

## B-Right Real Estate Limited

### A REVIEW REPORT ON B-RIGHT REAL ESTATE LIMITED IPO

#### IPO Details

<b>Opening Date</b>	June 30, 2022
<b>Closing Date</b>	July 05, 2022
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	2000 Shares
<b>Issue Price</b>	₹ 67 per share
<b>Issue Size</b>	9,24,200 Equity Shares
<b>Application Amount</b>	₹ 1,34,000

#### IPO Objective

- To make payment of Security Deposit for renting office space
- Funding Working Capital Requirements
- General Corporate Purposes

#### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	23,11,562	100%
Public	-	-

#### Company Background

- Company was incorporated in the year 2003 as “Shri Raj Manufacturing and Projects Private Limited”.
- Company is based out in Chhattisgarh and is promoted by Mr. Nilesh Jobanputra.
- Company is involved in the field of Railway Infrastructure Development
- The Company has kept its focus on the Electrification sector of the Railways keeping in view the vast scope of work in the existing and the untapped areas.
- As on the date of filing this prospectus, the company had a total of 7 employees.

#### Promoter of the Company

1. Mr. Nilesh Jobanputra

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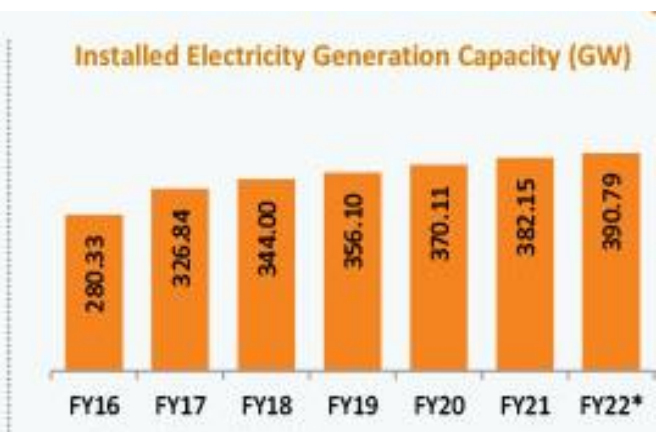
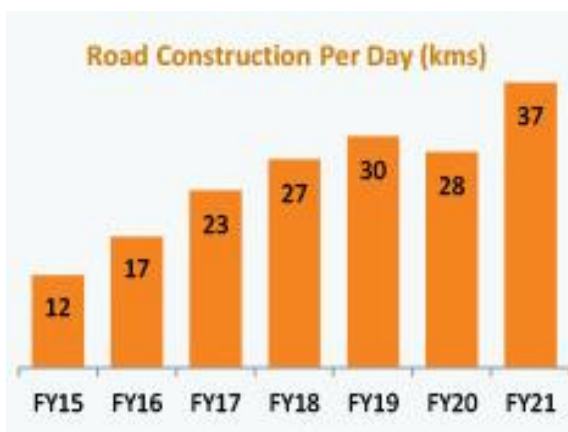
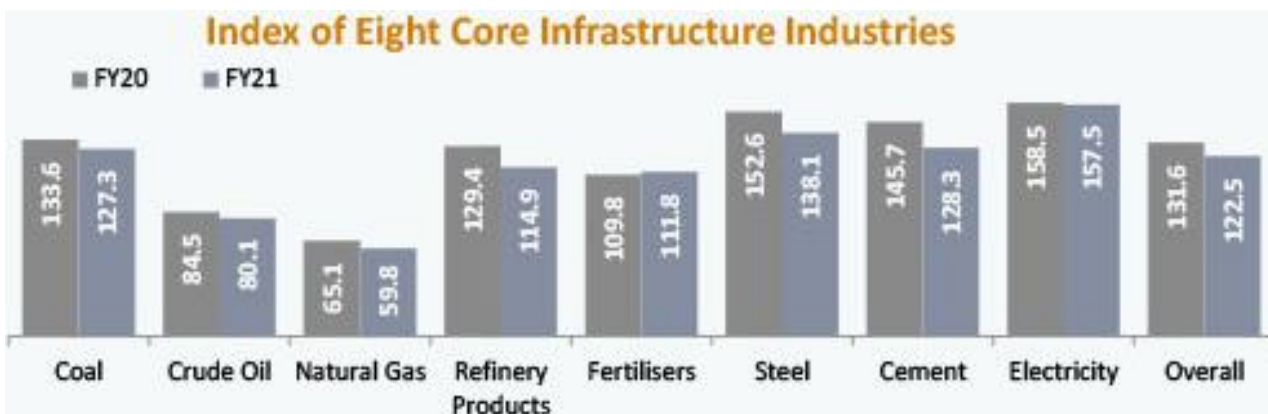
## Company Overview

