



IPO Note

Tunwal E-Motors Limited

Recommendation: **AVOID!**

Company Background -

- Originally formed and incorporated as 'Tunwal E-Motors Private Limited' on December 21, 2018. The company has its registered office in Pune, Maharashtra.
- The company operates in the EV 2-wheeler sector. The company has 23 models including 7 variants of 2 wheelers, dealer base of over 225 across India.
- The company have their production facility across an area of 8000 sq. meters located at E 123-124 RIICO Industrial Area, Palsana, Sikar, Rajasthan.
- The company has 64 employees as of March 31, 2024.

Objects of the Issue -

- Funding of working capital requirements of the company.
- Research & Development.
- Pursuing Inorganic Growth
- General Corporate Expenses.

Promoters Name -

Jhumarmal Pannaram Tunwal

Rationale for recommendation -

- ✓ The company has seen exponential growth in its margins which may not sustain going forward.
- ✓ The company has had negative operating cashflows.
- ✓ The company has not performed as per the industry standards.
- ✓ The company is relatively very new to the industry

IPO Details

Opening Date	July 15, 2024
Closing Date	July 18, 2024
Allotment Date	July 19, 2024
Listing Date	July 23, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹59
Issue Size	115.64 Cr.
Fresh Issue	81.72 Cr.
Offer for Sale	33.93
Application Amt	₹ 1,18,000 (2,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	7,545.91	7,650.18	10,460.07
EBITDA	433.05	660.72	1,783.16
Net Profit	233.92	372.49	1,181.17
RoCE	25.77%	31.67%	56.27%
ROE	55.11%	45.32%	57.53%
P/E	48.76	32.60	20.70

Promoter Share Holding Pattern

Pre-Issue	Post Issue
97.04%	62.34%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	2.85	2.14
BVPS	4.95	18.49
P/E	20.70	27.62
P/BV	11.91	3.19
Mkt Cap (In Cr)	244.56	326.28

Lead Managers -

Horizon Management Private Limited

Registrar -

Skyline Financial Services Limited

Business Overview -

Tunwal E-Motors Limited was originally formed and incorporated as ‘Tunwal E-Motors Private Limited’ on December 21, 2018. The company has 64 permanent employees as of March 31, 2024.

The company is engaged in the manufacturing and designing of EV two-wheelers. They have more than 23 models including 7 variants of two-wheelers. The company has achieved 346% CAGR on revenue over the years. The company has a dealer base of over 225 across India and established a presence in 19 states.

They have their production facility across an area of 8000 sq. meters located at E 123-124 RIICO Industrial Area, Palsana, Sikar, Rajasthan.



PRODUCTS:

The company has 23 different models and designs with options of different battery types and distance covered. They come in myriad colors. Low speed bikes do not require any registration and more than 75% of the products sold fall under this category. The high-speed products contribute to around 25% of the sales and require registration. The company has 3 high selling products in the low-speed category and 3 products in the high-speed category which contribute to nearly 91% of the sales presently.

Few of the models presented below are Mini Sports 63-48 V, Mini Lithino, Storm Zx, Lithino Li, ROMA etc.



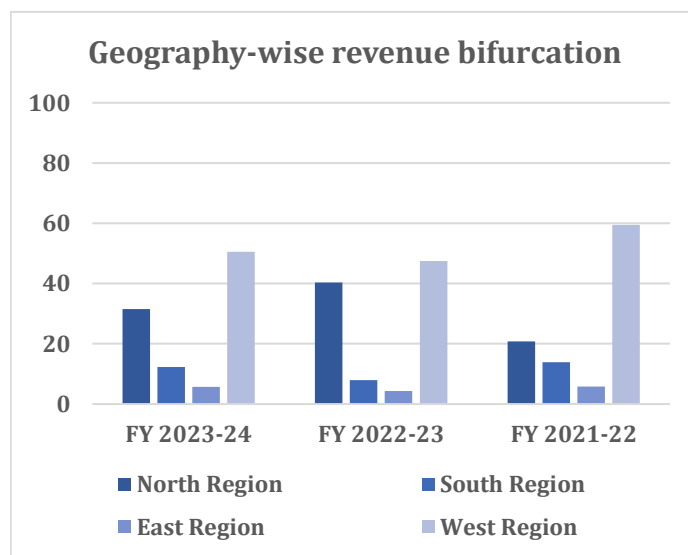
CAPACITY UTILIZATION:

CONCLUSION:

Particulars	March 31, 2024	March 31, 2023	March 31, 2022
Aggregate Installed Capacity (units)	41,000	41,000	38,000
Capacity Utilization	22,589	17,280	18,321
Capacity Utilization (%)	55.09	42.14	48.21

The company has been in this industry for the past 5 years. The net proceeds of the issue will be utilized majorly for working capital requirements amounting to Rs. 3,500 lakhs. The remaining amount will be utilized for Research & Development (up to Rs.500 lakhs), pursuing inorganic growth (up to Rs. 500 lakhs) and general corporate expenses (up to Rs. 2,040.98 lakhs).

