



IPO Note

Trom Industries Limited

Recommendation: **AVOID!**

Company Background -

- Trom Industries Limited was originally formed and incorporated as a partnership firm as on August 08, 2011. The registered office is in Gujarat.
- The company is a Solar EPC (Engineering, Procurement, and Construction) company specializing in residential solar rooftops, industrial solar power plants, ground-mounted solar power plants, and solar streetlights.
- The company actively engaged in the development of green hydrogen projects as a pivotal aspect of future business endeavours.
- The company had 31 full-time employees as of March 31, 2024.

Objects of the Issue -

- Funding of capital expenditure requirements of the Company towards the set-up of a Solar Power Plant
- To meet the working capital requirements
- General Corporate Purposes.

Promoters Name -

Jignesh Patel and Pankaj Pawar

Rationale for recommendation -

- ✓ The company has seen an exponential growth in its top line and bottom line of the financials.
- ✓ The company's profitability margins do not seem to look sustainable going forward
- ✓ The company has had negative operating cashflow for two financial years.
- ✓ The company has high concentration through state wise from Gujarat raising concerns.
- ✓ The company is not utilizing its debt opportunity well.
- ✓ The management overview is not very satisfactory.
- ✓ The company also has high concentration through suppliers.
- ✓ The company has not performed according to peer companies and industry.

IPO Details

Opening Date	July 25, 2024
Closing Date	July 29, 2024
Allotment Date	July 30, 2024
Listing Date	Aug 01, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹100 to ₹115
Issue Size	31.37 Cr.
Fresh Issue	31.37 Cr.
Offer for Sale	-
Application Amt	₹ 1,38,000 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	3,030.85	2,401.26	5,434.88
EBITDA	67.73	117.37	830.12
Net Profit	35.97	28.88	572.94
RoCE	23.48%	18.95%	52.07%
ROE	16.27%	11.56%	46.86%
P/E (x)	79.86	100.00	12.95

Promoter Share Holding Pattern

Pre-Issue	Post Issue
98.84%	69.52%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS (In Rs.)	8.88	6.23
BVPS (In Rs.)	18.90	47.41
P/E (x)	12.95	18.46
P/BV (x)	6.08	2.43
Mkt Cap (In Cr)	74.37	105.74

Lead Managers -

Expert Global Consultants Private Limited

Registrar -

Kfin Technologies Limited

Business Overview -

Trom Industries Limited was originally formed as a partnership firm. The company is engaged in the business of Solar EPC (Engineering, Procurement, and Construction) specializing in residential solar rooftops, industrial solar power plants, ground-mounted solar power plants, and solar streetlights. The company extends the services to include the Supply and Installation of solar streetlights for public and commercial areas.

The company also engaged in the trading of all types of footwear on a very small scale during the period. The company actively engaged in the development of green hydrogen projects as a pivotal aspect of future business endeavours.

The company's product portfolio –

I) Solar Products

1. Solar Grid Tied Roof Top System
2. Solar Off Grid System
3. Solar Street Light
4. Solar Deep Freezer
5. Solar Home Light
6. Solar Water Purifier
7. Solar Water Pumping

II) AC LED Light

1. AC LED Street Light
2. AC LED Flood Light

III) Installation Services

IV) Footwear Supply

V) Trading Activities

Product Portfolio -



Solar Water Purifier

AC LED Flood Light



The revenue bifurcation for private and government projects are as follows –
(Amt in Lakhs)

Particulars	FY 22		FY 23		FY 24	
	Amt	%	Amt	%	Amt	%
Govt	1,010.49	33.34	664.7	27.68	300.69	5.53
Private	2,020.36	66.66	1,736.56	72.32	5,134.19	94.47
Total	3,030.9	100.00	2,401.26	100.00	5,434.88	100.00

Revenue bifurcation is as follows–

(Amt in Lakhs)

Particulars	FY 22		FY 23		FY 24	
	Amt	%	Amt	%	Amt	%
Solar Product	2,274.16	75.03	1,615.79	67.29	2,025.91	37.28
AC LED Light	71.68	2.37	106.83	4.45	164.53	3.03
Installation Services	485.72	16.03	373.63	15.56	871.55	16.04
Footwear Supply	-	-	126.69	5.28	216.61	3.99
Revenue from Trading Business	199.27	6.57	178.32	7.43	2,156.28	39.67
Total	3,030.8	100.00	2,401.26	100.00	5,434.88	100.00

Competition -

Diversified Industry Segments: The company operate in diversified industry segments and strives to remain competitive by understanding markets and identifying emerging opportunities.

