



### IPO Details

<b>Opening Date</b>	Feb 28, 2023
<b>Closing Date</b>	Mar 02, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 47 per share
<b>Issue Size</b>	60,00,000 Equity Shares
<b>Application Amount</b>	₹ 1,41,000

### IPO Objective

Funding Working Capital Requirement of the company.  
Purchase of the land where the Manufacturing facility is currently situated.  
General Corporate Purpose.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,40,99,060	94.15%
Public	8,75,940	5.85%

### Promoter of the Company

- 1 Mr. Karan Atul Bora
- 2 Mr. Kunal Atul Bora

### Competitive Strengths

- 1 Successfully decoded the formula for Pyrolysis.
- 2 Strategic Location of Manufacturing Unit.
- 3 Quality Assurance.
- 4 Well-defined organizational structure
- 5 Strong professional and execution team allows the Company to develop a strong business.
- 6 Existing Supplier Relationship.
- 7 Progressive Employer.

### Company Background

- Company was incorporated in the year 2018 in Maharashtra.
- Company is engaged in the process of manufacturing Pyrolysis Oil (a substitute for furnace oil) from all kinds of waste plastics.
- The company has set up a Chemical Recycling Plant in Vikramgad (Palghar), Maharashtra, considering its proximity to the Municipal Corporations of Mumbai, Thane, Kalyan & Dombivli.
- Company's manufacturing process also produces by-products in the form of Carbon and Gas.
- Company uses a patented catalytic process to improve the efficiency, safety and scalability of the pyrolysis process.
- As of December, 2022, Company had 8 employees on its payroll.

### Financial Summary

For the Period Ended	(In Lacs)		
	05 Dec-22	Mar-22	Mar-21
<b>Total Assets</b>	3,917.97	1,371.31	1,110.01
<b>Net Assets</b>	1,510.30	367.46	136.76
<b>Total Borrowings</b>	1,486.06	932.92	961.33
<b>Total Revenue</b>	1,265.34	480.81	2.00
<b>Profit After Tax</b>	246.44	73.50	0.63

### Tentative Timeline

<b>Opening Date</b>	Feb 28, 2023
<b>Closing Date</b>	Mar 03, 2023
<b>Basis of Allotment</b>	Mar 08, 2023
<b>Initiation of Refunds</b>	Mar 09, 2023
<b>Credit of Shares to Demat</b>	Mar 10, 2023
<b>Listing Date</b>	Mar 13, 2023



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## Company Overview

ResGen Limited was incorporated in the year 2018 in Maharashtra. The company is primarily engaged in the manufacturing of Pyrolysis oil. The manufacturing set up of the company is strategically located at Vikramgad (Palghar), Maharashtra, considering its proximity to the Municipal Corporations of Mumbai, Thane, Kalyan & Dombivli. Company's manufacturing process also produces by-products in the form of Carbon and Gas. Company uses a patented catalytic process to improve the efficiency, safety and scalability of the pyrolysis process

## Analysis

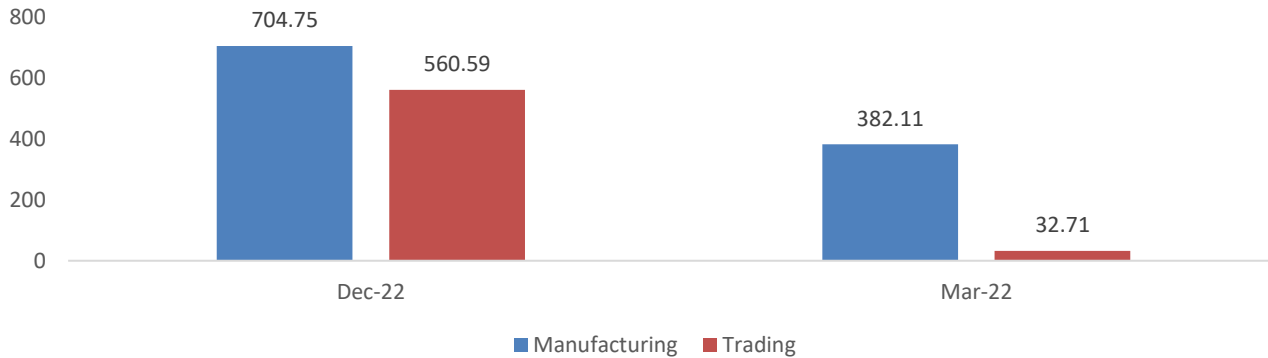
Although incorporated in the year 2018, company started earning its revenue from FY 20-21, but the revenue was only of Rs. 2.00 lacs. So, major revenues of the company started flowing in only from FY 21-22. The manufacturing of Pyrolysis oil makes it a good prospect as it acts as a substitute for diesel oil used mainly in industry plants such as Steel Plants, Cement Plants etc. The oil is manufactured using plastic wastes which acts as a raw material and is available through various industries and companies located near the manufacturing unit of the company.

