



IPO Note

Bikewo Green Tech Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Bikewo Green Tech Limited was originally formed and incorporated on December 09, 2016. The registered office is located at Hyderabad, Telangana, India.
- **Business Model:** The company is engaged in pre-owned vehicle sales, and marketing and selling of EV's.
- **Revenue Stream:** The company under its EV segment has three dealerships namely, State, Diamond and Platinum Dealership.
- The company had 34 employees as of March 31, 2024.

Objects of the Issue -

- Funding the purchase of electric two-wheeler vehicles for selling and supplying the same to the new and existing dealers.
- Funding capital expenditure proposed to be incurred towards setting up eleven dealership stores in various states in India
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company.
- General Corporate Purposes.

Promoters Name -

Katepalli Manideep, Satyapoorna Chander Yalamanchili, N Vidhya Sagar Reddy and Manvi Talwar

Rationale for recommendation -

- ✓ The company is operating at a High P/E.
- ✓ The company's financial outlook is not very satisfactory
- ✓ The company has high concentration state-wise
- ✓ The company's bottom line does not look sustainable going forward.
- ✓ The company has had negative operating cashflow
- ✓ The management overview is not very satisfactory.

IPO Details

Opening Date	Sep 20, 2024
Closing Date	Sep 24, 2024
Allotment Date	Sep 25, 2024
Listing Date	Sep 27, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹59 to ₹62
Issue Size	24.09 Cr.
Fresh Issue	24.09 Cr.
Offer for Sale	-
Application Amt	₹ 1,24,000 (2,000 shares)

INDUSTRY - Electric Bike Industry

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,380.60	2,056.85	2,498.78
EBITDA	100.38	67.13	282.29
Net Profit	15.18	9.79	167.21
RoCE	7.33%	3.77%	13.72%
ROE	2.13%	1.35%	9.97%
P/E	206.67	326.32	24.70

Promoter Share Holding Pattern

Pre-Issue	Post Issue
89%	62.48%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	2.51	1.28
BVPS	18.31	31.33
P/E	24.70	48.36
P/BV	3.39	1.98
Mkt Cap (In Cr)	56.77	80.87

Lead Managers -

Khandwala Securities Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Bikewo Green Tech Limited was originally incorporated on December 09, 2016. The company is engaged in the business of buying and selling used four-wheelers from authorised dealers of reputed automobile brands (“New Car Dealers”) marketing and selling electric vehicles and selling franchises of the brand

The company's business segment can be divided as mentioned below –

Pre-Owned Vehicle Sales –

The company buys and sells pre-owned passenger four-wheeler vehicles from authorised dealers of reputed automobile brands. The company’s business model as part of pre-owned car sales is such that they purchase the used cars on behalf of the automobile dealer and pay the amount due to the customer intending to sell their vehicle or exchange it for a new vehicle.

Trading and Dealerships of Multi-brand Electric Vehicles –

The company is a multi-brand electric vehicle (EV) dealership that partners with various Original Equipment (OP). Manufacturers (OEMs) to offer a diverse range of EVs under one roof.

The Company offers three types of dealership models

1. State Dealership
2. Diamond Dealership
3. Platinum Dealership

State Dealership - A State Dealer acts as the primary stockist for the Company within an entire state. The State Dealer is responsible for appointing and managing Diamond Dealers within the state.

Diamond Dealership - A Diamond Dealer serves as the stockist for a specific district within the state. The Diamond Dealer manages the Platinum Dealers within their district.

Platinum Dealership - A Platinum Dealer operates as a retailer, focusing on direct sales to customers. The Platinum Dealer sells vehicles to customers and provides comprehensive customer service.

Revenue Bifurcation -

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Pre-Owned Vehicle Sales	1380.6	100	1,149.28	55.88	1508.18	60.36
Sale of EV Vehicles	-	-	907.57	44.12	990.6	39.64
Total	1,380.6	100	2,056.85	100.00	2,498.78	100.00

Images –

Showroom of EV and Other Images –



Warehouse and Workshop –



The company as of March had 3, 29, and 51 of State, Diamond, and Platinum Dealership Respectively.

