

### IPO Details

<b>Opening Date</b>	Sep 16, 2022
<b>Closing Date</b>	Sep 20, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	6000 Shares
<b>Issue Price</b>	Rs.20 per share
<b>Issue Size</b>	19,98,000 Equity Shares
<b>Application Amount</b>	Rs. 1,20,000

### IPO Objective

- Repayment/pre-payment, in full or part, of certain borrowings availed by the company
- General Corporate Purpose

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	49,36,790	100.00%
Public	-	-

### Promoter of the Company

- 1 Mr. Sourabh Mahendra Shaw

### Competitive Strengths

- 1 Established operation capability in the diesel generator set market
- 2 Proven track record
- 3 Strong technical and execution capabilities
- 4 Experienced and proven management team

### Company Background

- Company was established in the year 2010 in Pune, Maharashtra.
- Company is primarily engaged in the business of selling DG Sets and Auto Spare Parts among other things.
- Company sells in the domestic as well as international market.
- Company entered the auto spare parts business in the year 2019.
- Installed Capacity cannot be defined as it assembles different parts to make DG sets.
- As of 31<sup>st</sup> July 2022, the company has 23 employees on its payroll.

### Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
<b>Total Assets</b>	3,586.58	4,114.73	4,230.54
<b>Net Assets</b>	1,146.32	1,235.39	1,286.28
<b>Total Borrowings</b>	1,884.93	2,175.77	1,910.77
<b>Total Revenue</b>	2,824.66	2,091.75	4,335.03
<b>Profit After Tax</b>	(107.07)	(32.89)	169.13

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## Company Overview

Maks Energy Solutions Limited was incorporated in the year 2010. It started its DG (Diesel Generator) operations in 2010 where it would first trade DGs and then later started assembling DGs by buying various parts required like Diesel Engines, Alternators and other parts from their suppliers. In the domestic market, they are majorly present in Maharashtra followed by Himachal Pradesh and Sikkim. In 2019 they entered the business of distribution of auto spare parts in Maharashtra. They also have a 50:50 Joint Venture in Africa with a local company namely Relion Power Industries Limited which is currently showing a loss. The company however has exited the Joint Venture as it was loss making and was disrupted due to civil war and covid pandemic in East Africa.

## Analysis

The company is mainly into the business of assembling and selling DG sets and auto spare parts. Though cleaner alternatives are coming up every day as we talk, demand for DGs will be there in India as it is still a growing economy for at least 10-20 years. But the market for DGs is highly competitive with big players in the market like Kirloskar, Birla, Mitsubishi, Bajaj, Mahindra, Ashok Leyland etc. Auto parts segment however looks good if the company is able to capture the market properly.

The company deals in several other areas the list of which is provided below: -

- a) Diesel Engine
- b) Diesel Generating Set Spare Parts
- c) Tata Spare Parts
- d) Ancillary Products
- e) Commercial Vehicle Spare Parts.
- f) Alternator
- g) MS Plat
- h) TMT Bars

The following is details of the products/ service wise Income as per the Restated Financial Information for FY 2020, FY 2021 and FY 2022:

Particulars	FY 2020 (in ₹)	% of income	FY 2021 (in ₹)	% of income	FY 2022 (in ₹)	% of income
DG sets	25,25,55,077	59.89%	9,43,57,362	45.56%	10,34,88,385	40.52%
Generator Spares	28,05,980	0.67%	55,95,676	2.70%	86,65,000	3.39%
Vehicle Spare parts	9,95,69,393	23.61%	6,26,81,142	30.27%	10,66,35,373	41.76%
M S Plate	3,00,09,440	7.12%	-	-	-	-
TMT Bar	2,14,57,639	5.09%	-	-	-	-
Engine	-	-	-	-	25,21,171	0.99%
Labour Charges	1,14,69,480	2.72%	4,19,56,780	20.26%	3,40,66,450	13.34%
Others	38,50,785	0.91%	25,04,381	1.21%	-	-
<b>Total</b>	<b>42,17,17,794</b>	<b>100.00%</b>	<b>20,70,95,341</b>	<b>100.00%</b>	<b>25,53,76,379</b>	<b>100%</b>

The company is currently active in Maharashtra followed by Himachal Pradesh and Sikkim in the domestic market and in Middle East, South East Asia and Africa in the international market. Roughly 77% of its revenue comes from Maharashtra.