The manufacturing capacity of the company is given in the table below –

Capacity Utilisation Calculation from November 15, 2021-- March 31, 2022				
Products	Pyrolysis Oil (53% of Input Plastic Waste)	Gases (25% of Input plastic Waste)	Carbon (10% of Input Plastic Waste)	Overall Reactor Plant
Installed Capacity				4320
Maximum Capacity @ 12% of process loss				3802
Production (MT/Annum)	865.6	1875	253	2993.6
Capacity Utilisation				78.75%
Capacity Utilisation Calculation from April 01, 2022 to December 05, 2022				
Products	Pyrolysis Oil (53% of Input Plastic Waste)	Gases (25% of Input plastic Waste)	Carbon (10% of Input Plastic Waste)	Overall Reactor Plant
Installed Capacity				6272
Maximum Capacity @ 12% of process loss				5519
Production (MT/Annum)	2211.2	1500	422	4133.2
Capacity Utilisation				74.89%



Majority of the revenue of the company is from Pyrolysis Oil segment. The company is indulged in both manufacturing and trading of Pyrolysis Oil.



Apart from Pyrolysis Oil, the company also generates revenue from selling of its by-products viz. Carbon and Gas.

To conclude, although the company has been able to generate good revenues, the company is very new into the market with a revenue generation experience of only 2 years. The company is mainly dependent on one product i.e. Pyrolysis oil which is a risk segment.