Net Proceeds Utilization –

The company's net proceeds utilization is provided below -

Particulars	Amount (In Lakhs)
Funding purchase of electric two-wheeler vehicles for selling and supplying the same to the new and existing dealers	Rs. 600.00
Funding capital expenditure proposed to be incurred towards setting up of eleven dealership stores in various states in India	Rs. 623.38
Prepayment or repayment of all or a portion of certain outstanding borrowings availed	Rs. 350.00
General Corporate Purposes	25% Of the Gross Proceeds

Competition -

Market Competition: High, the industry faces intense competition from both national and local players with significant resources and established market presence.

Rivalry Among Existing Competitors: High, the industry faces intense competition from both national and local players with significant resources and established market presence.

Barriers to entry: Moderate, Larger competitors with greater resources may still dominate

Bargaining Power of Suppliers: Low, Multiple supply sources reduce supplier power, but competition for premium-quality materials could influence costs.

Bargaining Power of Buyers: High, Consumers have significant leverage due to frequent shifts in demand and pricing sensitivity

Business Strategies -

- The company intends to capitalise on the expected growth in demand for EV two-wheelers in India by increasing sales of the four-wheeler pre-owned vehicles and electric vehicles at each of the existing dealerships and sales outlets and booking offices through targeted marketing efforts/strategies, operational efficiencies.
- The company intends to open stores and build the store network in Raipur, Indore, Delhi, Chandigarh, Lucknow, Prayagraj, Patna, Bhubaneswar, Nagpur, Bangalore and Trivandrum.
- The company intends to strengthen the existing marketing team by inducting qualified and experienced personnel.

Risk Factors -

The company generates 100%, 86.34%, and 82.42% for FY ended 2022, 2023, and 2024 respectively from one state which is Telangana.

The whole-Time Director, Rama Mohan Thammineni was a director on the board of K-Prize Solutions Private Limited, which was compulsorily struck off on account of non-filing of financial statements and annual returns. The DIN of the director was suspended, and he was disqualified for a period of time.

The company has had negative operating cashflow for the FY Ended 2024.

PEER ANALYSIS

The company believes there are no listed peers in India that are engaged in all the aspects of the business. Thus peer analysis cannot be conducted.

Electric Bike Industry -

Market Overview -

The global electric bike market was valued at \$40,312 million in 2019, and is projected to reach \$118,657 million by 2030, registering a CAGR of 10.5% from 2020 to 2030. Electric bike is a bicycle with an integrated electric motor drive mechanism and battery, which produces power for causing or assisting propulsion. Various kinds of globally available e-bikes range from electric bikes with a small motor to assist the pedal-power of the rider to more powerful e-bikes that produce power to completely drive the bike using throttle.

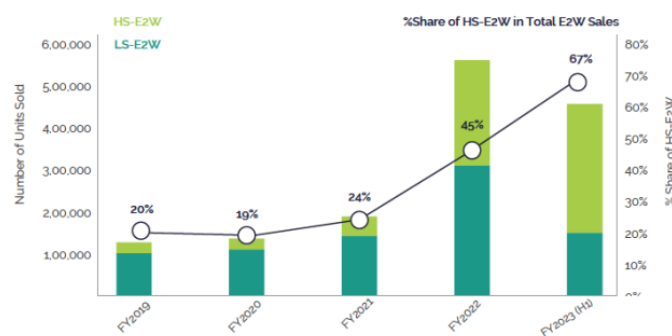
Electric bikes are a flexible, versatile, eco-friendly, and trendy mode of transport. Consumers look up to them as an ideal substitute for scooters, smart cars, and public transport. These bikes help tackle traffic congestion, owing to the smaller size of e-bikes, attain higher speed with lesser effort, and health benefits attained with peddling. These factors lead to rise in popularity of electric bikes across the globe.

Factors such as implementation of government regulations to encourage the use of electric bikes, consumer inclination toward use of e-bikes as an eco-friendly & efficient solution for commute, increase in fuel costs, and rise in interest in cycling as a fitness & recreational activity are expected to drive the market growth. However, high cost of e-bikes and ban on use of e-bikes in major cities of China hinder the market growth. Furthermore, improvement in bicycling infrastructure & battery technology is expected to offer lucrative opportunities for the electric bike market growth.