A bifurcation of revenue from its domestic market and international market is provided below.

The following is bifurcation of the exports and domestic sale as per the Restated Financial Information for FY 2020, FY 2021 and FY 2022:

Particulars	FY 2020 (in ₹)	% of Sales	FY 2021 (in ₹)	% of Sales	FY 2022 (in ₹)	% of Sales
Export Sales	22,80,80,905	54.08%	2,03,51,732	9.83%	2,20,70,600	8.64%
Domestic Sales	19,36,36,889	45.92%	18,67,43,609	90.17%	23,33,05,779	91.36%
<b>Total</b>	<b>42,17,17,794</b>	<b>100.00%</b>	<b>20,70,95,341</b>	<b>100.00%</b>	<b>25,53,76,379</b>	<b>100%</b>

The following is the geographical bifurcation of the Revenue as per the Restated Financial Information for FY 2020, FY 2021 and FY 2022:

Sr. No.	Geography	FY 2020 (in ₹)	% to the total income	FY 2021 (in ₹)	% to the total income	FY 2022 (in ₹)	% to the total income
<b>A</b>	<b>Domestic</b>						
1	Maharashtra	18,10,12,524	42.92%	18,30,51,784	88.39%	19,91,80,449	77.99
2	Gujarat	9,86,000	0.23%	-	-	4,07,501	0.16
3	Jharkhand	4,23,729	0.10%	-	-	4,40,000	0.17
4	Delhi	3,10,000	0.07%	-	-	3,30,509	0.13
5	Andhra Pradesh	1,08,69,480	2.58%	12,70,800	0.61%	0.00	0.00
6	Telangana	35,156	0.01%	41,525	0.02%	1,51,000	0.06
7	Goa	-	-	99,500	0.05%	6,55,000	0.26
8	West Bengal	-	-	-	-	-	-
9	Punjab	-	-	-	-	-	-
10	Chandigarh	-	-	-	-	-	-
11	Karnataka	-	-	-	-	-	-
12	Kerala	-	-	-	-	36,36,600	1.42
13	Haryana	-	-	-	-	-	-
14	UP	-	-	-	-	-	-
15	Tamil Nadu	-	-	-	-	-	-
16	Himachal Pradesh	-	-	2,80,000	0.14%	16,50,000	6.46
17	Sikkim	-	-	20,00,000	0.97%	93,85,000	3.67
18	Madhya Pradesh	-	-	-	-	26,19,720	1.03
	<b>Total</b>	<b>19,36,36,889</b>	<b>45.92%</b>	<b>18,67,43,609</b>	<b>90.17%</b>	<b>23,33,05,779</b>	<b>91.36</b>
<b>B</b>	<b>Exports</b>						
1	Maldives	15,38,90,653	36.46%	4,15,130	0.20%	42,99,726	1.68
2	UAE	5,02,22,855	11.90%	19,07,247	0.02%	1,05,97,479	4.15
3	Vietnam	1,71,53,690	4.06%	1,43,30,710	7.82%	45,37,507	1.78
4	Qatar	47,88,711	1.13%	36,49,442	1.76%	-	-
5	Oman	14,05,796	0.33%	49,202	0.02%	3,76,301	0.15
6	Djibouti	6,19,200	0.15%	-	-	-	-
7	Nigeria	-	-	-	-	-	-
8	UK	-	-	-	-	-	-
9	Kenya	-	-	-	-	-	-
10	Uganda	-	-	-	-	22,59,587	0.88
	<b>Total</b>	<b>22,80,80,905</b>	<b>54.04%</b>	<b>2,03,51,732</b>	<b>9.83%</b>	<b>2,20,70,600</b>	<b>8.64</b>
	<b>Grand Total</b>	<b>42,17,17,794</b>	<b>100.0%</b>	<b>20,70,95,340</b>	<b>100.00%</b>	<b>25,53,76,379</b>	<b>100%</b>

The company has reduced its exports from 54.04% of its total revenue in FY2020 to just 8.64% of its total revenue in FY2022.