**Industry Charts**

Exhibit 1: Indian Oil and Gas Market Size

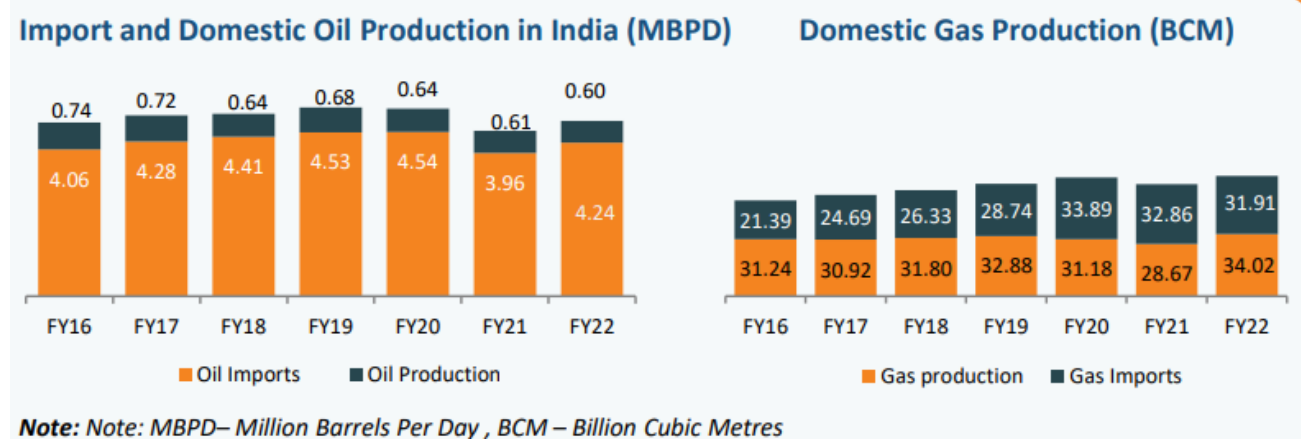


Exhibit 2: Sector Composition of Oil and Gas market in India

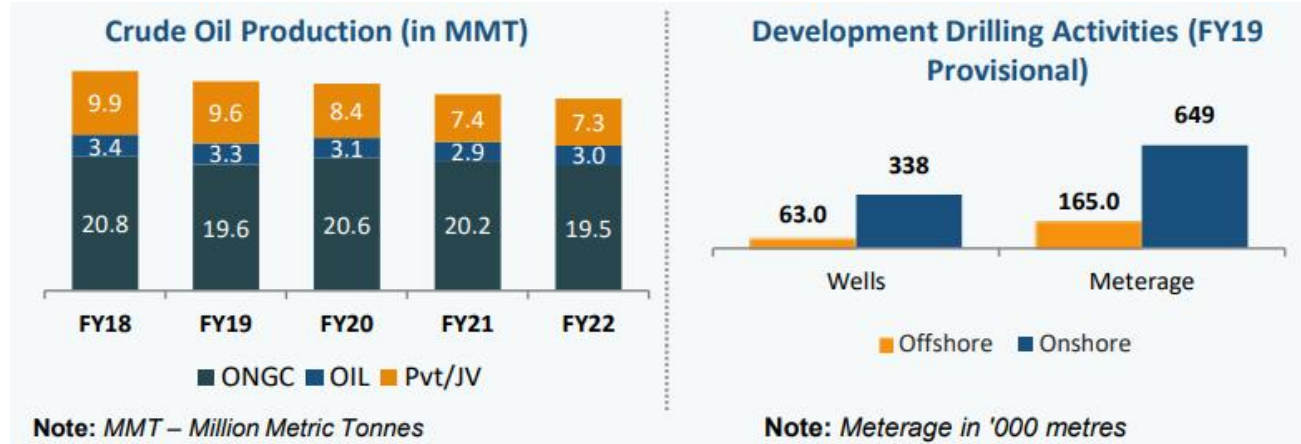
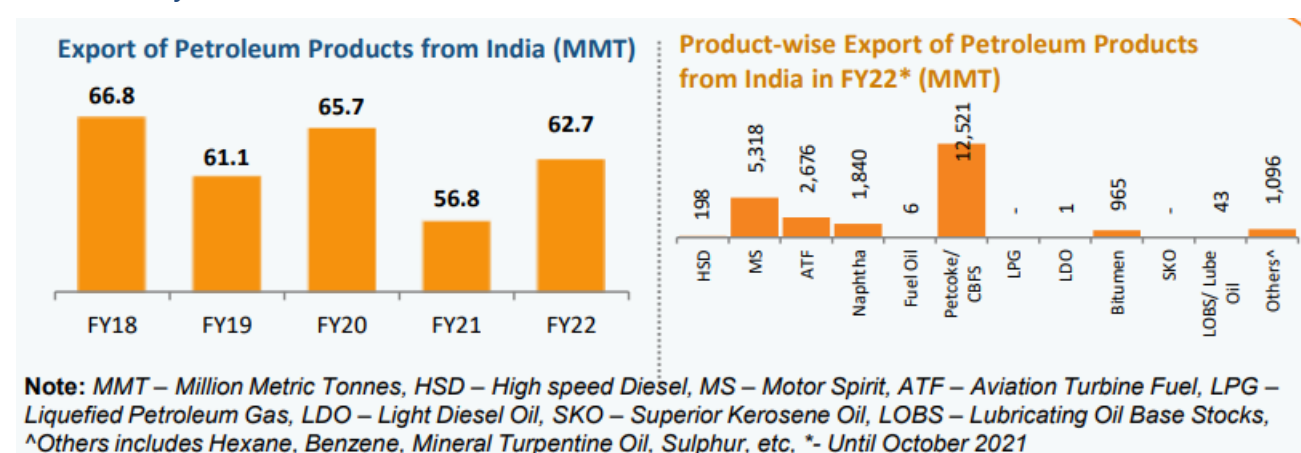


Exhibit 3: Key Trends in Oil and Gas Market in India



(Source: GMI, ameriresearch.com)