Domestic Competition: The company faces competition from domestic competitors, which could adversely impact the business and financial performance.

Competitor Landscape: Key competitors include Australian Premium Solar (India) Limited, K.P. Energy Limited, and Zodiac Energy Limited, which operate in similar business segments.

Barriers to Entry - The company has slightly moderate barriers to entry

Competitive Strengths -

Improve Domestic Presence: The company intend to increase the domestic footprint with the introduction of a new product range and expansion of the business.

Leveraging the market skills and relationships: The company strive to maintain good relations with distributors

Optimal Utilization of Resources: The company intends to analyse the existing process and to identify the bottlenecks areas and improve it.

Customer Satisfaction- The company intends to approach existing customers for feedback from their marketing team.

Risk Factors -

The company's Majority of the revenue is generated from Gujarat i.e., constituting 98.29%, 91.52% and 63.97% of total revenue for operation for the year ended March 31, 2024, 2023 and 2022 respectively.

The company has had negative operating cashflow for the FY ended 2023, and 2024. Sustained negative cashflow can impact the growth and financial condition of the company.

The company has contingent liabilities amounting to Rs. 163.11 lakhs could affect the business, results of operations and financial condition.

The company's top 10 suppliers constituted to 80.03%, 64.27%, 77.28% for the FY 2022, 2023, and 2024 respectively.

The company is involved in a writ petition, Trom Industries Limited vs. The State of Assam and Ors. Petition no. 1191 of 2022 before the Hon'ble Guwahati High Court.

PEER ANALYSIS

Particulars	Trom Industries Limited			Alpex Solar			Australian Premium Solar India Limited			Solex Energy Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.2%	1.2%	10.5%	0.1%	1.9%	6.3%	2.7%	3.5%	4.1%	1.4%	1.7%	2.4%
EBITDA Margin	2%	5%	15%	4%	7%	10%	6%	7%	7%	3.1%	8.5%	8.3%
RoCE	23%	19%	52%	9%	21%	29%	30%	31%	15%	3.7%	11.0%	22.8%
ROE	16%	12%	47%	0%	9%	20%	24%	23%	13%	4.7%	12.9%	18.9%
EPS (INR)	1.44	1.15	8.88	0.30	6.29	14.12	1.86	2.30	3.12	1.53	3.40	10.92
P/E	79.86	100.00	12.95	0.00	-	23.53	-	-	70.40	73.20	126.32	74.18

Indian Renewable Industry -

India's energy demand is expected to increase more than that of any other country in the coming decades due to its sheer size and enormous potential for growth and development. Therefore, it is imperative that most of this new energy demand is met by low-carbon, renewable sources. India's announcement that it intends to achieve net zero carbon emissions by 2070 and to meet 50% of its electricity needs from renewable sources by 2030 marks a historic point in the global effort to combat climate change.

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 15.92% between FY16-22. India is the market with the fastest growth in renewable electricity, and by 2026, new capacity additions are expected to double.

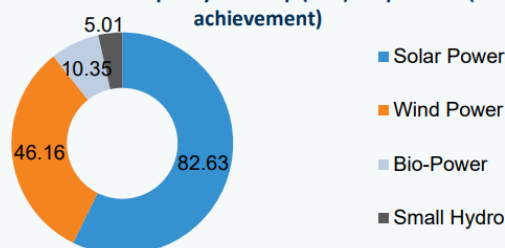
Market Size -

As of October 2022, India's installed renewable energy capacity (including hydro) stood at 165.94 GW, representing 40.6% of the overall installed power capacity. The country is targeting about 450 Gigawatt (GW) of installed renewable energy capacity by 2030 – about 280 GW (over 60%) is expected from solar. The non-hydro renewable energy capacity addition stood at 4.2 GW for the first three months of FY23 against 2.6 GW for the first three months of FY22.