Company was incorporated in the year 2003 and is engaged in the field of Railway Infrastructure Development involving design, drawing, supply, Erection and Commissioning of 25KV, 50Hz Single Phase Traction Overhead Equipment. Company's major work encompasses electrification of new & existing Railway tracks to reduce dependability of fossil fuels thereby reducing the carbon print. Company's services include concept to commissioning of Railway Infrastructure right from design to energization. The Company has kept its focus on the Electrification sector of the Railways keeping in view the vast scope of work in the existing and the untapped areas

### **Analysis**

Company has been in the business for more than 20 years and has been catering its services to various zones of the Indian Railways like Eastern Railway, South Eastern Railway, South East Central Railway, Northern Railway, East Coast Railway, North Frontier Railway, East Central Railway, Central Organisation for Railway Electrification (CORE) as well as large Public and Private Sector. Engaged in the field of Railway Infrastructure Development, company has undertaken various projects of electrification & erected several traction substations in a span of 20 years. Also being operating in the state of Chhattisgarh, company has ample opportunity to cater its services for developing a low-speed track section in the coal mines available in the state. The company's clientele and service base looks good and has positive outlook. But the revenue of the company depends up on the successful application of their tender and also the company operates in an environment with big players.

## Industry Charts



## Investment Overview

### Indian Railway Industry

The Indian Railways (IR) has set a target of 100 per cent electrification of its network by December 2023, said economic survey 2021-22. The Indian Railways (IR) has set a target of 100 per cent electrification of its network by December 2023, said economic survey 2021-22. To achieve this target with creation of other infrastructure in the sector, the government has increased the CAPEX (Capital expenditures) by five-fold in the last seven years. Union Finance Minister Nirmala Sitharaman on Monday tabled Economic Survey 2021-22 in the Lok Sabha. The survey claims that IR is targeting 100 per cent electrification of its network by December 2023, upgradation of Delhi-Mumbai and Delhi- Kolkata corridors to 160 kmph and also elimination of level crossings on the Golden Quadrilateral and Golden Diagonal routes. The CAPEX has been increased substantially for IR from an average annual of Rs 45,980 crore during 2009-14 to Rs 2,15,058 crore during 2021-22. "An average of 1,835 track km per year of new track length has been added through new-line and multi-tracking projects during 2014-2021 as compared to the average of 720 track km during 2009-14," survey said. It mentioned that safety of the passengers and safe upkeep of railways assets is the topmost priority of IR. "With a continuing focus on safety of passengers the number of consequential train accidents has come down from 59 in 2018-19 to 55 in 2019-20 (pre-Covid) and further to 22 in 2020-21," it said. In order to strengthen the agriculture sector, as on December 31, 2021, the railways have operated 1,841 Kisan Rail services, transporting approximately six lakh tonnes of perishables items including fruits and vegetables. During FY21, IR carried 1.23 billion tonnes of freight and 1.25 billion passengers. "Despite Covid-19 pandemic, revenue earning freight loading (excluding loading by Konkan Railway Corporation Ltd. (KRCL) was 1230.9 million tonnes in 2020-21 as compared to 1208.4 million tonnes during 2019-20. Passengers originating were 1,250 million in 2020-21 as compared to 8,086 million in 2019-20," it said. In order to provide better amenities, the IR has embarked on providing Wi-Fi internet services at all stations (excluding halt stations) and as on December 5, 2021, total 6,087 Railway Stations have been equipped with the facility. In addition, projects connecting difficult terrain such as Rishikesh- Karnaprayag line as also the rail network to connect all capitals of north east states are ongoing. Further, a number of infrastructure development initiatives are envisaged in the

National Rail Plan (NRP) being prepared by the Indian Railways. The plan envisages the creation of a future ready railway system that is able to not only meet the passenger demand but also increase the modal share of railways in freight to 40-45 per cent from the present level of 26-27 per cent. As per the National Rail Plan, the freight ecosystem is expected to grow from the present level of 4,700 MT to 8,200 by 2030. "At present the railway capacity is barely able to carry 1,220 MT which is around 26-27 per cent of the modal share. The Plan provides a pipeline of projects, which on completion will increase railway capacity to capture 45 per cent of freight traffic," the plan said. To prevent further bleeding away of modal share, railway capacity enhancing projects have been categorized as 'Super Critical' and 'Critical'. A total of 58 projects have been identified as 'Super Critical' and are targeted for completion by December 2022. About 68 projects have been identified as 'Critical' and have been targeted for completion by March 2024.

