

## Agni Green Power Limited

### A REVIEW REPORT ON AGNI GREEN POWER LIMITED IPO

#### IPO Details

<b>Opening Date</b>	July 20, 2022
<b>Closing Date</b>	July 30, 2022
<b>Stock</b>	
<b>Exchange</b>	NSE SME
<b>Lot Size</b>	10000 Shares
<b>Issue Price</b>	₹ 10 per share
<b>Issue Size</b>	52,50,000 Equity Shares
<b>Application Amount</b>	₹ 1,00,000

#### IPO Objective

- Funding Working Capital Requirements
- To meet Issue Expenses
- General Corporate Purposes

#### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,37,84,800	96.50 %
Public	5,00,000	3.50 %

#### Company Background

- Company was incorporated in the year 1995 in Kolkata
- It came into existence by taking over M/s Agni Electronics, a profit making partnership firm.
- Company is engaged in providing integrated services offering engineering, procurement and construction (EPC) and operations and maintenance services.
- Company also has branch offices each in Assam, Chattisgarh, Mizoram and Tripura.
- As on the date of filing this prospectus, the company had a total of 75 employees.

#### Promoter of the Company

1. Mr. Hiranmay Saha
2. Dr. Kanak Mukhopadhyay
3. Mrs. Chandana Saha
4. Mr. Arup Kumar Mahanta

## Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

## Company Overview

Agni Green Power Limited was established in the year 1995 in Kolkata by Dr. Kanak Mukhopadhyay. The company came into existence by overtaking M/s Agni Electronics, a profit making partnership firm.

The company is engaged in providing integrated services offering Engineering, Procurement and Construction (EPC) as well as Operations and Maintenance services to its clients. Company also manufactures Solar Power Conditioning Unit, Solar Inverter (Hybrid & Grid Connected), Solar Maximum Power Point Tracking (MPPT) Charger, Remote Monitoring and Diagnostic System, Solar Photovoltaic Junction Box, Control Panel, Digital DC Energy Meter, Solar Adapter and Solar Pump Controller etc.

### **Analysis**

The company has been into the line of business since 26 years and has been in the business of execution of turn-key Solar PV Power Plant projects, including Design, Engineering, Supply, Installation & Commissioning (I&C) and Maintenance, for both Stand-alone and Grid Connected PV Systems from the conceptualization to completion stages.

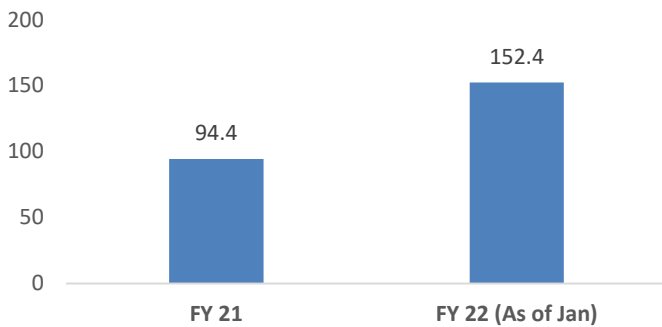
Company has wide variety of products and apart from Kolkata it has its branch offices in Assam, Chattisgarh, Mizoram and Tripura. The customer of the company mainly includes Government Organizations. Company has been into niche segment of products and has good track record of existence. The company's product segment is into the sector of green energy which is in talks for a good amount of time now. The company however has not been able to capitalize on the increasing demand and the revenue up to Jan'22 was only Rs. 711.81 lacs depicting a downfall of 80% from FY 21. Before FY 22, the company has been able to show good revenue but still decreasing profit and the analysis of the same is given later in this report.

Also, currently the renewable energy hubs in India are Southern and Western parts of India and the company is mostly operating in the Eastern part. This provides an opportunity to the company capture a good market in East India but it comes with a challenge whether that part of India is capable enough to produce renewable energy as that produced by the Southern and Western parts of India.

