



IPO Note

Positron Energy Limited

Recommendation: **APPLY**

- **Company Background** - Incorporated in 2008, Positron Energy Limited has their registered office in Gandhinagar, Gujarat.
- **Business Activities:** The company provides management and technical advisory for the oil and gas industry in India. They offer end-to-end gas distribution solutions, including management consultancy, project management, and operation and management services
- **Revenue Streams:** The company's revenue has seen significant growth, increasing by approximately 1500% from FY22 to FY24, **primarily driven by the sale of Natural Gas**, which now contributes **84.42%** of the total revenue in FY24. **Gujarat is the key market**, accounting for **51.16% of domestic sales in FY24**, while **exports** have recently emerged as a new avenue, albeit with a minor contribution of **0.72% in FY24**.
- **Quality and Safety:** Holds ISO 9001:2015 and ISO 45001:2018 certifications, demonstrating a commitment to quality and safety.
- The company had 140 permanent employees as of March 31, 2024.

Objects of the Issue -

- Funding the working capital requirement of the company
- General Corporate Purposes.

Promoters Name -

Rajiv Shankarankutty Menon, Manav Bahri and Sujit K Sugathan.

Rationale for recommendation -

- ✓ Explosive Revenue growth at a CAGR of 294%.
- ✓ Growing Industry.
- ✓ Strong efficiency and liquidity ratios.
- ✓ Innovative solutions: Gas on Wheel
- ✓ Experienced Promoters
- ✓ Moderate funds can be invested for a period of 3-5 years.

IPO Details

| | |
|-----------------------|-------------------------|
| Opening Date | August 12, 2024 |
| Closing Date | August 14, 2024 |
| Allotment Date | August 16, 2024 |
| Listing Date | August 20, 2024 |
| Stock Exchange | NSE SME |
| Lot Size | 600 Shares |
| Issue Price Per Share | ₹238 to ₹250 |
| Issue Size | 51.21 Cr. |
| Fresh Issue | 51.21 Cr. |
| Offer for Sale | - |
| Application Amt | ₹ 1,50,000 (600 shares) |

KPIs

(Amt in Lakhs.)

| KPI's | FY 22 | FY 23 | FY 24 |
|------------|--------|----------|-----------|
| Revenue | 869.04 | 5,142.64 | 13,473.25 |
| EBITDA | 88.98 | 299.74 | 1,204.25 |
| Net Profit | 58.00 | 212.80 | 878.77 |
| RoCE | 9.44% | 20.78% | 52.89% |
| ROE | 16.36% | 37.54% | 59.01% |
| P/E | 240.38 | 65.27 | 15.79 |

Promoter Share Holding Pattern

| Pre-Issue | Post Issue |
|-----------|------------|
| 98.56% | 72.00% |

Valuation Parameters

| Particulars | Pre-Issue | Post Issue |
|-----------------|-----------|------------|
| EPS | 15.83 | 4.08 |
| BVPS | 26.82 | 19.59 |
| P/E | 15.79 | 21.62 |
| P/BV | 9.32 | 12.76 |
| Mkt Cap (In Cr) | 138.80 | 190.01 |

Lead Managers -

Beeline Capital Advisors Pvt. Ltd.

Registrar -

Link Intime Pvt. Ltd.

Business Overview -

Company History: Founded in 2008, Positron Energy Limited has evolved from providing management and technical consultancy services to becoming a diversified player in the Indian oil and gas industry. Recognizing the increasing demand for natural gas in India, the company strategically expanded into gas aggregation and sales in 2018-19, initially focusing on Coal Bed Methane (CBM) and later adding Natural Gas to their portfolio in 2022.

Business Model:

Positron Energy operates on a dual-pronged business model:

🔧 Management And Technical Consultancy Services:

- **Management Consultancy:** Provides expert advice on regulatory compliance, technical feasibility studies, commercial viability assessments, market analysis, and compressed biogas project development for the oil and gas sector.
- **Technical Services:** Offers a comprehensive suite of technical solutions, including project management consultation (PMC), operations and maintenance (O&M) of city gas distribution (CGD) networks and CNG /LNG stations, and execution of CGD infrastructure projects.

🔧 Gas Aggregation and Sales:

Natural Gas Aggregation and Sales: Sources and markets natural gas and R-LNG (regasified LNG - turned back into gas), focusing on industrial clients across India. They offer competitive pricing, customized pricing models, and a single-window solution for all gas-related needs.