(Source: ibef.org)

### **Addressable Market for Jayant Infratech Limited**

Company is established in Chhattisgarh and is currently providing its services mainly to Indian Railways. The company intends to do so in the near future and help railways achieve the target of 100% electrification network. The company proposes to expand our existing business by opening a branch office in Mumbai.

### **Competition**

The industry, although less fragmented, is competitive and the company competes with few large players in the industry with greater brand reputation and capital base than that of the concerned company. Also since the company is expanding its business operations in Mumbai, company is likely to face additional competition from those who may be better capitalized with their resources.

### **Peer Analysis**

As mentioned in the prospectus, the peers of the company are BCPL Railway Infrastructure Limited and Larsen & Turbo Limited. A comparison of the same has been depicted in the table below –

<b>Company</b>	<b>Jayant Infratech Limited**</b>	<b>BCPL Railways Infrastructure Limited</b>	<b>Larsen &amp; Toubro Limited</b>
Net Profit (INR Cr)	1.1264	7.41	8,669.33
EBITDA (INR Cr)	2.02	11.80	20,581.31
Return on Capital Employed	11.11%	14.82%	11.04%
Return on Equity	6.87%	9.61%	10.52%
EPS (INR)	6.69	4.43	62.00
P/E* (Times)	10.01	7.73	19.48

**\*P/E has been calculated as on 01/07/2022**

**\*\* As on 31/12/2021**

The company has couple of big and reputed company as its peers and competing with them is a huge task for the company.

## Promoters' Profile

### Mr. Nilesh Jobanputra



- **Mr. Nilesh Jobanputra** is the Promoter and Managing Director of the company.
- He has pursued Bachelor of Engineering from Nagpur University and was placed in the first division in Mechanical Branch.
- He has a degree of Master of Business administration from CSM Institute of Graduate studies.
- He has an overall entrepreneurial experience of 17 years in the field of railway infrastructure sector.
- He is responsible for identifying the projects in which the company should participate and mobilize the necessary inputs in orders and makes sure that the selected projects related to our business.



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

**Mr. Nilesh Jobanputra** is the Promoter and Managing Director of the company. He is the guiding force behind all the strategic and management decisions of the Company. He has pursued Bachelor of Engineering from Nagpur University and was placed in the first division in Mechanical Branch. He also has a degree of Master of Business administration from CSM Institute of Graduate studies. He has an overall entrepreneurial experience of 17 years in the field of railway infrastructure sector and is responsible for identifying the projects in which the company should participate and mobilize the necessary inputs in orders and makes sure that the selected projects related to our business.

**Ms. Daksha Jobanputra** is an Executive director of the company since January 2022. She has more than 15+ years of experience in the business of Implementation of Strategic objectives. She is responsible for managing human resources at the office. She has been appointed as an executive director as 74 years of age which is quite surprising.

**Mr. Rishi Jashwantraï Karia**, is a Non-Executive Director of the company and has been associated with the company since 2006. He has completed Post Graduate Diploma in Business Management from Chetana Institute of Management and Research in the year 2004. He has expertise of more than 13 years across sectors in administration, HR, budget, taxes, operations and finance.

Looking at the management, it can be said that the company is currently dependent on the strategic decisions of Mr. Nilesh Jobanputra. The Managing Director is educated and holds a good experience in the relevant field of business. Considering all these, the management outlook looks neutral and any estimations is hard to make regarding their efficiency.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st December, 2021
<b>Profit and Loss</b>			
Revenue from operation	3,386.85	3,518.06	2,379.11
Other income	29.88	32.81	35.49
Total Revenue	3,416.73	3,550.87	2,414.60
Expenses	3,175.27	3,305.31	2,212.68
Depreciation and Amortisation Cost	18.38	16.54	16.28
Finance Cost	45.95	43.35	36.49
Total Expenses	3,239.60	3,365.20	2,265.45
PBT	177.13	185.67	149.15
EBITDA	241.46	245.56	201.92
EBITDA Margin	7.13%	6.98%	8.49%
Net Profit	131.92	139.58	112.64
Net Profit Margin	3.90%	3.97%	4.73%
<b>Balance Sheet</b>			
Total Borrowings	491.08	700.54	590.44
Net Worth	1,251.03	1,429.62	1,640.55
Fixed Assets	1,105.74	77.33	61.31
Net Working Capital	43.13	100.31	541.93
<b>Financial Measures</b>			
Inventory Turnover Ratio	8.60	8.51	2.77
Receivables Turnover Ratio	13.59	14.89	17.18
Payables Turnover Ratio	8.52	6.70	4.76
Fixed Assets Turnover Ratio	3.06	45.49	38.80
Return on Capital Employed	7.61%	11.11%	4.31%
Return on Equity	4.53%	9.76%	6.87%
Debt-Equity Ratio	0.39	0.49	0.36