Revenue Bifurcation based on geography -



Competition -

The EV Industry is competitive, and the company operates within a fiercely competitive industry landscape which is evolving.

The company operates in an industry which consists of large companies that were earlier in ICE two-wheelers and now have forayed into the EV two-wheeler segment.

In the EV sector, a considerable portion is occupied by local, unorganized players who excel in cost efficiency, possess experienced staff, and prioritize personalized customer service, driving high levels of customer satisfaction.

The company has slightly higher barriers to entry.

The bargaining power is slightly high with the suppliers and the bargaining power with the customers is slightly lower.

Risk Factors -

- The company has certain litigations against the company and directors amounting to Rs. 887.92 lakhs. Any adverse decision may make the company liable to liabilities/penalties and may adversely affect the reputation, business, and financial status.
- The Group company has certain litigations amounting to Rs. 16,546 lakhs. Any adverse decision may make the company liable to liabilities/penalties and may adversely affect the reputation, business, and financial status.

Business Strategies -

Expansion: The company intends to enhance the nationwide presence and enter global markets through exports.

New EV Models Introduction: The company intends market expansion through the strategic introduction of new and improved EV models.

Invest in R&D: The company intends to be a technology driven company and invest in R&D to improve the product offerings, adapt to changing consumer preferences and improve the cost and operational efficiency

PEER ANALYSIS

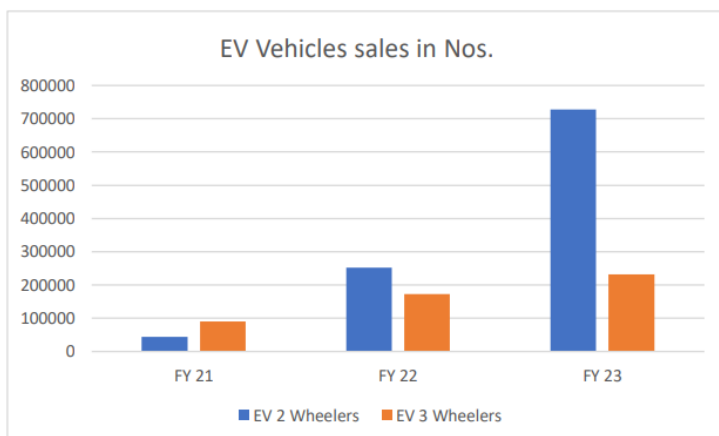
Particulars	Tunwal E-Motors Limited			Wardwizard Innovations & Mobility Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.1%	4.9%	11.3%	4.6%	3.7%	4.2%
EBITDA Margin	6%	9%	17%	8%	8%	10%
RoCE	26%	32%	56%	19%	14%	22%
ROE	55%	45%	58%	32%	25%	13%
EPS (INR)	1.21	1.81	2.85	0.35	0.34	0.52
P/E	48.76	32.60	20.70	217.86	152.35	109.27

*TVS Motors is not considered for comparison due to its high Market Cap and the company itself not being comparable on an apple-to-apple basis considering the EV segment.

Electric Two-Wheeler Market -

India is one of the world's fastest-growing markets for Electric Two-Wheelers (E2Ws). The two-wheeler segment dominates the Indian automobile market, accounting for more than 70% of all registered vehicles. E2Ws are a convenient and efficient mode of transportation for short-distance travel, especially in cities. In India, the two-wheeler segment accounts for more than 50% of all petrol transactions.

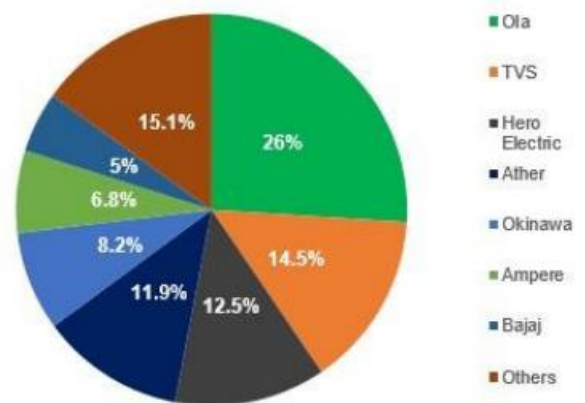
Two-wheelers are utilised in commercial applications such as logistics fleets for food and groceries, parcel and courier services, and passenger transport-related services. Two wheelers that can effectively negotiate traffic are also being tested for first and last-mile connection via shared trips and bike taxi services. According to a study, electric two-wheeler sales penetration in India might surpass 80% by 2030.