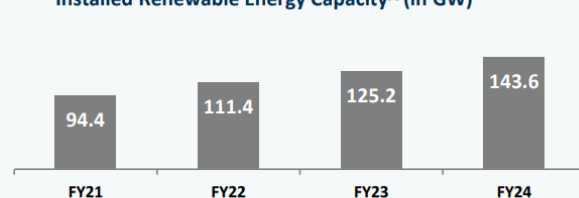
Government Initiatives-

- In Budget 2023-24, Green Growth identified is one of the nodes in the SAPTARISHI (seven priorities).
- In Budget 2023-24, pumped storage projects received a push with a detailed framework to be formulated.
- In Budget 2023-24, US\$ 1.02 billion (Rs. 8,300 crore) central sector support for ISTS infrastructure for 13 GW renewable energy from Ladakh was announced.
- On November 19, Prime Minister Mr. Narendra Modi dedicated the 600 MW Kameng Hydro Power Station in Arunachal Pradesh to the country. The project, which covers more than 80 kilometres and costs about Rs. 8,200 crore (US\$ 1 billion) is located in Arunachal Pradesh's West Kameng District.
- On November 9, Minister for Finance & Corporate Affairs, Ms. Nirmala Sitharaman, approved the final Sovereign Green Bonds framework of India. The Paris Agreement's Nationally Determined Contribution (NDC) targets will be further strengthened by this approval, which will also aid in attracting foreign and domestic capital to green projects.
- In the Union Budget 2022-23, the allocation for the Solar Energy Corporation of India (SECI), which is currently responsible for the development of the entire renewable energy sector, stood at Rs. 1,000 crores (US\$ 132 million). In the Budget, the government allocated Rs. 19,500 crore (US\$ 2.57 billion) for a PLI scheme to boost manufacturing of high-efficiency solar modules.
- In February 2022, Nepal and India agreed to form a Joint Hydro Development Committee to explore the possibility of viable hydropower projects.

Installed Renewable Capacity Breakup (GW) – April 2024(cumulative achievement)



Installed Renewable Energy Capacity^ (in GW)



Note: ^ - includes wind, solar, bio power and small hydro, *Until January 2024

Key Management -

Key Management Persons Name -	Jignesh Patel
Age	38
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 15+ Years of experience
Qualification	Electrical Engineering Diploma
Roles and Responsibility	Overall management and affairs of the Company including devising investment strategies, developing industry networks for further business development,
Other Directorships	Ayas Industries Limited, Quantic Techniex Private Limited, and Trom Solar Private Limited

Key Management Persons Name -	Pankaj Pawar
Age	38
Designation and No. of years of experience	Promoter and Executive Director, 16+ years of experience
Qualification	BTech in Electrical Engineering
Roles and Responsibility	Controls the overall commercial operations, including but not limited to formulating business strategies
Other Directorships	Ayas Industries Limited, Trom Solar Private Limited and Trom Healthcare Private Limited

Key Management Persons Name -	Amrutbhai Gopalbhai Patel
Age	64
Designation and No. of years of experience	Non-Executive Director, 06+ years of experience
Qualification	Higher Secondary Certificate in Science Stream
Roles and Responsibility	Heading the human resources and administrative departments
Other Directorships	Dr Green Seeds Agritech Private Limited

Key Management Persons Name -	Aishwarya Singhvi
Age	30
Designation and No. of years of experience	Non-Executive Independent Director, 02+ years of experience
Qualification	Company Secretary
Roles and Responsibility	-
Other Directorships	Sar Televenture Limited, Prarambh Buildcon Ahmedabad Limited

Key Management Persons Name -	Jitendra Parmar
Age	33
Designation and No. of years of experience	Non-Executive Independent Director, 08+ years of experience
Qualification	Postgraduate in Commerce (Accounting and Finance) and a Fellow Member of the Institute of the Company Secretaries of India
Roles and Responsibility	-
Other Directorships	7NR Retail Limited, Ish Travel & Tours Limited and Dipna Pharmachem Limited

Key Management Persons Name -	Drashtiben Dedaniya
Age	24
Designation and No. of years of experience	Non-Executive Independent Director, 02+ years of experience
Qualification	Master's in commerce
Roles and Responsibility	-
Other Directorships	Finelistings Technologies Limited and Scarnose International Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	3,030.85	2,401.26	5,434.88
Other Income	25.70	12.54	19.80
Total Income	3056.55	2413.8	5454.68
Expenses			
Purchase of stock-in-trade	2,751.58	2,211.35	4,771.29
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-7.04	-185.83	-910.22
Employee Benefit Expenses	93.31	105.23	529.47
Finance Cost	34.65	79.86	76.43
Depreciation and Amortisation	10.69	10.42	7.49
Other expenses	125.27	153.14	214.22
Total Expenses	3,008.46	2,374.17	4,688.68
EBITDA	67.73	117.37	830.12
EBITDA Margin	2.23%	4.89%	15.27%
Profit/(Loss) before exceptional items and tax	48.09	39.63	766.00
Profit/(Loss) before tax	48.09	39.63	766.00
Tax Expense			
Current Tax	13.28	10.89	196.05
Deferred Tax	-1.16	-0.14	-2.99
Total Tax	12.12	10.75	193.06
Profit/(Loss) for the year	35.97	28.88	572.94
Net Profit Margin	1.19%	1.20%	10.54%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1.00	1.00	646.73
Reserves and surplus	220.12	248.92	575.84
Total Shareholder's Fund	221.12	249.92	1,222.57
2. Minority Interest			
Total Equity	221.12	249.92	1,222.57
3. Non-current liabilities			
Long-term borrowings	21.77	314.56	357.36
Deferred Tax Liability			
Long Term Provisions			
Total Non-current liabilities	21.77	314.56	357.36
4. Current liabilities			
Short -term borrowings	63.89	178.26	216.35
Trade Payables			
Due to Micro and Small Enterprises	-	-	251.31
Due to Others	1,267.86	1,086.46	495.05
Other Current Liabilities	259.37	301.29	162.54
Short-term provisions	20.31	24.85	214.75
Total Current liabilities	1,611.43	1,590.86	1,340.00
Total Liabilities	1,633.20	1,905.42	1,697.36
Total Equity and Liabilities	1,854.32	2,155.34	2,919.93
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	26.05	23.04	17.90
Intangible Assets			
Work-In-Progress			
Non-Current Investments			