## Investment Overview

### Oil and Gas Industry

The oil and gas sector is among the eight core industries in India and plays a major role in influencing the decision-making for all the other important sections of the economy. India's economic growth is closely related to its energy demand, therefore, the need for oil and gas is projected to increase, thereby making the sector quite conducive for investment. India retained its spot as the third-largest consumer of oil in the world as of 2021. The Government has adopted several policies to fulfil the increasing demand. It has allowed 100% foreign direct investment (FDI) in many segments of the sector, including natural gas, petroleum products and refineries, among others. The FDI limit for public sector refining projects has been raised to 49% without any disinvestment or dilution of domestic equity in existing PSUs. Today, it attracts both domestic and foreign investment, as attested by the presence of companies such as Reliance Industries Ltd (RIL) and Cairn India. The industry is expected to attract US\$ 25 billion investment in exploration and production by 2022. India is already a refining hub with 21 refineries, and expansion is planned for tapping foreign investment in export-oriented infrastructure, including product pipelines and export terminals. India's crude oil production in FY22 stood at 29.7 MMT. According to the IEA (India Energy Outlook 2021), primary energy demand is expected to nearly double to 1,123 million tonnes of oil equivalent, as India's gross domestic product (GDP) is expected to increase to US\$ 8.6 trillion by 2040. As of September 2021, India's oil refining capacity stood at 248.9 MMTPA, making it the second-largest refiner in Asia. Private companies owned about 35% of the total refining capacity. India is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. India's consumption of petrol products stood at 126.12 MMT in April-October, 2022. High Speed Diesel was the most consumed oil product in India and accounted for 38.84% of petroleum product consumption in FY22. India's oil consumption stood at almost 4.9 million barrels per day (BPD) in 2021, up from 4.65 million BPD in 2020. India's LNG import stood at 2,411 million metric standard cubic meters (MMSCM) in October 2022. Gross production of LNG was 2,883 MMSCM in the same month.

(Source: ibef.org)



### **Addressable Market for ResGen Limited**

Currently the company is catering its products in the state of Maharashtra due to capacity constraints. The company plans to serve other states of India as well once the capacity constraint is resolved by the company.

### **Competition**

The product of the company is not highly competitive but in recent times many new players have shown their presence. The entry of new entrant is high as the capital requirement is not high and the manufacturing process also can be easily set up.

### **Peer Analysis**

As provided in the prospectus, the company do not have any listed peer.



## Promoters' Profile and Management Analysis

### Mr. Karan Atul Bora



- Mr. Karan is one of the Promoters and Managing Director of the company.
- He has completed Bachelor of Engineering in Civil and Environmental from Cardiff University Prifysgol Caerdydd.
- He primarily looks after the overall business operations of the Company.
- He has been associated with the Company since its inception.

### Mr. Kunal Atul Bora



- Mr. Kunal Atul Bora is one of the Promoters and Chief Financial Officer of the company.
- He has completed Bachelor of Engineering in Electronics and has done masters in finance.
- He is responsible to analyze key business drivers and develop strategies to grow the bottom line.
- He has been associated with the Company since its inception.





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

**Mr. Karan Atul Bora**, aged 29 years, has Degree in Bachelor of Engineering in Civil and Environmental Engineering from Cardiff University, Wales, United Kingdom, completed in the year 2015. He is the Founder and one of the First Director of the Company, later he was designated as the Managing Director of the Company. He has around 6 years of experience across sectors in Operations, Finance, Project Management and Business Development.

**Mr. Abhijeet Oza Ashok**, aged 34 years, He is holding a Degree in Masters of Business Administration from Savitribai Phule Pune University, Pune in the year 2016. He was appointed as an Executive Director with effect from September 29, 2018. He was associated with Safilo Group as Area Sales Executive for a period of 3 years.

**Mr. Milind Rane**, aged 48 is the Non-Executive Director of the Company. He was appointed as Additional Director with effect from June 30, 2022 and was further regularised as a Non-Executive Director with effect from June 30, 2022.

To conclude, the company's promoters and board of directors are well educated but the promoters of the company are not much experienced. Mr. Kunal acting as the CFO of the company with not much experience on the table might be a worrying part. Although the young management and board team looks to be positive but it is always a double edged sword.



## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 05th Dec, 2022
<b>Profit and Loss</b>			
Revenue from operations	2.00	480.81	1,265.34
Other income	-	-	-
Total Revenue	2.00	480.81	1,265.34
	67%	58%	50%
Expenses	1.34	279.56	631.22
Depreciation and Amortisation Cost	-	66.38	193.46
Finance Cost	0.03	30.55	96.33
Total Expenses	1.37	376.49	921.01
PBT	0.63	104.32	344.33
PBT Margin	31.50%	21.70%	27.21%
EBITDA	0.66	201.25	634.12
EBITDA Margin	33.00%	41.86%	50.11%
Net Profit	0.63	73.50	246.44
Net Profit Margin	31.50%	15.29%	19.48%
<b>Balance Sheet</b>			
Total Borrowings	961.33	932.92	1,486.06
Net Worth	136.76	367.46	1,510.30
Fixed Assets	1,016.27	907.12	1,474.19
Net Working Capital	-298.33	-43.89	183.71
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	-	7.92	6.00
Receivables Turnover Ratio	0.85	1.72	2.90
Payables Turnover Ratio	-	33.11	4.38
Fixed Assets Turnover Ratio	0.00	0.53	1.60
Return on Capital Employed	0.08%	14.13%	12.58%
Return on Equity	0.46%	20.00%	8.30%
Debt-Equity Ratio	7.03	2.54	0.32