## Industry Charts

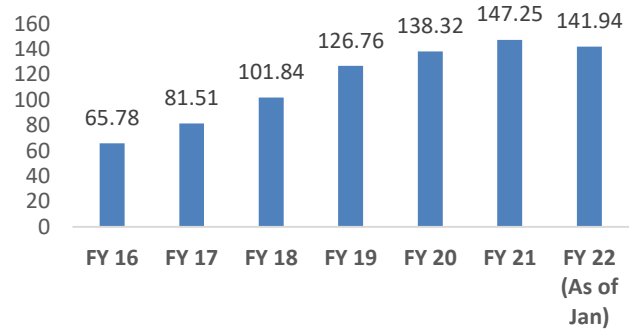
**Exhibit 1: Indian installed renewable energy grew to 152.4 GW as of Jan'22 from FY 21.**

**Installed Renewable Energy Capacity (In GW)**



**Exhibit 2: Electricity Generation from Renewable Energy Sector grew at a CAGR 14%**

**Electricity Generation from RES (Bn Units)**



**Exhibit 3: Installed Capacity of Different Renewable Energy Sector**

**Installed Capacity for Different RES (as of January 2022) (GW)**



(Source: ibef.org)

## Investment Overview

### **Renewable Energy Industry**

The Indian renewable energy sector is the fourth most attractive renewable energy market in the world. India was ranked fourth in wind power, fifth in solar power and fourth in renewable power installed capacity, as of 2020.

Installed renewable power generation capacity has gained pace over the past few years, posting a CAGR of 17.33% between FY16-20. With the increased support of Government and improved economics, the sector has become attractive from an investors perspective. As India looks to meet its energy demand on its own, which is expected to reach 15,820 TW by 2040, renewable energy is set to play an important role. The government plans to establish renewable energy capacity of 523 GW (including 73 GW from Hydro) by 2030.

(Source: ibef.org)

### **Addressable Market for Agni Power Limited**

Company is established in Kolkata and also has four branches each in Assam, Chhattisgarh, Mizoram and Tripura. The company is currently catering the eastern part of India and in coming times aims to increase its geographical presence in other parts of India as well

### **Competition**

As mentioned in the prospectus, company operates in a highly competitive market and faces competition with large number of organized and unorganized players with players having larger capital base than that of the company. The industry has little barrier to entry which puts the company to a threat of competition from new entrants.

### **Peer Analysis**

The company has listed 4 peer companies in its prospectus viz. Surana Solar Limited, Websol Energy Systems Limited, Urja Global Limited and Solex Energy Limited. A comparison of the same has been depicted in the table below –

<b>Company</b>	<b>Agni Green Power Limited**</b>	<b>Surana Solar Ltd</b>	<b>Websol Energy System Ltd</b>	<b>Urja Global Ltd</b>	<b>Solex Energy Ltd</b>
Net Profit (INR Cr)	0.07	2.58	9.67	0.77	1.68
EBITDA (INR Cr)	1.08	9.67	31.01	2.07	3.62
Return on Capital Employed	2.99%	10.80%	7.03%	0.37%	10.82%
Return on Equity	0.27%	6.11%	5.05%	0.54%	7.12%
EPS (INR)	0.10#	1.00	2.91	0.00	3.39
P/E* (Times)	100.00	117.35	33.94	572.5	38.35

**\*P/E has been calculated as on 15/07/2022**

**\*\* As on 31/01/2022**

**# On Post IPO Basis**

The company has performed below par with its peer mentioned in the above table in the recent years except Urja Global Limited.

## Promoters' Profile

### Mr. Hiranmay Saha



- **Mr. Hiranmay Saha** is the one of the founders of the company.
- He more than 45 years in R&D and Demonstration in Solar Photovoltaics.
- He is a Retired Professor of ETCE Dept. in Jadavpur University and currently Professor and Coordinator of Green Energy Centre in IEST, Shibpur.
- His key responsibilities towards company is to formulate Policy and Strategy Management Guiding production and business development team in the area of Solar Industry trend Providing Technical supervision and grooming of R&D team and is the key contributor for the growth of the company since inception.

