



IPO Note

Resourceful Automobile Limited

Recommendation: **AVOID!**

Company Background -

- Resourceful Automobile Limited was originally formed and incorporated on Feb 21, 2018. The registered office is located at Raja Puri, West Delhi.
- The Company offers a comprehensive range of two-wheelers to fulfil a variety of customer wants and needs. The range includes commuter bikes, sports bikes, cruisers, and scooters from renowned manufacturers.
- They sell Yamaha Two-wheelers under the name "Sawhney Automobile".
- The company had 8 permanent employees as of July 31, 2024.

Objects of the Issue -

- To carry on expansion of the company by opening of new showrooms in Delhi/NCR
- Repayment of Debt
- To meet incremental working capital requirements
- General Corporate Purposes

Promoters Name -

Rahul Sawhney, Megha Chawla and Bindu Sawhney

Rationale for recommendation -

- ✓ The top line has been inconsistent over the years.
- ✓ The bottom line and profitability margins have seen a sudden increase in FY 2024 which might not be viable in the long run.
- ✓ The company had negative cash flow from operations for FY 2022, 2023 and 2024.
- ✓ The company doesn't have enough experience in the industry.
- ✓ Their sales are concentrated in Delhi.
- ✓ The industry is highly fragmented.

IPO Details

Opening Date	Aug 22, 2024
Closing Date	Aug 26, 2024
Allotment Date	Aug 27, 2024
Listing Date	Aug 29, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹117
Issue Size	11.99 Cr.
Fresh Issue	11.99 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,400 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	Feb 24
Revenue	1,231.71	1,883.92	1,653.86
EBITDA	72.25	93.43	231.78
Net Profit	28.73	41.50	152.24
RoCE	9.97%	9.54%	23.84%
ROE	38.42%	25.37%	48.21%
P/E	20.35	27.40	12.54

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	61.41%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	17.26	10.60
BVPS	27.29	51.29
P/E	6.78	11.04
P/BV	4.29	2.28
Mkt Cap (In Cr)	19.08	31.07

*Annualized

Lead Managers -

Swastika Investmart Limited

Registrar -

Cameo Corporate Services Limited

Business Overview -

Resourceful Automobile Limited is actively involved in the dealership of two-wheeler bike of Yamaha, operating under the showroom name “Sawhney Automobile”. Sawhney Automobile caters to a diverse range of customer preferences and needs by offering a comprehensive selection of two-wheelers. The inventory encompasses commuter bikes, sport bikes, cruisers, and scooters sourced from reputable manufacturers. They also provide expert guidance to assist customers in selecting the right bike, arranging test rides, and offering financing options for enhanced accessibility. The company actively engages with the riding community through events, group rides, and sponsorships.

Business Process -



Showroom and Service Centre -

The company has two concept-driven showrooms with one workshop embeds -

1. The Blue Square outlet situated at Dwarka, New Delhi showcase Yamaha’s entire range of two-wheelers, apparels & accessories. Yamaha’s Blue Square facilities are designed to define their legacy in global motorsports.



Blue Square Outlet

2. The company’s another showroom is located at Palam Road, New Delhi. They offer premium and distinctive two-wheelers, featuring the latest models from Yamaha India as well as a diverse collection of motorbikes.
3. Sawhney Automobile's service centre is staffed with skilled technicians, dedicated to ensuring the longevity and optimal performance of the motorcycles and scooters.

Conclusion -

The net proceeds of the issue will be utilized for expansion purpose (Rs. 216.26 lakhs), repayment of debt (Rs. 455.90 lakhs), working capital requirements (Rs. 336 lakhs) and general corporate purpose (Rs. 125.86 lakhs).

Revenue Bifurcation segment-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		Feb-24	
	Amt	%	Amt	%	Amt	%
Sale of Vehicles	1,129.49	91.08	1,676.74	86.51	1,480.74	85.91
Sale of Services	102.22	8.24	207.18	10.69	173.13	10.04
Sale of Accessories	5.13	0.41	19.90	1.03	9.34	0.54
Others	3.26	0.26	34.44	1.78	60.44	3.51
Total	1,240.10	100.00	1,938.26	100.00	1,723.65	100.00

Competition -

Market Competition: The automobile dealership segment is highly competitive where the key factors of competition primarily comprise timely delivery, quality of service, number of showrooms and price.

Geographic Competition: The company faces competition from small, regional, national and international players.

Barriers to entry: Low barriers to entry.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Enhance customer base by opening new showrooms: The company aims to expand customer base through the strategic establishment of new showrooms. The objective is twofold: to meet the growing demands of existing customers and attract new ones by extending the distribution network.

Strengthen brand value: The company intends to strengthen their brand value in diversified sectors and geographies to further penetrate the market.