The company has leased/rented assembling units in Maharashtra for assembling DGs.

Company's major customers for auto spare parts include Maharashtra State Road Transport Corporation (MSRTC) and Pune Mahanagar Parivahan Mahamandal Ltd (PMPML) and other affiliated bodies within the State of Maharashtra.

To conclude, the company is in a highly competitive environment with big reputed players. The product (DG) being offered is also not a price sensitive product making it difficult for the company to compete with these players. However, as the company is diversifying, it is exploring more profitable areas opening new doors for itself.

## Industry Charts

Exhibit 1: Market Size of Power Sector in India

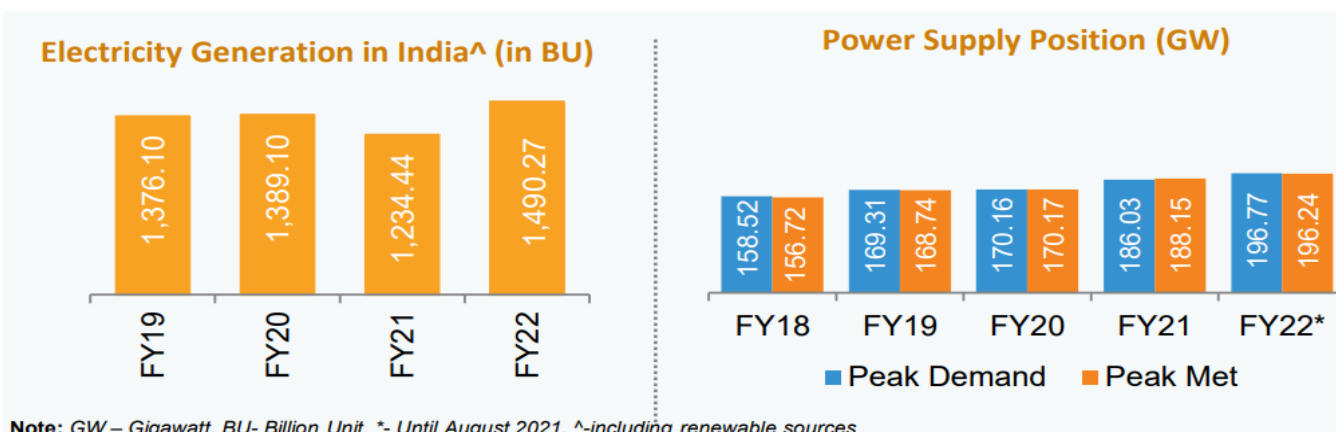


Exhibit 2: Sector Composition of Indian Power Industry

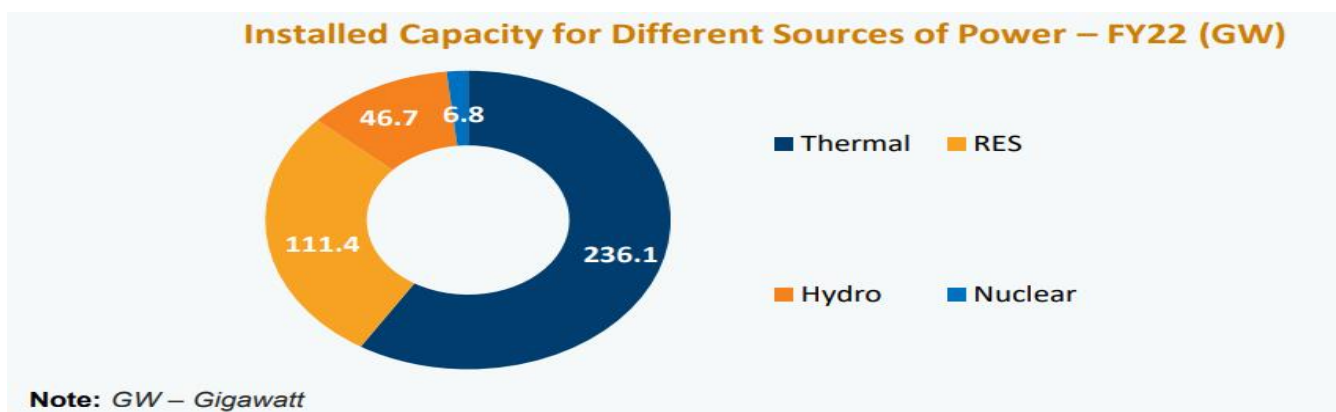
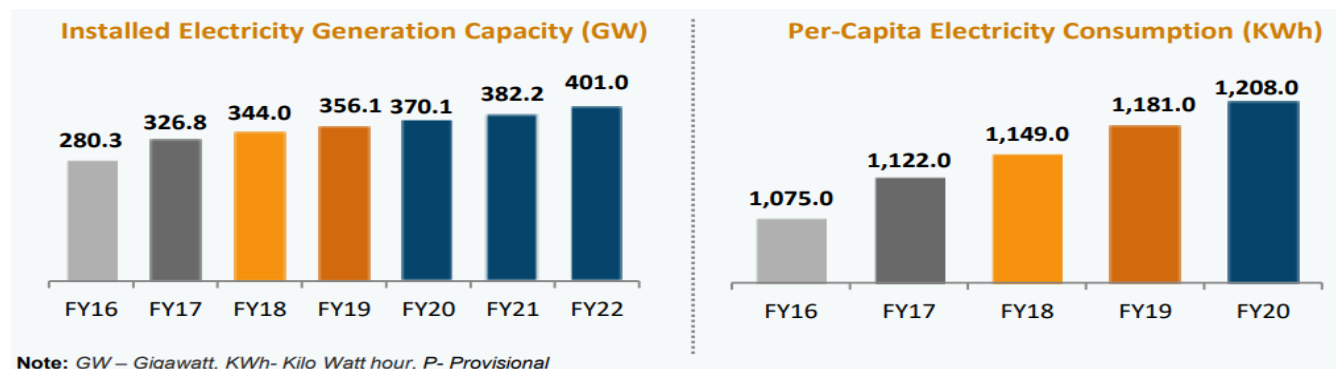


Exhibit 3: Key Trends in Indian Power Sector



(Source: ibef.org)

## Investment Overview

### Power and Diesel Generator Industry

Power is among the most critical components of infrastructure, crucial for the economic growth and welfare of nations. The existence and development of adequate power infrastructure is essential for sustained growth of the Indian economy.

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power, to viable non-conventional sources such as wind, solar, agricultural and domestic waste. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required.

India is the third-largest producer and second-largest consumer of electricity worldwide, with an installed power capacity of 401.01 GW as of April 30, 2022.

A diesel generator is used to generate electric energy by using a diesel engine with the help of an electric generator. Diesel gensets convert the mechanical energy generated by the diesel engine into electricity using alternators. Over the past decade, India's diesel generators market has witnessed a considerable transformation such as the replacement of mechanical engines with electronically controlled technology for better fuel efficiency, a reduction in toxic gas emissions, the easing of maintenance and faster troubleshooting during breakdowns. India has recently witnessed a significant increase in its economic development, which led to an increase in individual spending and has also aided growth across diverse sectors including the manufacturing, commercial and telecommunication sectors. The manufacturing and commercial sectors were one of the largest end users of diesel generators in India. The diesel generators market in India is expected to grow over the next few years, primarily due to the establishment of industrial parks, petroleum, chemicals and petrochemical investment regions, increasing the emphasis by the government on infrastructure projects such as metro rails, smart cities and the expansion of state and national highways. In addition, growing residential societies and upcoming business complexes are further expected to increase demand for diesel generators in India.