Government Initiatives -

- The Union Government has approved an E Vehicle Policy to promote India as a manufacturing destination for EVs. The policy is designed to attract investments in the EV space by reputed global EV manufacturers
- The policy entails a minimum investment of INR 41500 Mn (~USD 500 Mn) in India by setting up local manufacturing for EVs within 3 years. There is no cap on maximum investment.
- The policy also specifies the required Domestic value addition (DVA) with a localization level of 250 to be achieved by the 3rd year and 500 by the 5th year

Market Share in December 2022-23



EVs are simpler: EVs have fewer components and live 3.5 times longer than ICE vehicles. EVs are more powerful: EVs can offer full torque at zero RPM, whereas ICE vehicles can only operate in a certain RPM range. Thus, at lower speeds, EVs are more powerful. EVs have begun to make economic sense: Electric vehicles have a significant higher upfront cost, as compared to ICE vehicles, largely on account of battery costs. On the other hand, the operating cost for an EV are much lower. Thus, total cost of ownership (TCO) is an important economic comparison between ICE vehicles and EVs

Road Ahead:

Over the last ten years, India has emerged as one of the world's most favoured places for producing high-quality automotive components and automobiles of all types, closing the gap with numerous established countries in the process. Due to the relative cost and ease of two-wheelers, they have historically led in terms of growth and penetration among the major vehicle categories in India.

A high degree of market penetration for electric-powered two-wheelers should be achieved as EVs represent the future of the mobility sector. Collectively, such government interventions have the potential to trigger a paradigm shift in the ecosystem that would increase the use of renewable energy in the domestic industry and increase consumer adoption of new and novel technology.

Key Management -

Key Management Persons Name -	Jhumarmal Pannaram Tunwal
Age	46
Designation and No. of years of experience	Promoter, Chairman and Managing Director, with 19+ Years of experience
Qualification	Higher Secondary and certifications
Roles and Responsibility	Overall Management and Affairs of our Company
Other Directorships	Proton Magnetic Energy Private Limited

Key Management Persons Name -	Amit Kumar Pannaram Mali
Age	32
Designation and No. of years of experience	Whole-Time Director, with 8+ years of experience
Qualification	Bachelor of Engineering
Roles and Responsibility	Day-to-day operations, specifically focusing on Sales and Marketing.
Other Directorships	Tunwal E-Vehicle India Private Limited

Key Management Persons Name -	Karan Kumar Saini
Age	34
Designation and No. of years of experience	Whole Time Director.
Qualification	Bachelor of Science (B.Sc)
Roles and Responsibility	Day-to-day operations of the Palsana Rajasthan manufacturing plant and focuses on operational efficiencies
Other Directorships	-

Key Management Persons Name -	Kush Gupta
Age	33
Designation and No. of years of experience	Non-Executive Independent Director, 5+ years of experience
Qualification	Company Secretary, LL. B
Roles and Responsibility	-
Previous Associations	Sanocode Technologies Limited, Anumodnam Consulting Pvt Ltd

Key Management Persons Name -	Arshita Singh
Age	27
Designation and No. of years of experience	Non-Executive Independent Director, 4+ years of experience
Qualification	B.B.A, LL.B, LL.M
Roles and Responsibility	-
Other Ventures	-

Key Management Persons Name -	Nagraj Naveenchandra Mujumdar
Age	36
Designation and No. of years of experience	Non-Executive Independent Director, 10 years of experience
Qualification	Chartered Accountant
Roles and Responsibility	-
Other Ventures	

