b>				
RoIC (%)	-193.7%	35.8%	24.3%	11.9%
RoE (%)	32.5%	35.7%	20.1%	11.3%
RoA (%)	7.8%	9.6%	12.0%	6.4%
RoCE (%)	943.7%	42.2%	43.0%	28.0%
<b>Per share data</b>				
Restated adjusted EPS (Rs.)	0.3	0.6	2.4	1.5
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	1.1	1.7	11.8	13.2
Operating cash flow per share (Rs.)	1.0	2.2	3.2	2.2
Free cash flow per share (Rs.)		(1.2)	(6.5)	
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.

## 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](mailto:compliance@choiceindia.com)

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