Gas on Wheel Solution: Provides innovative solutions for monetizing stranded gas (unused gas reserves) in remote areas through comprehensive gas off-take (collection), compression, and filling facilities, along with obtaining necessary regulatory approvals.

LNG Distribution Solution for Industries and Commercial Clusters: Specializes in delivering LNG from terminals to various sites, managing the entire process from project planning to ongoing operations.

Positron Energy also has a client membership with the Indian Gas Exchange (IGX), allowing them to source natural gas on-demand and manage short-term supply fluctuations effectively. They engage in long-term contracts with formula-linked pricing, along with utilizing the IGX for short-term needs.

Note: Indian companies like Positron Energy often use the Indian Gas Exchange (IGX) benchmark price, set through an open auction, as a reference point in their formula-linked pricing model. This ensures competitive pricing while maintaining profitability.

Regulatory Approvals Pending: The success of their new dual-fuel LNG conversion system depends on obtaining technical approvals, which could pose a potential risk.

Business Strategies -

1. High-Quality Consulting

The company focuses on maintaining high standards in Consulting Services for oil and gas companies, emphasizing Networking, Sustainability, Innovation, and Strategic Planning.

2. New Applications

The company drives innovation in natural gas, with successful integrations in the Steel industry, opening opportunities in Iron & Steel and Aluminium sectors.

3. Expanding Market Access

Expansion through CNG and PNG licenses is crucial, supported by government initiatives to make natural gas accessible nationwide.

4. Regulatory & Market Challenges

By advocating for reforms, investing in technology, and forming partnerships, the company enhances competitiveness and market growth.

5. Optimizing Infrastructure

The company views competition as a growth catalyst, focusing on customer-centric solutions and innovative business models.

6. Reform-Driven Growth

The Unified Tariff (UFT) reforms enhance gas affordability and competitiveness.

7. Adapting to Pricing Changes

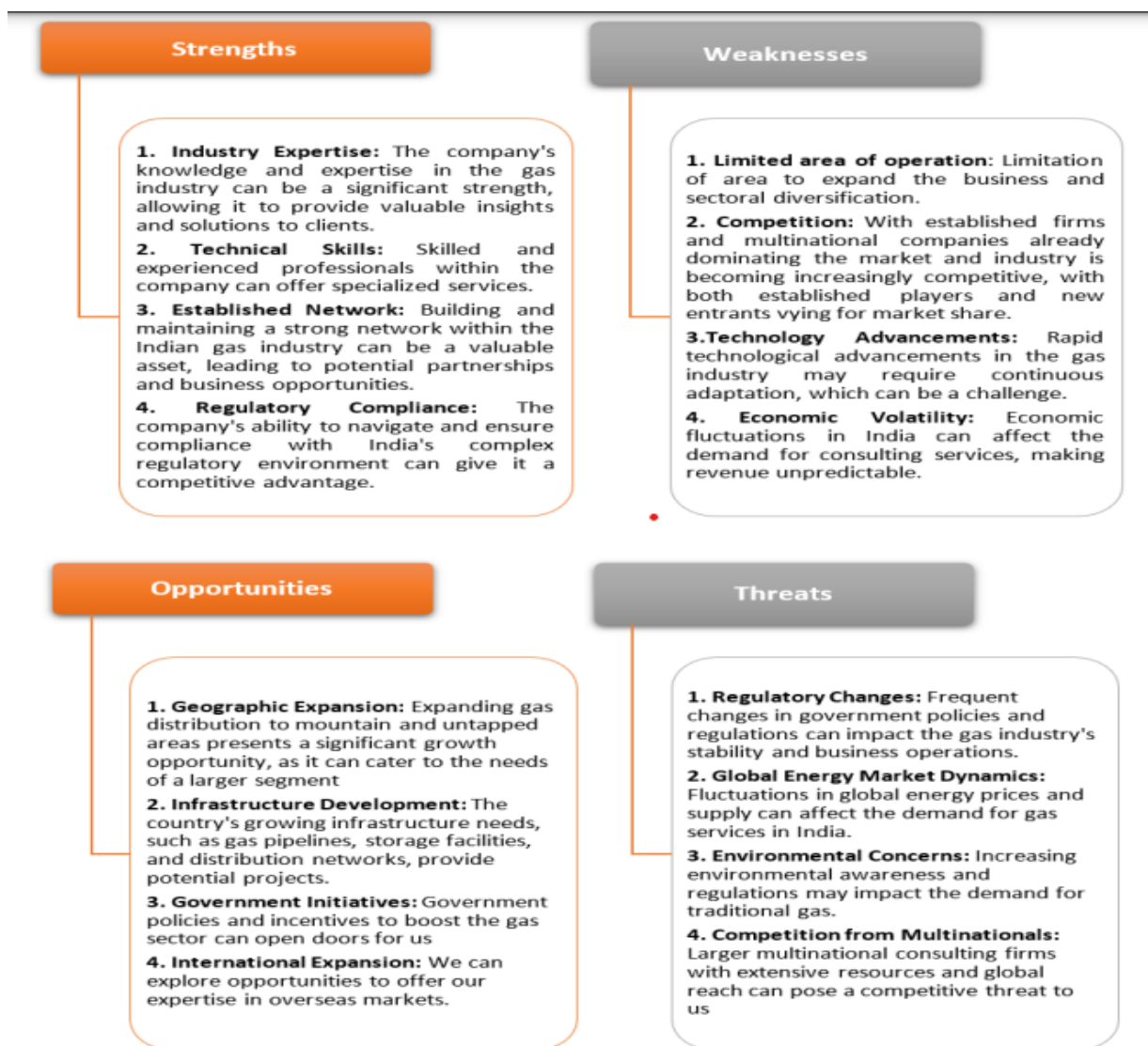
The company aligns with evolving natural gas pricing, focusing on flexibility, education, and efficiency.