### Dr. Kanak Mukhopadhyay



- **Ms. Sangita Shrinand Palshikar** is the Founder Managing Director of the company.
- He has more than 40 years of experience in Solar Industry and is working in the field of Solar Photovoltaic since 1976.
- His key responsibilities include Overall supervision towards company Growth, Technical guidance towards design, development and project completion and for new Product development. Supervision of finance and accounting operations, Supporting directors for seamless operation of different departments.

**Mrs. Chandana Saha**



- **Mrs. Chandana Saha** is the promoter of the company.
- She has completed her M.Sc. in Mathematics

**Mr. Arup Kumar Mahanta**



- **Mr. Arup Kumar Mahanta** is the Director of the company since 2006.
- He has more than 27 Years of experience in Business Development, administrative operation, Quality management, Product development, Design Engineering, Planning and its execution.
- He holds degree of Bachelor in Science Diploma in Electronics and Telecommunication Engineering and also trained himself on SPV application conducted by Siemens & IIT, Madras.
- His key responsibilities in Company includes Business Development in Govt. level, Quality management and its improvement, Diversification in the field of other non-Conventional sources, Feasibility study on Project and Product, Product designing and its Development, Design, Engineering and planning of projects



## **Analysis on the Company's Promoter and Board of Directors**

**Dr. Kanak Mukhopdhyay** has more than 40 years of experience in Solar industry. He is the founder MD of the company since 1995 and is instrumental in shaping the company in its present dimensions. Under the company his key responsibilities include Overall supervision towards company's Growth, Technical guidance towards design, development and project completion and for new Product development. Supervision of finance and accounting operations, Supporting directors for seamless operation of different departments. He is Working in the field of Solar Photovoltaic since 1976. He has written a Book on Solar PV Systems. He also won SESI-EMVEE Young Entrepreneur Award, 2004. He is also Associated with some Universities naming IEST, Shibpur, Howrah, Mizoram University. M-Tech and Ph.D. examiner of different Universities.

**Mr. Hiranmay Saha** is having an experience of more than 45 years in R&D and Demonstration in Solar Photovoltaics. He is a Retired Professor of ETCE Dept in Jadavpur University and currently Professor and Coordinator of Green Energy Centre in IEST, Shibpur. He is one of founders of AGNI Green Power Limited. His key responsibilities towards company is to formulate Policy and Strategy Management Guiding production and business development team in the area of Solar Industry trend Providing Technical supervision and grooming of R&D team and is the key contributor for the growth of the company since inception. He is Inventor of Central Charging of Solar Lanterns He Designed and help installation of first Solar Power Plant (26 KWp) in India in Simlipal Forest in 1989. He helped in establishment of a number of Solar Companies in West Bengal including WEBSOL. He acted as a Consultant to NKDA, SBI and many other organizations. He also Received the prestigious PVSEC Award I by Solar Energy Society of India in 1997 for outstanding contributions in Solar PV Systems, He is the Ex-Chairman SESI(ERC) and IETE(ERC), Expert Member PAC, DST TMD, and MNRE, Govt of India, WEBREDA, Project Coordinator, DST Solar PV Hub. In IEST sponsored by DST, Govt of India, Coordinator, MNRE Centre of Excellence for R&D in Solar Cells, CEGESS. He has Published more than 300 technical papers in International Journals and Conferences. He holds 12 patents in Solar PV and Sensors and Supervised 25 PhD students in Solar PV and Sensor Systems

**Mr. Arup Kumar Mahanta** is having an experience of more than 27 Years in Business Development, administrative operation, Quality management, Product development, Design Engineering, Planning and its execution. He holds degree of Bachelor in Science Diploma in Electronics and Telecommunication Engineering and also trained himself on SPV application conducted by Siemens & IIT, Madras. His key responsibilities in Company includes Business Development in Govt. level, Quality management and its

improvement, Diversification in the field of other non-Conventional sources, Feasibility study on Project and Product, Product designing and its Development, Design, Engineering and planning of projects. Day to day operations and quality delivery management Customer liaison. He is the Director of Agni Green Power Limited since 2006.