Expanding the product range to add more value-added products: The Company aims provide a range of product specifications in all their product categories i.e. commuter bikes, sport bikes, cruisers, and scooters from renowned manufacturers, which have better margins and wider markets.

Risk Factors -

The company's 100% revenue is generated from Delhi.

The company had negative operating cash flows for FY 2022, 2023 and Feb 2024, which could adversely impact the business and financial condition.

PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

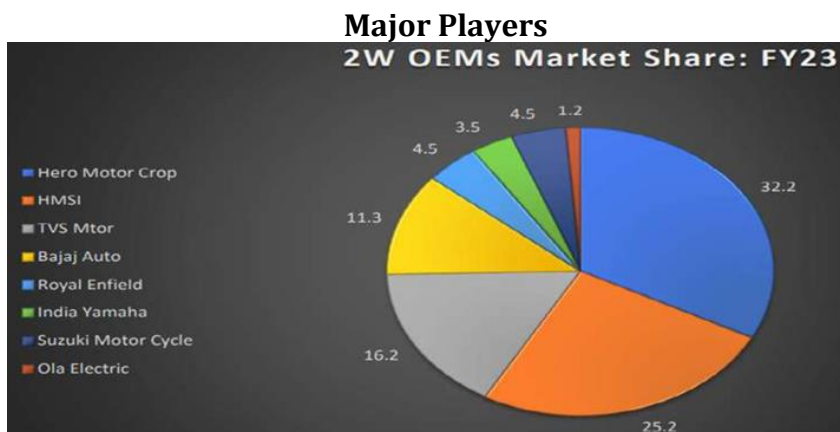
Indian Two-Wheeler Industry -

The two-wheeler market in India has expanded significantly, and it now plays a crucial role in the nation's transportation infrastructure. India has seen rapid expansion in the two-wheeler sector, making it one of the biggest in the world. Due to their cost, convenience, and efficiency in crowded metropolitan areas, two-wheelers, particularly motorcycles and scooters, are quite popular.



(source: RHP)

In India, motorcycles account for a sizeable percentage of the two-wheeler market, with commuter and luxury models enjoying widespread customer appeal. In recent years, scooters have also gained a lot of popularity, especially among female riders and urban commuters.



(source: RHP)

Government Initiatives -

- In September 2021, the Indian government issued a notification regarding a PLI scheme for automobile and auto components worth Rs. 25,938 crore (US\$ 3.49 billion). This scheme is expected to bring investments of over Rs. 42,500 (US\$ 5.74 billion) by 2026.
- Automotive Mission Plan 2026 targets a four-fold growth in the automobile sector in India which include manufacturers of automobiles, auto components and tractors over the next 10 years.
- Under National Automotive Testing and R&D Infrastructure Project (NATRIP), five testing and research centres have been established in the country since 2015.
- The Government approved FAME and plans to cover all vehicle segments and all forms of hybrid & pure EVs. FAME-I was extended until March 31, 2019.

Key Management -

Key Management Persons Name -	Rahul Sawhney
Age	33
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 7 years of experience
Qualification	Bachelor's degree in business administration
Roles and Responsibility	Involved in developing and executing business strategy of the company
Other Directorships	-

Key Management Persons Name -	Bindu Sawhney
Age	59
Designation and No. of years of experience	Promoter and Non-Executive Director, 20 years of experience
Qualification	Bachelor's degree in history honours
Roles and Responsibility	Involved in Marketing of the company.
Other Directorships	-

Key Management Persons Name -	Megha Chawla
Age	36
Designation and No. of years of experience	Promoter and Executive Director, 4+ years of experience in human resource and administration management.
Qualification	B. Ed.
Roles and Responsibility	Involved in Human Resource Management of the company.
Other Directorships	-

Key Management Persons Name -	Dinesh Dilip Durgani
Age	47
Designation and No. of years of experience	Independent Director, 5+ years of experience in Finance and Taxation Management, Corporate Governance and Law
Qualification	Graduation
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Manju Verma
Age	47
Designation and No. of years of experience	Independent Director, 15+ years of experience in education
Qualification	Graduation
Roles and Responsibility	-
Other Ventures	-