(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 up to Dec'21 was 201.92 lacs vs 241.16 lacs in FY 20. The EBITDA margin has grown from 7.13% from FY 20 to 8.49% up to Dec'21 showing better management of operating activities of the business.

### **Net Profit**

The net profit of the company up to Dec'21 was 112.64 lacs vs 131.92 lacs in FY 20. The net profit margin has grown from 3.90% from FY 20 to 4.73% up to Dec'21 showing better management in both operating and financing activities of the business.

### **Finance Cost.**

The finance cost incurred is mainly towards long-term and short-term loans taken from the bank.

### **Financial Measures/Ratios**

The financial ratios except for EBITDA and Net Profit Margin of the company have been slowing down over the years.

RoCE of the company up to Dec'21 was 11.11% from 17.68% in FY 20 showing a decline in the ratio by CAGR of 23%.

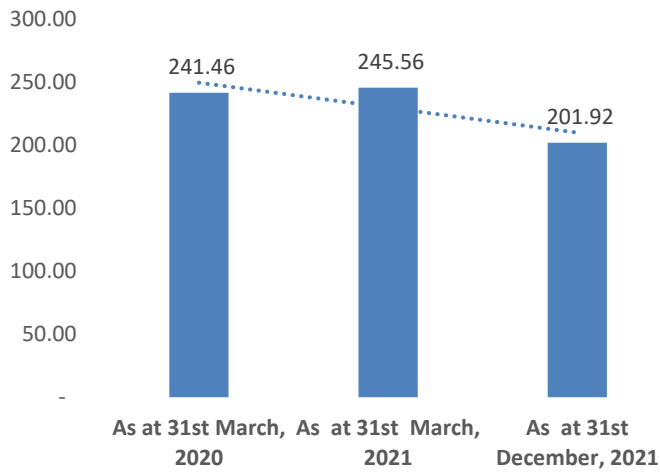
Return on Equity (ROE) of the company was 6.87% up to Dec'21 from 10.54% in FY 20 showing a decline in the ratio by CAGR of 22%.

The company has effectively managed its receivables and payables, however managing inventory has been difficult for the company as evident from decreasing inventory turnover ratio.

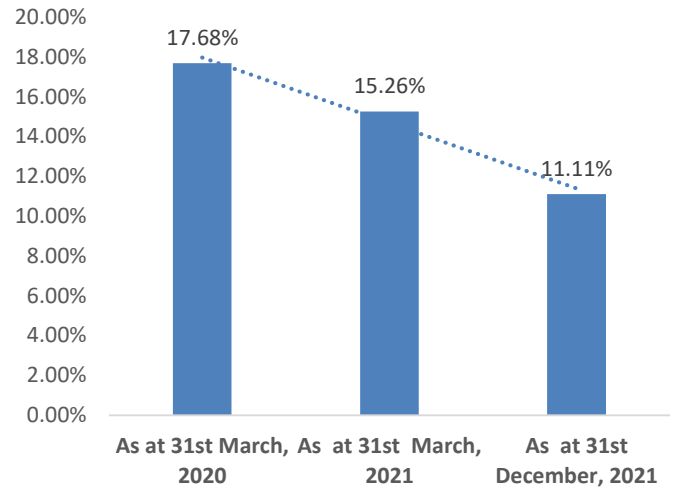
The company has been gradually decreasing its debt-equity ratio and is expected to reduce more with new equity being introduced and repayment of loan.