(Source: ibef.org)



## **Addressable Market for Maks Energy Solutions Limited**

The company used to sales majorly in the export market mainly South East Asia, Middle East Asia and East Africa. But in recent years the company has been shifting its focus to domestic market and is mainly selling vehicle spare parts with major market being Maharashtra. The company could focus on vehicle spare parts selling in other parts of the country as well.

## **Competition**

Company operates in a highly competitive environment. The DG set industry is filled with organised players. There are many big and renowned DG Set providers in India which makes the bargaining power of the company very low. The threat of new entrant is also high in this industry. The margin in this industry is very low and success mainly depends upon Brand positioning, dealer network/distribution, service centres, product portfolio, and reliability.

## **Peer Analysis**

As Mentioned in the prospectus, the company has no listed company as its peers.

## Promoters' Profile and Management Analysis

### Mr. Sourabh Mahendra Shaw



- Mr. Sourabh Mahendra Shaw, aged 36 years, is the Promoter and Managing Director of the Company.
- Has more than 10 years of experience in the field of diesel engine, spares and generator business.
- He holds a Certificate in Planning and Entrepreneurship from the Indian Institute of Planning and Management and graduate degree in Commerce from Savitribai Phule Pune University.
- He looks after the day-to-day operations, management and the entire export division of the Company.

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

**Mr. Sourabh Mahendra Shaw**, aged 36 years, is the Promoter and Managing Director of the Company. He holds a Certificate in Planning and Entrepreneurship from the Indian Institute of Planning and Management and graduate degree in Commerce from Savitribai Phule Pune University. He is having more than a decade's experience in the field of diesel engine, spares and generator business. He looks after the day-to-day operations, management and the entire export division of the Company.

**Mr. Mahendra Madhairam Shaw**, is Whole-time Director and Chairperson of the Company. He holds a bachelor's degree in commerce. He has more than 30 years of experience in the field of diesel engines and its spares.

**Mrs. Swati Sourabh Shaw**, aged 35 years, is the Non-Executive Director of the Company. She has done her graduation in Business Administration from Devi Ahilya University, Indore. She is having 10 years of experience in administration and customer relationship services.

The independent directors of the company are well educated and have good experience in their respective fields.

The management of the company knows the business and is also having good experience in the relevant field of the business. The management outlook looks positive. It however needs to be cautious of future strategies related to international dealings as past joint venture has not been fruitful due to which the company has incurred huge losses.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>			
Revenue from operation	4,217.18	2,070.95	2,553.76
Other income	117.86	20.79	270.90
Total Revenue	4,335.04	2,091.74	2,824.66
Expenses	3,880.08	1,873.78	2,392.10
Depreciation and Amortisation Cost	7.17	5.62	4.96
Finance Cost	222.87	211.36	232.54
Total Expenses	4,110.12	2,090.76	2,629.60
PBT	224.92	0.98	195.06
PBT Margin	0.00%	0.05%	7.64%
EBITDA	454.96	217.96	432.56
EBITDA Margin	0.00%	10.52%	16.94%
Net Profit	169.13	-32.89	-107.07
Net Profit Margin	4.01%	-1.59%	-4.19%
<b>Balance Sheet</b>			
Total Borrowings	1,910.77	2,175.77	1,884.93
Net Worth	1,286.28	1,253.39	1,146.32
Fixed Assets	2.45	1.53	0.60
Net Working Capital	879.91	1227.75	1,220.31
<b>Financial Measures</b>			
Inventory Turnover Ratio	1.20	0.79	0.82
Receivables Turnover Ratio	2.18	1.01	1.20
Payables Turnover Ratio	0.90	0.59	0.53
Fixed Assets Turnover Ratio	1,721.30	1,353.56	4,256.27
Return on Capital Employed	34.74%	13.24%	31.96%
Return on Equity	13.15%	-2.62%	-9.34%
Debt-Equity Ratio	1.49	1.74	1.64

(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 slightly from Rs. 454.96 lacs in 2020 to 432.56 lacs in 2022 CAGR of -2.49%. The EBITDA margin of the company in 2020 was 10.79%, in 2021 was 10.52% and in 2022 was 16.94%. The EBITDA margin might increase with the fact the company has been shifting to selling Vehicle Spare parts but such increase is not justified with the product shift.