Indian E-Bike Industry -

Torch bearer of EV revolution in India, the Electric 2-wheeler industry accounted for 55% of the total EV sales in FY2022 alone. The overall E2W sales in India during the first half (H1) of FY2023 was about 4.56 lakh units which is more than twice the sales in H1 of FY2022. During the same period, the sales of high-speed (HS) E2W was more than 65% of the overall E2W sales¹. During H1 FY2023, Maharashtra recorded the highest HS-E2W sales at 53,043 units followed by Karnataka (42,371 units) and Gujarat (32,414 units). Considering the H1 FY2023 sales in E2W-HS segment, Okinawa emerged as the leader with sales of 53,550 units followed by Hero Electric (49,484 units) and Ola Electric (48,015 units).

Figure 1: Breakup of HS- and LS-E2Ws



Source: Vahan Dashboard, Telangana RTO, Industry Interviews, JMK Research
 Note: LS-E2W represents E2W with speed of more than 25 kmph, HS-E2W represents E2W with speed of less than or equal to 25 kmph. HS-E2W Sales figures represent E2Ws registered across 1,377 RTOs in 35 states/ UTs

As can be observed from figure 1 above, FY2022 has been the most significant year in terms of E2W sales in India. Further, during the first half of FY2023 (i.e., from April 2022 to September 2022), the overall E2W sales in India was about 4.6 lakh units, more than double the sales in H1 FY2022.

With regard to the HS-E2W segment, nearly half of the country-wide sales over the past four fiscal years (FY2019 to FY2022) have been reported across three key states of Maharashtra, Karnataka, and Tamil Nadu. However, during H1 FY2023, Maharashtra recorded the highest HS-E2W sales at 53,043 units followed by Karnataka at 42,371 units and Gujarat at 32,414 units.

Key Management -

Key Management Persons Name -	Katepalli Manideep
Age	32
Designation and No. of years of experience	Promoter, Chairman and Managing Director, seven years in the automobile industry.
Qualification	bachelor's degree in technology
Roles and Responsibility	Heads the sales and marketing division and is responsible for branding and advertisement of the products and dealerships
Other Directorships	Mint Mobility Private Limited
Key Management Persons Name -	Rama Mohan Thammineni
Age	46
Designation and No. of years of experience	Whole-Time Director, experience of more than a decade in finance, accounts and material management
Qualification	Bachelor's degree in commerce, executive master's program of business administration
Roles and Responsibility	Heads the financial, accounting and stock operations of the company
Other Directorships	-
Key Management Persons Name -	Taj Unnissa Begum
Age	23
Designation and No. of years of experience	Non-Executive Director, experience of more than two years in administration and consultancy
Qualification	Bachelor's degree in commerce and a master's degree in business administration
Roles and Responsibility	-
Other Ventures	Global Tree Overseas Careers Private Limited
Key Management Persons Name -	Varun Jain
Age	40
Designation and No. of years of experience	Non-Executive Director, experience of over one decade in managing automobile sales and after-sales services.
Qualification	Bachelor's degree in science (industrial management), diploma of post-graduate program
Roles and Responsibility	-
Other Directorships	Autofin Limited, Anupam Advertising Private Limited.

Independent Directors -

Archana Devi Raj, aged 38 years, has passed the degree examination held for bachelor's degree in engineering. She also holds a foundation certificate in Wine issued by WSET Awards upon qualifying the foundation exam. She has an experience of over nine years in sales and marketing.

Pamarti Rajesh, aged 33 years, has received a provisional certificate from Acharya Nagarjuna University certifying that he has qualified the bachelor's degree in commerce. Currently, he is associated with Justdial in the capacity of Tele Marketing Executive and has an experience of six months in telemarketing.