(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 grown from Rs. 0.66 lacs in 2021 to Rs. 201.25 lacs in 2022 and on 05<sup>th</sup> Dec 2022 it was Rs. 634.12 lacs and if we annualise the same it would be around Rs. 951.18 lacs. Since the company has started generating revenues properly from FY 21-22, it is very early to comment upon the CAGR of EBITDA. However, the annualised Y-o-Y growth rate of EBITDA is 372.64%, which is high but again since the company is in a growth stage and fairly new, no comments can be made upon.

### **Net Profit**

The net profit of the company has grown from Rs 0.63 lacs in 2021 to Rs. 73.50 lacs in 2022 and as on 05<sup>th</sup> Dec 2022 it was Rs. 246.44 lacs and if we annualise the same it would be around Rs. 369.66 lacs. Likewise EBITDA, the same comments could be applied to the growth of Net Profit of the company.

### **Finance Cost.**

The company has incurred finance cost mainly on the short-term borrowings and long-term loans availed from the banks.

### **Financial Measures/Ratios**

RoCE of the company up to 05<sup>th</sup> Dec 2022 is 18.50% vs 14.13% in 2022 and 0.08% in 2021. If we annualise the RoCE of FY 2022-2023, the RoCE is expected to be around 12.58%. The RoCE has increased due to increase in operating profit margins of the company in FY 2022. Again due to increase in capital base of the company after IPO, the ROCE of the company is expected to decrease.

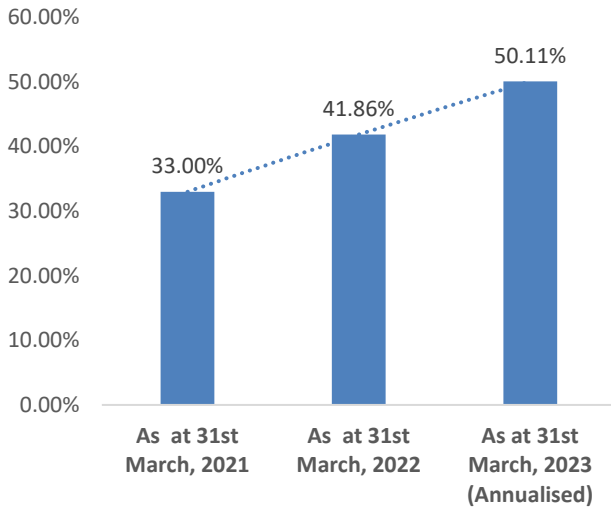
ROE of the company in 2021 was 0.46%, 20.00% in 2022 and 16.32% up to Dec 2022, if annualised, ROE would be around 12.58%. The decrease in ROE in FY 22 is due to new equity capital being introduced in the company. The ROE is further estimated to fall due to new capital being brought in by the company through IPO.

The company has a debt-equity ratio of 0.98 which shows the company is decently leveraged. The debt-equity ratio is going to go further down to around 0.32 times post IPO.