### **Net Profit**

The net profit of the company has fallen from Rs. 169.13 lacs in 2020 to Rs. -107.07 lacs in 2022. The net profit has been highly affected due to losses in the Joint Venture. In FY 22, the company has decided to exit the Joint Venture with total erosion of the remaining value. The net profit is therefore expected to improve in the coming years.

### **Finance Cost.**

The company has incurred finance cost mainly on the secured short term and long term loans taken from the Banks. The finance cost in the FY 22 was around 9% of revenue from operations.

### **Financial Measures/Ratios**

RoCE of the company in 2020 was 34.74% and dropped down to 13.24% in the year 2021 because of sharp reduction in the EBIT of the company. Again in FY 22, it has risen to 31.96% due to improvement in the operating margins which is little surprising as the increase of 6% in the year just before IPO raises eye-brows.

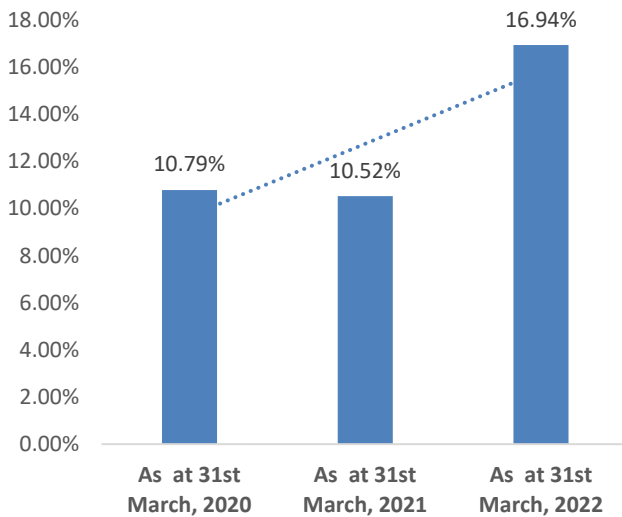
ROE of the company up in 2022 was -9.34%, -2.62% in 2021 and 13.15% in 2020. The ROE has been majorly affected with the losses incurred by the firm due to Joint Venture failure. However, we expect the company to improve its profit margins in the coming years as the loss making Joint Venture has been exited and so the ROE is expected to improve a bit.

The Company have been maintaining its receivables, payables and inventory in a stable manner in the recent years as the same is evident from the turnover ratios depicted in the table above.

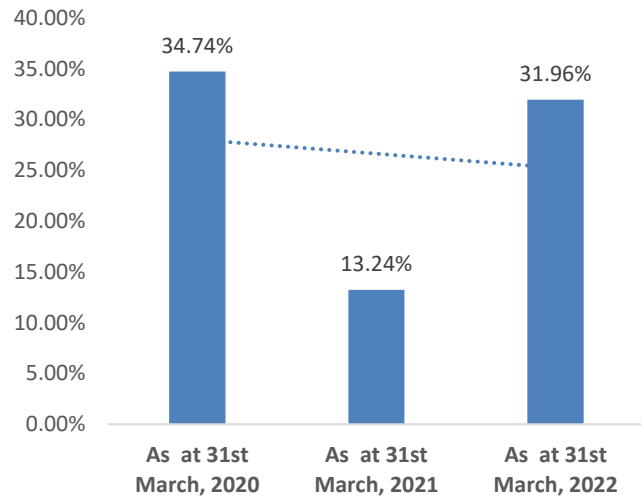
Company's Debt-Equity Ratio has been 1.64 times in FY 22. The same is majorly due to working capital loan availed. With the issuance of new equity capital, part payment of working capital loan and repayments of Term Loans, the ratio is expected to come down.