Particulars	FY 22	FY 23	FY 24
Deferred Tax Assets	4.14	4.99	7.99
Total Non-Current assets	30.19	28.03	25.89
2. Current assets			
Inventories	95.28	281.10	1,191.32
Trade Receivables	1,189.94	1,196.82	1,234.30
Cash & Cash equivalents	59.25	42.74	47.24
Short term loans and advances	423.90	545.62	347.86
Other Current Assets	55.75	61.04	73.34
Total Current assets	1,824.12	2,127.32	2,894.06
Total Assets	1,854.31	2,155.35	2,919.95

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	71.78	-226.50	-370.83
Net Cash Flow from Investing Activities	21.71	-2.94	8.98
Net Cash Flow from Financing Activities	-129.83	212.93	366.35

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	1.44	1.15	8.88	EV/EBITDA	3.65	5.96	2.11
BV per share	3.42	3.86	18.90	Market Cap / Sales	3.49	4.40	1.95
<u>Operating Ratios</u>				P/E	79.86	100.00	12.95
EBITDA Margins	2.23%	4.89%	15.27%	Price to Book Value	33.63	29.76	6.08
PAT Margins	1.19%	1.20%	10.54%	<u>Solvency Ratios</u>			
Inventory days	11.47	42.73	80.01	Debt / Equity	0.39	1.97	0.47
Debtor days	143.30	181.92	82.89	Current Ratio	1.13	1.34	2.16
Creditor days	168.18	179.33	57.10	Quick Ratio	1.07	1.16	1.27
<u>Return Ratios</u>				Asset Turnover	1.63	1.11	1.86
RoCE	23.48%	18.95%	52.07%	Interest Coverage Ratio	1.65	1.34	10.76
RoE	16.27%	11.56%	46.86%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Expert Global Consultants Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Expert Global Consultants Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mason Infratech Limited	30.46	64.00	July 01, 2024	153
2.	Durlax Top Surface Limited	40.80	68.00	June 26, 2024	77.6
1.	K2 Infragen Limited	40.54	119.00	April 08, 2024	275
2.	Jay Kailash Namkeen Limited	11.93	73.00	April 08, 2024	61
3.	Royal Sense Limited	9.86	68.00	March 19, 2024	139
4.	Mangalam Alloys Limited	54.91	80.00	October 04, 2023	41.2
5.	Zeal Global Services Limited	36.46	103.00	August 09, 2023	190
6.	Sonalis Consumer Products Limited	2.83	30.00	June 19, 2023	72.5
7.	Dollex Agrotech Limited	24.39	35.00	December 28, 2022	37.1
8.	Rite Zone Chemcon India Limited	8.96	75.00	November 11, 2022	39

The company has handled 10 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 23rd July 2024.

As per the offer document, from the above-mentioned mandates 2 have opened at a discount and the remaining mandates have opened at premiums on the listing day.

Recommendation -

The company has been in the industry since 2011 and has good experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO basis is around 18.46 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 124.27 times.

Trom Industries has experienced exponential growth in both its top line and bottom line, indicating strong recent financial performance. However, the company's profitability margins do not appear sustainable in the long term. Additionally, the company has reported negative operating cash flow for two consecutive financial years, raising concerns about its liquidity and operational efficiency. The company also faces significant risks due to its high geographic concentration in Gujarat and heavy reliance on a limited number of suppliers.

Furthermore, the company has not fully leveraged its debt opportunities, which could have supported its expansion and stability. The management's performance has been unsatisfactory, and the company has overperformed compared to its peers and the overall industry which raises concerns. Given these factors, it is recommended to **AVOID** investing in this IPO.

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