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Profit and Loss Statement			
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	7,545.91	7,650.18	10,460.07
Other Income	20.51	5.56	93.63
Total Income	7,566.42	7,655.74	10,553.70
Expenses			
Cost of Materials Consumed	8,006.84	5,050.78	8,201.10
Direct Expense			
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-1,982.75	939.11	-649.20
Employee Benefit Expenses	119.46	211.34	251.51
Finance Cost	85.77	96.98	208.16
Depreciation and Amortisation	43.45	76.60	91.93
Other expenses	969.31	788.23	873.50
Total Expenses	7,242.08	7,163.04	8,977.00
EBITDA	433.05	660.72	1,783.16
EBITDA Margin	5.74%	8.64%	17.05%
Profit/(Loss) before tax	324.34	492.70	1,576.70
Tax Expense			
Current tax	71.94	112.82	383.28
Mat Credit Entitlement			
Deferred Tax Expenses/(credit)	18.48	7.39	12.25
Total Tax	90.42	120.21	395.53
Profit/(Loss) for the year	233.92	372.49	1,181.17
Net Profit Margin	3.10%	4.87%	11.29%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	102.88	412.51	829.02
Reserves and surplus	321.55	409.40	1,224.06
Total Equity	424.43	821.91	2,053.08
3. Non-current liabilities			
Long-term borrowings	363.31	344.33	276.03
Deferred Tax Liabilities (Net)	18.38	25.78	38.02
Long-term provisions	0.82	2.63	6.11
Other Long Term Liabilities	704.87	649.66	632.56
Total Non-current liabilities	1,087.38	1,022.40	952.72
4. Current liabilities			
Short -term borrowings	994.25	1,545.17	1,775.86
Trade Payables			
Total outstanding dues of MSME	-	-	80.66
Total outstanding dues of creditors other than micro enterprises & small enterprises	2,493.68	1,616.46	1,624.26
Other Current Liabilities	37.70	688.54	761.14
Short-term provisions	-	0.01	335.25
Total Current liabilities	3,525.63	3,850.18	4,577.17
Total Liabilities	4,613.01	4,872.58	5,529.89
Total Equity and Liabilities	5,037.44	5,694.49	7,582.97
ASSETS			
1. Non-current assets			

Particulars	FY 22	FY 23	FY 24
Property, Plant & Equipment	959.65	1,065.08	1,088.71
Intangible Assets	62.92	56.94	53.15
Non-Current Investments	7.50	20.50	17.12
Total Non-Current assets	1,030.07	1,142.52	1,158.98
2. Current assets			
Inventories	2,979.40	2,615.00	5,180.99
Trade Receivables	94.16	579.56	274.61
Cash & Cash equivalents	261.49	327.30	264.65
Other Current Assets	672.33	1,030.10	703.75
Total Current assets	4,007.38	4,551.96	6,424.00
Total Assets	5,037.45	5,694.48	7,582.98

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-254.68	-208.07	17.89
Net Cash Flow from Investing Activities	-651.30	-186.08	-84.78
Net Cash Flow from Financing Activities	1,066.18	459.96	4.23

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	1.21	1.81	2.85	EV/EBITDA	3.51	3.61	2.15
BV per share	1.02	1.98	4.95	Market Cap / Sales	4.32	4.26	3.12
<u>Operating Ratios</u>				P/E	48.76	32.60	20.70
EBITDA Margins	5.74%	8.64%	17.05%	Price to Book Value	57.62	29.76	11.91
PAT Margins	3.10%	4.87%	11.29%	<u>Solvency Ratios</u>			
Inventory days	144.12	124.77	180.79	Debt / Equity	3.20	2.30	1.00
Debtor days	4.55	27.65	9.58	Current Ratio	1.14	1.18	1.40
Creditor days	101.15	104.88	61.50	Quick Ratio	0.29	0.50	0.27
<u>Return Ratios</u>				Asset Turnover	1.50	1.34	1.38
RoCE	25.77%	31.67%	56.27%	Interest Coverage Ratio	4.54	6.02	8.12
RoE	55.11%	45.32%	57.53%				

LEAD MANAGER TRACK RECORD -

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

Horizon Management Private Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Veritaas Advertising Limited	8.48	114.00	May 21, 2024	143.00
2.	Shree Karni Fabcom Limited	42.29	227.00	Mar 14, 2024	790.00
3.	M.V.K. Agro Food Product Limited	65.88	120.00	Mar 07, 2024	53.06
4.	Baba Food Processing India Limited	333.00	76.00	Nov 15, 2023	53.04
5.	Cosmic CRF Limited	57.21	314.00	Jun 30, 2023	2,032.00

The company has handled 5 mandates in the past three years.

*CMP for the above-mentioned companies is taken as of 13th July 2024.

As per the offer document, from the above-mentioned mandates, M.V.K. Agro Food Product Limited, Baba Food Processing India Limited, and Cosmic CRF Limited have opened at discounts and Shree Karni Fabcom Limited and Veritaas Advertising Limited opened at a premium on the listing date

Recommendation -

The company has been in the industry since 2018 and has decent experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 27.62 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 68.7 times.

The company has seen exponential growth in its margins which may or may not sustain going forward. The company has had negative operating cash flow for two financial years. The company has performed exponentially when compared to its peers as well. The company's financials do not seem sustainable going forward which raises concerns thus we recommend **AVOID** applying to this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