Jignesh Purshottam Bellani, aged 50 years, has attended Nizam College, Osmania University to pursue bachelor's degree in commerce. He is the sole proprietor of M/s. Sakshi Enterprises. He has an experience of more than six years in manufacturing of batteries, logistics and mobility.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,380.60	2,056.85	2,498.78
Other Income	11.11	5.01	15.43
Total Income	1,391.71	2,061.86	2,514.21
Expenses			
Purchase of stock-in-trade	1,224.18	2,048.42	2,288.05
Changes in Inventories of finished goods, work-in-progress and Stock in Trade	-180.19	-229.19	-293.95
Employee Benefit Expenses	111.52	122.73	113.60
Finance Cost	58.72	27.50	31.05
Depreciation and Amortization Expenses	30.64	32.97	33.77
Other expenses	124.71	47.76	108.79
Total Expenses	1,369.58	2,050.19	2,281.31
EBITDA	100.38	67.13	282.29
EBITDA Margin	7.27%	3.26%	11.30%
Profit/(Loss) before tax	22.13	11.67	232.90
Tax Expense			
Current tax	4.39	-	55.30
Short provisions of earlier years	-	0.92	-
Deferred Tax	2.56	0.96	10.39
Total Tax	6.95	1.88	65.69
Profit/(Loss) for the year	15.18	9.79	167.21
Net Profit Margin	1.10%	0.48%	6.69%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	204.03	204.03	915.73
Reserves and surplus	509.31	519.11	760.97
Total Shareholder's Fund	713.34	723.14	1,676.70
2. Non-current liabilities			
Long-term borrowings	235.01	180.48	121.21
Deferred Tax Liabilities (Net)	2.46	3.42	13.81
Long-term provisions			
Total Non-current liabilities	237.47	183.90	135.02
3. Current liabilities			
Short-term borrowings	453.39	580.51	631.41
Trade Payables			
Total outstanding dues of MSME	-	-	194.97
Total outstanding dues of creditors other than MSME	8.41	84.51	17.78
Other Current Liabilities	67.56	390.34	440.16
Current Tax Liabilities (Net)	17.25	-	55.30
Total Current liabilities	546.61	1,055.36	1,339.62
Total Liabilities	784.08	1,239.26	1,474.64
Total Equity and Liabilities	1,497.42	1,962.40	3,151.34
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	316.84	224.65	191.23
Capital Work-In-Progress	462.39	706.88	954.79
Other Intangible Assets (Net)	11.19	9.58	7.39
Other Non-current Assets	2.40	1.80	-
Total Non-Current assets	792.82	942.91	1,153.41
2. Current assets			
Inventories	512.19	741.38	1,035.33

Particulars	FY 22	FY 23	FY 24
Trade Receivables	5.24	108.83	77.37
Cash & Cash equivalents	2.04	3.84	7.42
Loans	44.67	43.09	708.06
Other Current Assets	140.46	122.35	169.75
Total Current assets	704.60	1,019.49	1,997.93
Total Assets	1,497.42	1,962.40	3,151.34

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	262.67	267.49	-446.40
Net Cash Flow from Investing Activities	-377.36	-183.66	-246.07
Net Cash Flow from Financing Activities	98.45	-82.03	696.04

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	0.30	0.19	2.51	EV/EBITDA	13.94	22.05	8.58
BV per share	34.96	35.44	18.31	Market Cap / Sales	5.86	3.93	3.24
<u>Operating Ratios</u>				P/E	206.67	326.32	24.70
EBITDA Margins	7.27%	3.26%	11.30%	Price to Book Value	1.773	1.749	3.386
PAT Margins	1.10%	0.48%	6.69%	<u>Solvency Ratios</u>			
Inventory days	135.41	131.56	151.23	Debt / Equity	0.97	1.05	0.45
Debtor days	1.39	19.31	11.30	Current Ratio	1.29	0.97	1.49
Creditor days	2.51	15.06	33.94	Quick Ratio	0.35	0.26	0.72
<u>Return Ratios</u>				Asset Turnover	0.92	1.05	0.79
RoCE	7.33%	3.77%	13.72%	Interest Coverage Ratio	1.19	1.24	8.00
RoE	2.13%	1.35%	9.97%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Khandwala Securities 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 –

Khandwala Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	QVC Exports Limited	24.07	86.00	Aug 28, 2024	68.20
2.	Euphoria Infotech India Limited	9.60	100.00	Jan 30, 2024	69.90
3.	Kaushalya Logistics Limited	36.60	75.00	Jan 08, 2024	135.00
4.	Vishnusurya Projects and Infra Limited	49.98	68.00	Oct 10, 2023	360.00

The company has handled 4 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 18th September 2024.

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

Recommendation -

Bikewo Green Tech Limited has been in the industry since 2016 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 48.36 times which makes it aggressively priced by looking at the performance of the company.

The company operates in a competitive and fragmented industry. The company has seen an inconsistency in the bottom line of its financials. The company has had negative operating cash flow for the FY ended 2024. The company has recently started generating revenue from the EV sector.

The company's management overview is not very satisfactory. The valuation of the company is very high. The company also has a high concentration state-wise. The financial outlook of the company is not very satisfactory.

Thus, we have an **AVOID** opinion of this IPO

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