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	Feb-24
Revenue from Operations	1,231.71	1,883.92	1,653.86
Other Income	18.39	54.34	69.78
Total Income	1,250.10	1,938.26	1,723.64
Expenses			
Purchase of stock-in-trade	1,275.19	1,696.04	1,392.28
Changes in Inventories	-249.25	-96.71	-123.20
Employee Benefit Expenses	45.87	33.37	18.45
Finance Cost	39.51	73.83	90.24
Depreciation and Amortisation	12.52	14.05	6.33
Other expenses	87.65	157.79	134.55
Total Expenses	1,211.49	1,878.37	1,518.65
EBITDA	72.25	93.43	231.78
EBITDA Margin	5.87%	4.96%	14.01%
Profit/(Loss) before tax	38.61	59.89	204.99
Tax Expense			
Current tax	11.30	18.61	53.52
Deferred Tax	-1.42	-0.22	-0.77
Total Tax	9.88	18.39	52.75
Profit/(Loss) for the year	28.73	41.50	152.24
Net Profit Margin	2.33%	2.20%	9.21%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	Feb-24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	50.00	97.28	163.11
Reserves and surplus	24.78	66.27	152.67
Total Shareholder's Fund	74.78	163.55	315.78
3. Non-current liabilities			
Long-term borrowings	524.23	668.20	630.00
Total Non-current liabilities	524.23	668.20	630.00
4. Current liabilities			
Short-term borrowings	149.50	79.57	362.34
Trade Payables			
(i) Total outstanding dues of MSME	-	-	3.00
(ii) Total outstanding dues of creditors other than MSME	109.84	41.74	28.87
Other Current Liabilities	139.96	28.67	39.14
Short-term provisions	10.26	18.76	72.28
Total Current liabilities	409.56	168.74	505.63
Total Liabilities	933.79	836.94	1,135.63
Total Equity and Liabilities	1,008.57	1,000.49	1,451.41
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	40.43	35.51	29.20
Deferred Tax Assets (Net)	6.51	6.73	7.50
Total Non-Current assets	46.94	42.24	36.70
2. Current assets			
Inventories	415.50	512.21	635.40
Trade Receivables	134.77	8.60	46.61
Cash & Cash equivalents	7.46	20.59	85.73
Short term loans and advances	196.61	272.57	431.28
Other Current Assets	207.30	144.28	215.70

Particulars	FY 22	FY 23	Feb-24
Total Current assets	961.64	958.25	1,414.72
Total Assets	1,008.58	1,000.49	1,451.42

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	Feb 24
Net Cash Flow from Operating Activities	-417.33	-25.21	-89.17
Net Cash Flow from Investing Activities	-9.29	38.14	-0.01
Net Cash Flow from Financing Activities	364.42	0.19	154.33

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	5.75	4.27	9.33	EV/EBITDA	10.26	9.53	5.27
BV per share	4.58	10.03	92.87	Market Cap / Sales	2.52	1.65	1.88
<u>Operating Ratios</u>				P/E	20.35	27.40	12.54
EBITDA Margins	5.87%	4.96%	14.01%	Price to Book Value	25.52	11.67	1.26
PAT Margins	2.33%	2.20%	9.21%	<u>Solvency Ratios</u>			
Inventory days	123.13	99.24	140.23	Debt / Equity	9.01	4.57	3.14
Debtor days	39.94	1.67	10.29	Current Ratio	2.35	5.68	2.80
Creditor days	31.44	8.98	8.36	Quick Ratio	1.33	2.64	2.71
<u>Return Ratios</u>				Asset Turnover	1.22	1.88	1.14
RoCE	9.97%	9.54%	23.84%	Interest Coverage Ratio	1.51	1.08	2.50
RoE	38.42%	25.37%	48.21%				

*Annualized

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Swastika Investmart 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 –

Swastika Investmart Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Bulkcorp International Limited	20.78	105.00	Aug 06, 2024	130.70
2.	TBI Corn Limited	44.94	94.00	Jun 07, 2024	279.30
3.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	53.63
4.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	233.00
5.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	48.25
6.	Service Care Limited	20.68	67.00	Jul 26, 2023	66.00
7.	Infinium Pharmachem Limited	25.26	135.00	Apr 17, 2023	191.75
8.	Cyber Media Research & Services Limited	14.04	180.00	Oct 10, 2022	139.00
9.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	60.60
10.	Evoq Remedies Limited	9.72	27.00	Mar 30, 2022	9.20

The company has handled 9 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 22nd Aug 2024.

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

Recommendation -

Resourceful Automobile Limited has been in the industry since 2018 and doesn't have enough experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 11.04 times which makes it fairly priced by looking at the performance of the company and sector.

The company's top line has been inconsistent over the years. For FY 2023, there was a major increase due to increase in demand of two wheelers, the company was able to expand their client base and increase revenue. For FY 2024 a slight dip can be seen. The EBITDA and the bottom line have seen a sudden increase in FY 2024 which might not be sustainable in the future. Also, the profitability margins have remained inconsistent, and a sudden jump can be seen for FY 2024.

The company had negative cash flow from operations for FY 2024, 2023 and 2022 and if this continues it may adversely affect the financial condition of the company.

The company derives majority of its revenue from YAMAHA and is concentrated in Delhi.

The automobile dealership industry as well as the two-wheeler industry is highly fragmented and there are many players.

Thus, knowledgeable investors can **AVOID** this IPO.

Disclaimer

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