8. Industrial & Commercial Expansion

Targeting the rising demand in these sectors, the company offers customized natural gas solutions.

9. Re-Alignment of Contracts

The company adapts to changing market conditions by offering competitive, customer-centric natural gas solutions.



Risk Factors -

Customer concentration is high, with top 10 contributing 77.77% (FY24), 87.55% (FY23), and 95.42% (FY22) of total sales, posing a risk to revenue and profitability.

Positron Energy heavily relies on two major private suppliers for 80% of its natural gas, posing a significant risk to operations if supply disruptions occur. While alternative sources exist, they may not offer optimal pricing.

Positron Energy's business is vulnerable to fluctuations in alternative fuel prices and global LNG/natural gas benchmarks. The lack of long-term supplier agreements further adds to the price and supply risks, potentially impacting profitability and customer commitments.

PEER ANALYSIS

According to RHP, the company doesn't have any peers owing to their business model.

Industry Overview – Gems and Jewellery

Oil and Gas Sector in India:

- **Core Industry:** A cornerstone of the Indian economy, impacting decision-making across various sectors.
- **Growth Potential:** Closely linked to India's economic growth and rising energy demand. India is the world's third-largest oil consumer (as of 2022).
- **Government Support:** 100% FDI allowed in many segments, with increased investment in exploration & production expected.

Production & Consumption:

- **Crude oil production (FY23):** 29.2 MMT (Million Metric Tonnes)
- **Domestic natural gas production (April-Sept 2023):** Increased by ~4% YoY to 17,879 MMSCM (Million Standard Cubic Meters)
- **LNG imports (April-Sept 2023):** Increased by ~12.7% YoY to 15,416 MMSCM
- **Total gas consumption (April-Sept 2023):** Increased by ~8.1% YoY to 32,920 MMSCM

Infrastructure Development:

- **Pipeline Network:** Expanding natural gas pipeline network (35,515 km as of June 2023) with plans for a National Gas Grid.
- **CNG & PNG:** 6,035 CNG stations & 11.8 million PNG (Piped Natural Gas) connections across India.
- **LNG Terminals:** Increased LNG terminal capacity to 47.7 MMTPA (Million Metric Tonnes Per Annum).

Recent Developments & Investments:

- **FDI Inflows:** US\$ 8.15 billion between April 2000 and March 2023.
- **Refining Capacity:** Expected to double to 450-500 million tonnes by 2030.
- **Regulatory Reforms:** PNGRB implemented a Unified Tariff for natural gas pipelines in March 2023.

CBM in India

- **Vast Reserves:** India possesses the world's fifth-largest coal bed methane (CBM) reserves, offering a significant domestic energy source.
- **Development Challenges:** CBM extraction faces hurdles due to complex geology, infrastructure limitations, and regulatory complexities, leading to slower-than-expected growth.
- **Production:** As of April-July 2023, CBM production stood at 216.18 MMSCM.