**Mr. Aban Saha**, Whole Time Director, has More than fifteen years of sales and project management experience in MNC and other corporates. His key responsibilities in the company includes Marketing and business development, Customer relationship management, Branding Enhancement, Oversee HR and Admin management. He has done Executive Program on Business Management (EPBM) from IIM Calcutta Holds Lean Graduate Certification and Quality Ambassador Certification and Bachelor's in Computer Engineering. He is associated with Company since 2018.

**Mr. Prabin Ranjan Karmakar**, Chief Financial Officer of the company, is qualified in Masters in Commerce from Calcutta University and is a Cost Accountant from Associate Institute of Cost and Management Accountants of India in the year 1989. He has 37 years of Experience and is presently looking at the Accounting and Financial matters of the company.

The independent directors of the company also bring around 35-40 years of experience in the line of business. One of the independent directors have authored 5 books and have co-authored 150 research papers in International Journals and International Conferences.

Looking at the management, it can be said that the team is highly educated and is very well experienced in the business line. The board of directors is properly scattered with personnel having at least 15 years of experience in the department they look after.

Overall, the company's management outlook is positive apart from a factor that the founding directors are around 70 years of age and may not continue with the firm for a long time. However, Mr. Aban Saha and Mr. Arup Kumar Mahanta is expected to continue for long term and their experience is vital for the company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2021	As at 31st Jan 2022
<b>Profit and Loss</b>				
Revenue from operation	3,124.47	2,229.15	3,444.23	683.06
Other income	48.86	94.90	82.55	28.75
Total Revenue	3,173.33	2,324.05	3,526.78	711.81
Expenses	2,766.85	2,163.28	3,304.52	604.19
Depreciation and Amortisation Cost	51.34	57.93	79.48	22.43
Finance Cost	59.87	77.95	129.13	68.86
Total Expenses	2,878.06	2,299.16	3,513.13	695.48
PBT	295.27	24.89	13.65	16.33
PBT Margin	9.45%	1.12%	0.40%	2.39%
EBITDA	406.48	160.77	222.26	107.62
EBITDA Margin	13.01%	7.21%	6.45%	15.76%
Net Profit	223.30	10.25	10.56	7.13
Net Profit Margin	7.15%	0.46%	0.31%	1.04%
<b>Balance Sheet</b>				
Total Borrowings	725.79	894.89	1,135.28	1,216.00
Net Worth	2,619.10	2,629.35	2,639.91	2,647.04
Fixed Assets	536.59	482.97	404.77	383.97
Net Working Capital	1454.54	1497.96	978.11	1141.5
<b>Financial Measures</b>				
Inventory Turnover Ratio	13.26	3.00	7.26	0.56
Receivables Turnover Ratio	1.32	1.29	1.95	0.60
Payables Turnover Ratio	2.08	3.13	3.22	1.54
Fixed Assets Turnover Ratio	5.82	4.62	8.51	1.78
Return on Capital Employed	12.81%	3.65%	5.01%	2.99%
Return on Equity	8.53%	0.39%	0.40%	0.27%
Debt-Equity Ratio	0.28	0.34	0.43	0.46

(The data has been taken and calculated from the financials given in the prospectus)

## **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has fallen from Rs. 406.48 lacs in 2019 to 107.62 lacs up to 31st Jan 2022 at a CAGR of -37%. However, the EBITDA Margin has grown from 13.01% in FY 19 to 15.76% up to 31<sup>st</sup> Jan 2022 showing that the company has been able to reduce its operating cost more than its reduction in Sales.

## **Net Profit**

The net profit of the company has fallen from Rs. 223.30 lacs in 2019 to Rs 7.13 lacs up to 31st Jan 2022 at a CAGR of -70%. The net profit margin has also fallen from 7.15% in 2019 to 1.04% up to 31st Jan 2022 despite of increase in EBITDA margin because of the finance cost incurred by the firm which is not related to sales and is also increasing. The reason given by the company for decrease in net profit for FY 20 and FY 21 is due to not estimating cost associated for a project correctly and ending up paying more than that was estimated.