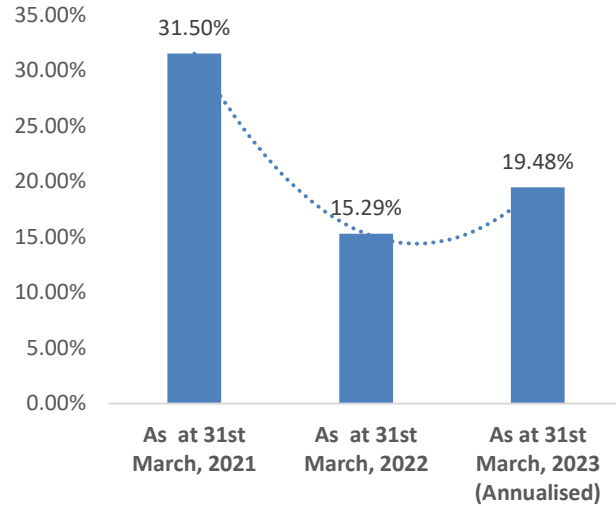


## Financial Charts

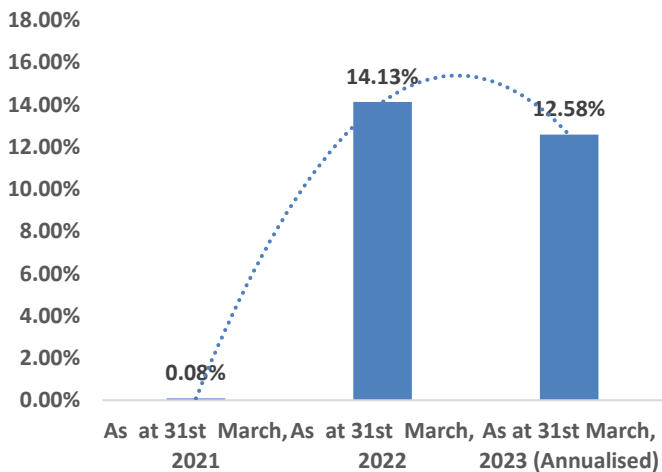
### EBITDA Margin



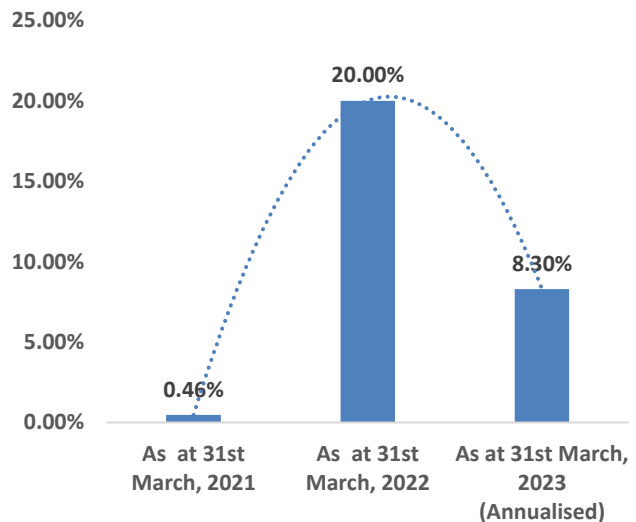
### Net Profit Margin



### Return on Capital Employed



### Return on Equity





## Key Risk Factors

1. Company is involved in certain litigations including tax related litigations amounting to Rs. 1,690 lacs, which if determined against the company, can affect financial conditions of the company.
2. Company's operations are significantly located in the Maharashtra Region only.
3. Company's products are subject to rapid changes in technology, innovation and statutory rules.
4. The top 5 customers of the company contribute approximately 100% of the total revenue.
5. Company is fairly new in terms of revenue generation.



## Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate Services Pvt Ltd. 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	220.35
2.	BCPL Railway Infrastructure Limited	17.01	35.00	October 29, 2018	43.10
3.	Misquita Engineering Limited	1.93	27.00	October 04, 2019	40.45
4.	Anuroop Packaging Limited	2.64	13.00	November 21, 2019	41.00
5.	Billwin Industries Limited	2.46	37.00	June 30, 2020	39.35
6.	G M Polyplast Limited	8.09	159.00	October 14, 2020	99.15
7.	Niks Technology Limited	2.01	201.00	March 31, 2021	202.50
8.	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	245.00
9.	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	136.00
10.	Clara Industries Limited	3.02	43.00	December 29, 2021	235.00
11.	Goel Food Products Limited	3.61	72.00	June 28, 2022	135.00
12.	B Right Realestate Limited	44.36	153	July 13, 2022	187.40
13.	Shantidoot Infra Services Ltd	4.02	81	September 19, 2022	78.60
14.	Reetech International Cargo and Courier Limited	11.71	105	October 10, 2022	55.00
15.	Steelman Telecom Limited	26.02	96	October 10, 2022	140.00

### #CMP is taken as on 01<sup>st</sup> March 2023

This is the 14th mandate from the lead manager in the last two fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at premium, while the others at discount.



## Recommendation

The company has a poor track record of experience with being incorporated in the year 2018 and generating proper revenues from FY 21-22.

The product of the company seems to have a good prospect but one thing to also consider is that the company is entirely dependent on a single product i.e. Pyrolysis Oil.

The management of the company is although educated but lack experience in the field of operations and the responsibilities that they are handling.

The company is getting listed at a Post IPO PE of around 51.11 times which seems very aggressively priced, looking at the record of the company over the past years.

To conclude, the company is operating in a good product segment, but lack of experience and high valuation makes it looks unattractive and therefore one should wait as of now 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.**