Future Outlook Considering Other Energy Sources

Positive Factors:

- **Robust Growth in Oil & Gas:** Anticipated strong growth in energy demand, making the sector conducive for investment. Oil consumption is projected to rise significantly by 2050, and the government aims to increase natural gas' share in the energy mix to 15% by 2030.
- **Infrastructure Development:** Continuous expansion and investments in infrastructure, refining capacity, and exploration are expected, creating opportunities for companies like Positron Energy.
- **Cleaner Fuel Adoption:** The government's push for cleaner fuels and the increasing environmental awareness favour Positron Energy's focus on natural gas and their development of dual-fuel LNG conversion systems.
- **CBM Potential:** India's vast CBM reserves offer a promising avenue for growth, although overcoming development challenges is essential.

Challenges & Competition:

- **Renewable Energy:** The rapid growth of renewable energy sources like solar and wind poses a challenge to fossil fuels, impacting long-term demand for natural gas and CBM.
- **Nuclear Energy:** India's plans to expand its nuclear power capacity could further reduce reliance on natural gas for electricity.
- **Other Alternatives:** Bioenergy, hydropower, and green hydrogen are also being explored as alternative energy sources, adding to the competitive landscape.

Key Management –



| | |
|---|---|
| Key Management Persons Name - | Manav Bahri |
| Age | 47 |
| Designation and No. of years of experience | Promoter, Whole Time Director & CEO, 15+ years of experience |
| Qualification | Bachelor of Technology in Civil Engineering from NIT Hamirpur, Himachal Pradesh University and Post Graduate Diploma in Management (Dual Specialisation) from Symbiosis Institute of Management Studies |
| Roles and Responsibility | Oversees overall operations of the company |
| Directorship held | Sairama Infra Energy Private Limited, Positron Ventures Private Limited and Positron Gas Limited |

| | |
|---|--|
| Key Management Persons Name - | Rajiv Shankarankutty Menon |
| Age | 44 |
| Designation and No. of years of experience | Promoter and Managing Director, 15+ years of experience |
| Qualification | Bachelor of Commerce from Sardar Patel University |
| Roles and Responsibility | Guiding force behind the growth and business strategy of the Company |
| Directorship held | Sairama Infra energy Private Limited and Positron Ventures Private Limited |

| | |
|---|---|
| Key Management Persons Name - | Sujit K Sugathan |
| Age | 41 |
| Designation and No. of years of experience | Promoter and CFO, 15+ years of experience |
| Qualification | Master of Business Administration (Oil & Gas Management) from the University of Petroleum and Energy Studies, Dehradun. |
| Roles and Responsibility | Looks after overall financial related activities of the company |
| Directorship held | Sairama Infra energy Private Limited, Positron Ventures Private Limited and Positron Gas Limited |

| | |
|---|---|
| Key Management Persons Name - | Dr. Safalta S Gupta |
| Age | 43 |
| Designation and No. of years of experience | Chairman & Independent Director, 7+ years of experience, no relevant experience |
| Qualification | MBBS |
| Roles and Responsibility | Fostering independence in the company's functioning and operations |

| | |
|---|---|
| Key Management Persons Name - | Suresh Ayyappankutty |
| Age | 40 |
| Designation and No. of years of experience | Non-Executive Director, 15+ years of experience |
| Qualification | Master of Business Administrative from ICFAI University |
| Roles and Responsibility | Bringing independence in the functioning and working of the Company |
| Experience | Sales & Marketing, Supply chain, Data infrastructure and Data Science in Agrochemical, Pharma, Lubes, Oil & Gas, Metal & Mining, Power Generation |

| | |
|---|--|
| Key Management Persons Name - | Devanutosh Kothari |
| Age | 46 |
| Designation and No. of years of experience | Independent Director, 4+ years of experience |
| Qualification | Bachelor of Commerce from Gujarat University |
| Experience | Business and Management Consultancy |