**Financial Charts**

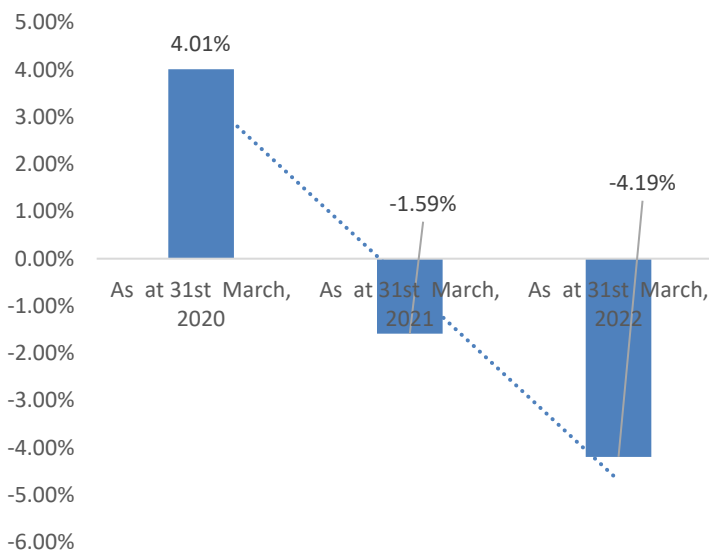
**EBITDA Margin**



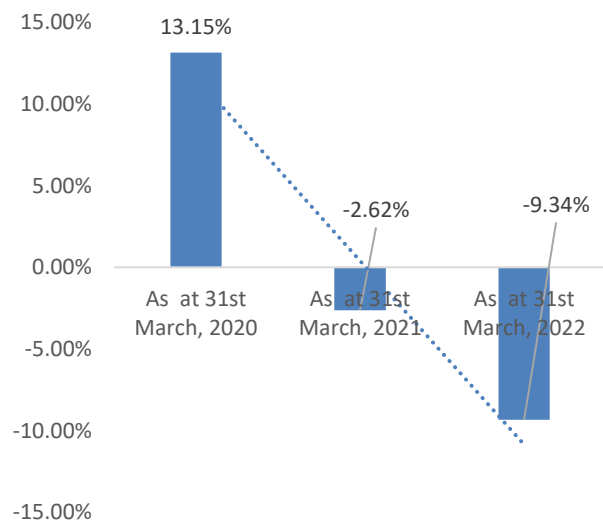
**Return on Capital Employed**



**Net Profit Margin**



**Return on Equity**



## Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 55.66 lacs, which if determined against them, can affect financial conditions of the company.
2. The Statutory Auditors of the company had given a qualification on failure to maintain inventory records of Inventory in 2020.
3. The objects of the company has been added with dealing in trading of medical equipment and ancillary medical services, real estate business, deal in agro product and hospital, Medicare, cosmetics, wellness products, prescribed or non-prescribed medical drugs in which the company and its promoters do not have any experience.
4. Company operates in a very competitive environment..



## Track Record of Lead Manager

The lead manager to the issue is Sun Capital Advisory. This is the first mandate from Sun Capital Advisory and hence it has no track record.

## Recommendation

The company has been into the business since 2010 showing a decent track record of existence. The company provides products related to Diesel Generator, Generator Spares and Vehicle Spare parts.

The company's revenue has fallen from the levels of 2020 and has not able to generate positive returns due to strategic failure. The company is eyeing on the new product segments in the coming as the objects in the MOA suggests and with the history of a failure in the Joint Venture, it looks like a risky assignment again as the company and its promoter of the company has no experience in those fields.

The management of the company knows the business and is also having good experience in the relevant field of the business. The management outlook looks positive.

To conclude, the company has not been able to create wealth for its shareholders in the past, the revenue has come down, there had been strategic failures in the past incurring big losses for the company. So to be on a safer side, one must wait and **avoid** applying 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.**