## **Finance Cost.**

The finance cost of the company is mainly towards the secured borrowing from bank and has been increasing over years.

## **Financial Measures/Ratios**

The financial ratios of the company have tumbled in the recent years

RoCE of the company has come down to 2.99% up to Jan'22 from 12.81% in FY 19 and is expected to fall more with the increase in capital if the company is not able to efficiently manage its cost.

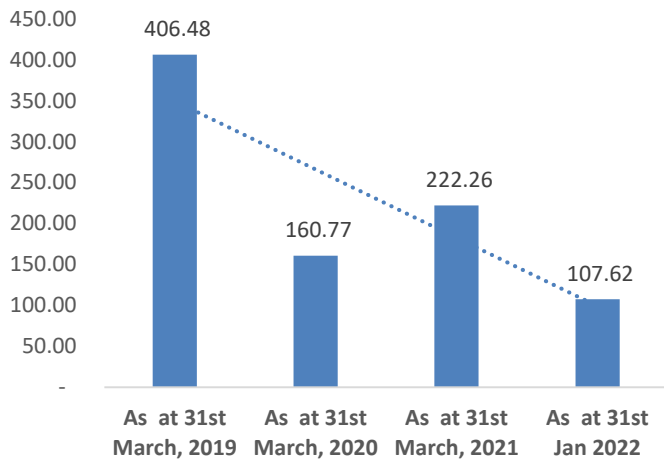
Return on Equity (ROE) of the company is at 0.27% up to 31st January 2022 and has fallen from 8.53% in FY 19.

The Receivables Turnover ratio and Inventory have come down gradually and the company has to be little more considerable towards the management of the same. The payable turnover ratio of the company has been effectively managed over the years.

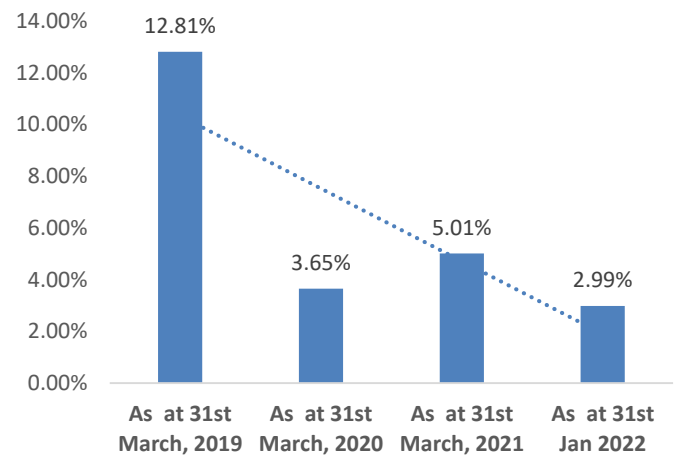
The company has increasing Deb-Equity ratio over the years. However, the Debt-Equity ratio of 0.40 is not high but looking at the concern of lower profit margins it has to be reduced or the revenue has to be increased.