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

| Particulars | FY 22 | FY 23 | FY 24 |
|--|-----------------|--------------------|--------------------|
| Revenue from Operations | 93,719.32 | 1,15,018.88 | 1,16,627.09 |
| Other Income | 72.48 | 21.03 | 28 |
| Total Income | 93,791.8 | 1,15,039.91 | 1,16,655.09 |
| Expenses | | | |
| Purchases of Stock-in-trade | 512.87 | 4,572.33 | 11,345.69 |
| Changes in Inventories of Stock-in-trade | -102.32 | -280.3 | 114 |
| Employee Benefit Expenses | 186.2 | 292.7 | 458.6 |
| Finance Cost | 15.48 | 41.87 | 57.53 |
| Depreciation and Amortisation | 22.44 | 31.11 | 26.13 |
| Other expenses | 183.31 | 258.17 | 350.71 |
| Total Expenses | 817.98 | 4,915.88 | 12,352.66 |
| EBITDA | 88.98 | 299.74 | 1,204.25 |
| EBITDA Margin | 10.24% | 5.83% | 8.94% |
| Profit/(Loss) before tax | 78.87 | 286.73 | 1,189.10 |
| Tax Expense | | | |
| Current tax | 18.41 | 73.85 | 305.74 |
| Deferred Tax Expenses/(credit) | 2.46 | 0.08 | -3.34 |
| Income tax relating to earlier year | | | 7.93 |
| Total Tax | 20.87 | 73.93 | 310.33 |
| Profit/(Loss) for the year | 58.00 | 212.80 | 878.77 |
| Net Profit Margin | 6.67% | 4.14% | 6.52% |

Statement of Equity, Assets and Liabilities

Amt in Lakhs.

| Particulars | FY 22 | FY 23 | FY 24 |
|--|---------------|-----------------|-----------------|
| EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| Share Capital | 34.7 | 34.7 | 555.2 |
| Reserves and surplus | 319.75 | 532.17 | 934.06 |
| Total Equity | 354.45 | 566.87 | 1,489.26 |
| 3. Non-current liabilities | | | |
| Long-term borrowings | 346.45 | 719.78 | 730.67 |
| Long term Provisions | 1.27 | 3.43 | 7.64 |
| Deferred Tax Liabilities (net) | 2.81 | 2.88 | |
| Total Non-current liabilities | 350.53 | 726.09 | 738.31 |
| 4. Current liabilities | | | |
| Short -term borrowings | 21.88 | 22.04 | 297.23 |
| Trade Payables | - | - | - |
| Total outstanding dues of micro enterprises & small enterprises | - | - | - |
| Total outstanding dues of creditors other than micro enterprises & small enterprises | 30.61 | 747.67 | 509.88 |
| Other Current Liabilities | 181.37 | 413.49 | 637.11 |
| Short term provisions | 0.06 | 0.09 | 117.22 |
| Total Current liabilities | 233.92 | 1,183.29 | 1,561.44 |
| Total Liabilities | 584.45 | 1,909.38 | 2,299.75 |
| Total Equity and Liabilities | 938.90 | 2,476.25 | 3,789.01 |

ASSETS**1. Non-current assets**

| | | | |
|---------------------------------|---------------|---------------|---------------|
| Property, Plant & Equipment | 215.6 | 205.48 | 192.03 |
| Deferred tax assets (net) | | | 0.46 |
| Other non-current assets | 33.55 | 132.61 | 65.3 |
| Total Non-Current assets | 249.15 | 338.09 | 257.79 |

2. Current assets

| | | | |
|-------------------------------|---------------|-----------------|-----------------|
| Inventories | 102.32 | 382.62 | 268.62 |
| Trade Receivables | 166.54 | 946.57 | 1,458.06 |
| Cash & Cash equivalents | 380.85 | 753.63 | 1,744.71 |
| Short-term loans and advances | 40.04 | 54.27 | 39.2 |
| Other Current Assets | | 1.07 | 20.63 |
| Total Current assets | 689.75 | 2,138.16 | 3,531.22 |
| Total Assets | 938.90 | 2,476.25 | 3,789.01 |

Cash Flow Statement

Amt in Lakhs.

| Particulars | FY 22 | FY 23 | FY 24 |
|---|--------|--------|--------|
| Net Cash Flow from Operating Activities | -69.17 | 99.09 | 635.19 |
| Net Cash Flow from Investing Activities | -60.22 | -60.09 | 123.13 |
| Net Cash Flow from Financing Activities | 233.76 | 333.77 | 232.77 |