## Financial Graph

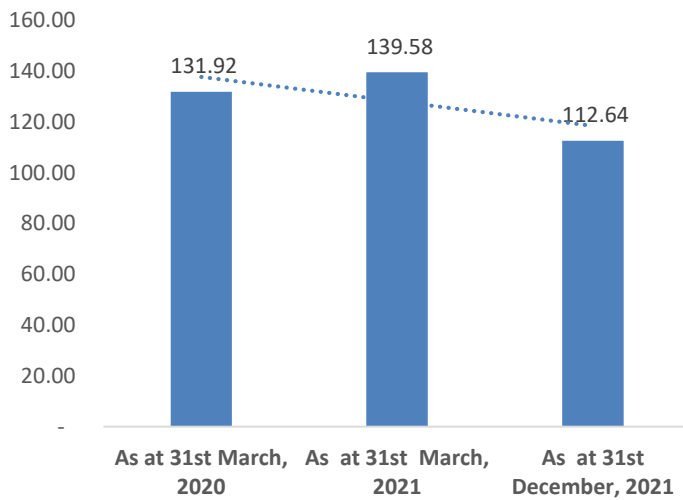
**EBITDA (In Lacs)**



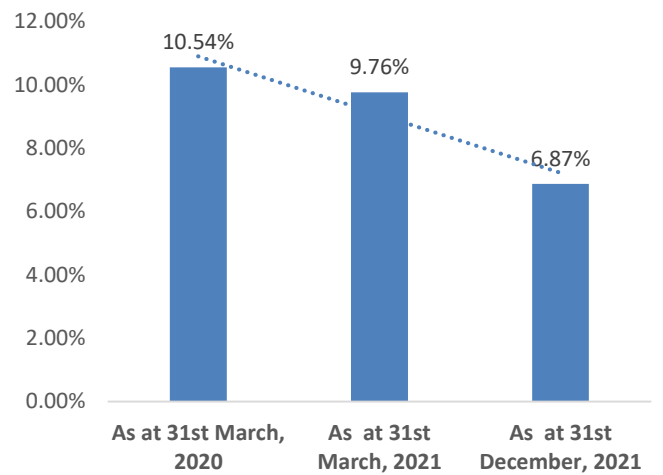
**ROCE**



**Net Profit (In Lacs)**



**ROE**



## Key Risk Factors

1. There are certain legal proceedings involving the Company, Directors, Promoter and Group Companies totalling to an amount of Rs. 2.97 lacs, an adverse outcome in which, may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows.
2. A case was registered against our company by the Labour Enforcement Officer, Central II, 1st Floor, Block C, CGO Complex, Seminary Hills, Nagpur under Minimum Wages Act/22(A)- General provision for punishment of other Offences. Next hearing date is 15<sup>th</sup> July 2022.
3. Company has not received “No Objection Certificate” from our lender to undertake the Issue.
4. Heavily dependent on the promoter of the company.
5. Operation in the oversaturated Railway Zones may adversely affect the business and have an adverse impact on its result of operations and financial condition.

## Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Gretex Corporate 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# (INR)
1.	B & B Triplewall Containers Limited	19.99	36.00	October 15, 2018	235.00
2.	BCPL Railway Infrastructure Limited	17.01	35.00	October 29, 2018	34.20
3.	Misquita Engineering Limited	1.93	27.00	October 04, 2019	31.60
4.	Anuroop Packaging Limited	2.64	13.00	November 21, 2019	25.35
5.	Billwin Industries Limited	2.46	37.00	June 30, 2020	23.00
6.	G M Polyplast Limited	8.09	159.00	October 14, 2020	238.10
7.	Niks Technology Limited	2.01	201.00	March 31, 2021	200.00
8.	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	118.30
9.	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	99.00
10.	Clara Industries Limited	3.02	43.00	December 29, 2021	100.00
11	Goel Food Products Limited	3.61	72.00	June 28, 2022	91.05

**#CMP is taken as on 01st<sup>th</sup> June 2022**

Since 2017 the Lead Manager has made 25 IPO Listings 21 IPOs had positive listing and 4 IPOs had negative listing

## Recommendation

The company has a good track record of existence and has been generating decent revenue over the years. The main client of the company is Indian Railway. The target of 100% electrification network by 2023 is very supportive for the business. However, there are some highly reputed companies operating in this segment which is a major hurdle for the company.

The promoter of the company has vast experience in the field of operations and is also educated in the related field. However, the company is hugely dependent on the promoter which is a not a good sign.

The company has been able to provide increasing EBITDA and Net Profit margins and is getting listed at a PE of 10 times seems to be fairly priced looking at the industry.

The main point of worry is the object of the issue i.e. to raise money to pay security deposit has provided a negative sentiment for the issue to the public.

To conclude, there are a mixture of reviews and to be on the safer side one should avoid the IPO. But if someone wants to take a risky investment, may apply on long term basis.

## 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.