## Financial Graph

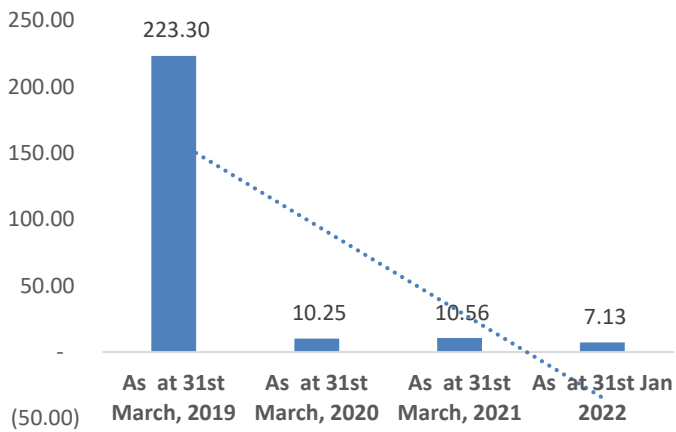
**EBITDA (In Lacs)**



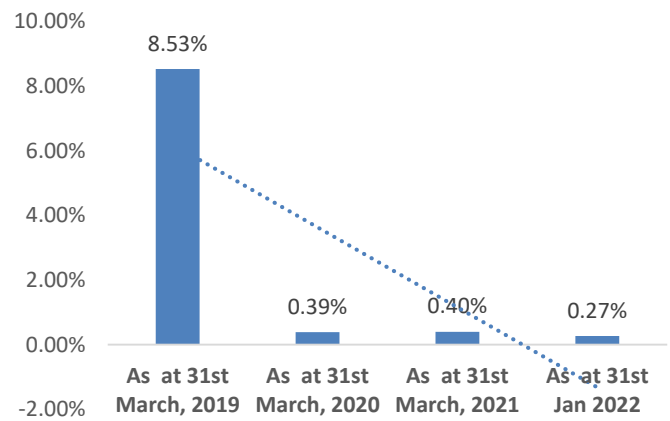
**Return on Capital Employed**



**Net Profit (In Lacs)**



**Return on Equity**



## Key Risk Factors

1. There are certain legal proceedings involving the Company, Directors, Promoter and Group Companies totalling to an amount of Rs. 92.54 lacs, an adverse outcome in which, may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows.
2. The company has a contingent liability of around Rs. 697.41 lacs which if gone against the company could affect the financial condition of the company.
3. Company has suffered loss due to cost overrun in the past and has to be careful about the same in the future.
4. The product segment offered by the company has a risk of becoming outdated with newer inventions in the market.

## Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Finshore Management Services Limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	ICL Organic Dairy Products Ltd.	4.08	20/-	17/02/2020	17.15
2.	DJ Mediaprint & Logistics Ltd.	2.40	20/-	13/04/2020	53.10
3.	Promax Power Ltd.	1.60	10/-	12/10/2021	23.10
4.	Dynamic Services & Security Ltd.	24.13	51/-	13/10/2021	14.50
5.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	17.50
6.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	75.00
7.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	13.00
8.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	93.95
9.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	50.00
10.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	6.40
11.	Scarnose International Limited	6.60	55/-	27/06/2022	52.05

### #CMP is taken as on 15<sup>th</sup> July 2022

This is the 26th IPO of the Lead Manager, out of the last 11 listings, 2 opened at par and rest at premium

## Recommendation

The company has been into existence since 1995. The company's product segment is related to Renewable energy which has bright future prospect with raising environmental concern. The company currently caters the eastern part of India but is looking to establish its presence in rest of India as well. The company competes with numerous small and big players in the market and is a big threat for the business.

There is no question related to the education and experience of the management in the line of business in which the company operates. Even the Independent Directors of the company are very well experienced with the business sector and can be a good driving force for the company. The only matter of concern with the management is that the promoters are more than or around 70 years of age and their association with the company for long term is unlikely. But the company has couple of experienced and educated directors who are expected to continue with the company for a long term and take the company forward.

The financials of the company are not good at all in the recent year. The company's revenue has declined by 80% up to 31<sup>st</sup> Jan 2022 from FY 21. The profit margins have decreased due to cost overrun in FY 20 and FY 21. Other ratios such as RoCE and ROE has also shown declining growth. **Regarding the same we spoke to one of the Key Managerial Persons of the company and gained insights regarding the depletion in revenue and future growth of the company's financial performance. As per the conversation, the revenue depletion is due to after-effects of COVID-19 as the supply chain was interrupted and the company did not find it feasible to take up new projects. However, the company has around Rs. 39-40 crores of projects in their pipe-line for FY 22-23 and expects the revenue to be on the Pre-COVID levels in FY22-23.**

The company looks good if it can restore its financial performance to the levels of FY 19 in the coming years and can come out with measures to perform well in the competitive market. The company has a wide variety of products and a good management team which are the pros for the company.

To conclude, there are mixture of views and we are **neutral** on the IPO. Our advice would be to protect the capital first and wait for the company to produce its next financial results and take decisions thereafter. If one is a cash surplus investor may apply in the IPO.



## **Disclaimer**

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**