Key Ratios

| Particulars | FY 22 | FY 23 | FY 24 |
|------------------------------------|--------|--------|--------|
| <u>Per Share Data</u> | | | |
| Diluted EPS | 1.04 | 3.83 | 15.83 |
| BV per share | 6.38 | 10.21 | 26.82 |
| <u>Operating Ratios</u> | | | |
| EBITDA Margins | 10.24% | 5.83% | 8.94% |
| PAT Margins | 6.47% | 4.09% | 6.49% |
| Inventory days | 42.97 | 27.16 | 7.28 |
| Debtor days | 69.95 | 67.18 | 39.50 |
| Creditor days | 21.78 | 59.69 | 16.40 |
| <u>Return Ratios</u> | | | |
| RoCE | 9.44% | 20.78% | 52.89% |
| RoE | 16.36% | 37.54% | 59.01% |
| <u>Valuation Ratios (x)</u> | | | |
| EV/EBITDA | 3.84 | 1.85 | 0.64 |
| Market Cap / Sales | 21.86 | 3.69 | 1.41 |
| P/E | 240.38 | 65.27 | 15.79 |
| Price to Book Value | 39.16 | 24.49 | 9.32 |
| <u>Solvency Ratios</u> | | | |
| Debt / Equity | 1.04 | 1.31 | 0.69 |
| Current Ratio | 2.95 | 1.81 | 2.26 |
| Quick Ratio | 2.51 | 1.48 | 2.09 |
| Asset Turnover | 0.93 | 2.08 | 3.56 |
| Interest Coverage Ratio | 4.30 | 6.42 | 20.48 |

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Beeline Capital Advisors 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 –

Beeline Capital Advisors Private Limited –

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|-------------------------------|-------------------|----------------------------|----------------|------------|
| 1. | Ashapura Logistics Limited | 52.66 | 144.00 | August 06 2024 | 162.55 |
| 2. | V.L.Infraprojects Limited | 18.52 | 42.00 | July 30. 2024 | 112.50 |
| 3. | Sati Poly Plast Limited | 17.36 | 130.00 | July 22, 2024 | 209.80 |
| 4. | Dindigul Farm Product Limited | 34.83 | 54.00 | June 27, 2024 | 100.25 |
| 5. | United Cotfab Limited | 36.29 | 70.00 | June 24, 2024 | 67.48 |
| 6. | Beacon Trusteeship Limited | 32.52 | 60.00 | June 04, 2024 | 111.75 |
| 7. | Rulka Electricals Limited | 26.40 | 235.00 | May 24, 2024 | 513.50 |
| 8. | Piotex Industries Limited | 14.47 | 94.00 | May 17, 2024 | 74.00 |
| 9. | Winsol Engineers Limited | 23.36 | 75.00 | May 14, 2024 | 363.55 |
| 10. | Emmforce Autotech Limited | 53.90 | 98.00 | April 30, 2024 | 144.45 |

The company has handled 45 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 30th July 2024.

As per the offer document, from the above-mentioned mandates two have opened at a discount and rest all have opened at premium on the listing day.

Recommendation -

Founded in 2008, company has a good amount of experience in the industry and the management overview is satisfactory with all the promoters possessing 15+ years of experience in the industry.

Strengths:

- **Strong Revenue Growth:** The company's revenue has witnessed a remarkable surge, growing from ₹869.04 lakhs in FY21 to ₹13,473.25 lakhs in FY23 at a CAGR of 294%, primarily driven by its strategic focus on natural gas sales, which now contribute 84.42% of the total revenue in FY24. Company attributes the revenue growth to increased management consulting fees and the business venturing into Natural Gas consulting as well as aggregation and sale.
- **Operational Efficiency:** Significant improvements in inventory days (from 42.97 days in FY22 to 7.28 days in FY24) and debtor days (from 69.95 days in FY22 to 39.50 days in FY24) showcase the company's operational excellence and effective asset utilization, further evidenced by the increased asset turnover from 0.93 in FY22 to 3.56 in FY24.
- **Healthy Financial Position:** A healthy debt-to-equity ratio of 0.69 in FY24 and strong liquidity ratios (current ratio of 2.96 and quick ratio of 2.09 in FY24) indicate a sound financial foundation.

Weaknesses:

- **Fluctuating Profitability:** While the overall trend is positive, EBITDA margin has fluctuated between 10.24%, 5.83% and 8.94% in FY22, FY23 and FY24 respectively, and net profit margin between 6.67%, 4.14% and 6.25% in FY22, FY23 and FY24 respectively. This indicates potential challenges in managing costs and maintaining consistent profitability amidst rapid growth.

India's oil and gas sector presents growth opportunities for Positron Energy, driven by rising demand and supportive policies. Expanding infrastructure (35,515 km pipeline network, 47.7 MMTPA LNG capacity) and regulatory reforms like the Unified Tariff further enhance the company's prospects. However, market volatility, policy changes, competition (US\$ 8.15 billion FDI inflows), and execution risks pose challenges.

The P/E on a post-IPO is around 21.62 times which makes it fairly priced by looking at the performance of the company and sector.

For the above stated reasons, knowledgeable investors can **APPLY** to this IPO for a period of 3-5 years.

Disclaimer

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