



## IPO Note

# Ganesh Infracore Limited

Recommendation: **AVOID!**



### IPO Details

Opening Date	Nov 29, 2024
Closing Date	Dec 3, 2024
Allotment Date	Dec 4, 2024
Listing Date	Dec 6, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹78 to ₹83 per share
Issue Size	₹98.58 Cr.
Fresh Issue	₹98.58 Cr.
Offer for Sale	-
Application Amt	₹1,32,800 (1,600 shares)

**INDUSTRY - Infrastructure**  
Avg. P/E ratio of peers - 20.53

### Company Background -

- **Incorporation:** Established in 2017, The company's registered office is located at Saltlake, West Bengal.
- **Business Activity:** Ganesh Infracore Limited is a construction company offering a wide range of construction-related services. The company specializes in the construction of industrial, civil, residential, and commercial buildings, as well as road, railway, power, and water distribution projects across India.
- **Revenue Stream:** The company operates with a diversified revenue model, where its income is derived from both contractor and sub-contractor.
- **Human Resource:** As of August 31, 2024, the company has 42 employees on its payroll.

### Objects of the Issue -

- To meet working capital requirements and;
- General Corporate Purposes

### Promoters Name -

Vibhoar Agrawal and Rachita Agrawal

### Rationale for recommendation -

- ✓ Unsustainable revenue growth.
- ✓ Unsatisfactory Management overview.
- ✓ Over-dependence on its sub-contracting services.

### KPIs

(In Lakhs)

KPI's	FY 22	FY 23	FY 24	Aug-24
Revenue	8,023.88	13,349.18	29,033.71	21,065.82
EBITDA	281.45	760.91	2,271.74	1,996.58
Net Profit	188.74	520.92	1,554.47	1,537.20
RoCE	31.18%	44.37%	56.19%	28.49%
ROE	23.03%	34.38%	41.79%	23.23%
P/E	36.09	24.13	22.87	*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
<b>81.84%</b>	<b>59.09%</b>

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.63	8.62
BVPS	33.89	41.24
P/E	22.87	9.63
P/BV	2.45	2.01
Mkt Cap (In Cr)	256.01	354.59

\*Annualized

### Lead Managers -

Vivro Financial Services Private Limited`

### Registrar -

Link Intime India Private Ltd

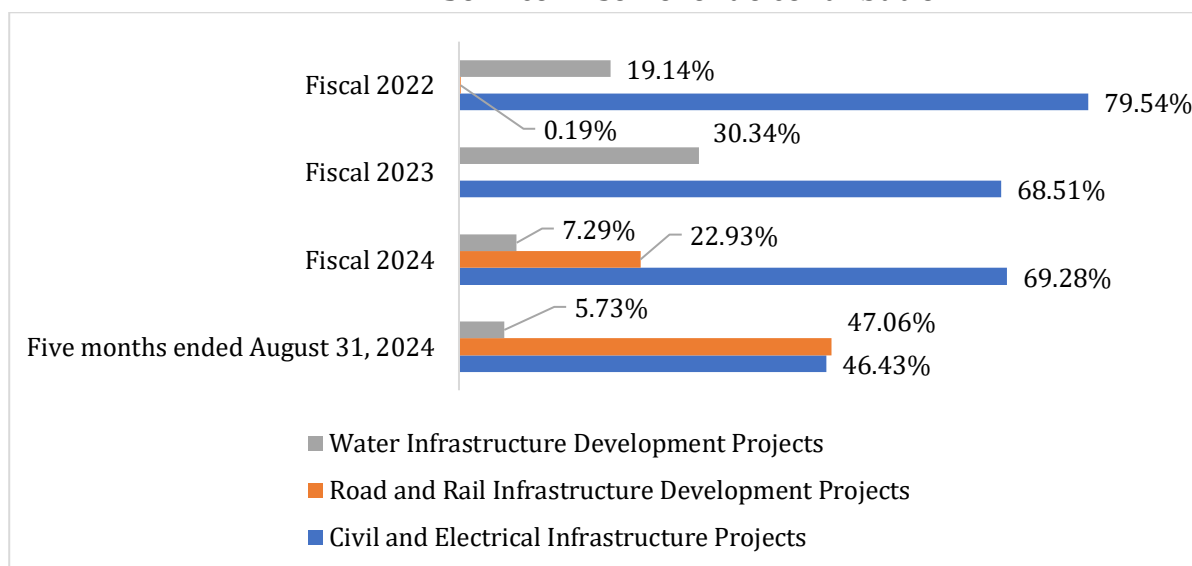
## Business Overview

Ganesh Infracore Limited specializes in the construction and development of various infrastructure projects. The company focuses on providing quality, timely delivery, and cost-effective solutions across multiple sectors.

### Services

- **Industrial Civil and Electrical Infrastructure:** This includes construction and electrical works for industrial plants, factories, and power stations.
- **Road and Rail Infrastructure Development:** The company undertakes projects related to highways, roads, and railway infrastructure, including bridges, tunnels, and station construction.
- **Water Infrastructure:** Involved in the construction of water supply systems, pipelines, and sewage treatment facilities.
- **Sub-contractor Services:** The company has a strong sub-contracting business, specializing in civil works, electrical installations, and other critical infrastructure tasks for larger contractors.

### Service-wise Revenue contribution



### Business Model

- **Contract Types:** They primarily work on two types of contracts:
  - **Item Rate Contracts:** The client provides a detailed list of work items. The company quotes a price for each item. For instance, the client might specify "100 meters of road construction" and the company quotes a price per meter.
  - **Percentage Rate Contracts:** The client provides an estimated project cost. The company quotes a percentage above or below this estimate. For example, if the estimated cost is ₹10 crore, the company might quote a 10% reduction, meaning they would charge ₹9 crore.

### Business Approach

- **Subcontracting:** The company often partners with larger construction companies to take on specific portions of larger projects. For example, they might be responsible for electrical work on a highway project.
- **Direct Contracts:** In some cases, the company directly contracts with clients to handle entire projects, like building a bridge or a water treatment plant.

### Key Revenue Drivers

- **Project Execution:** Revenue is generated by successfully completing projects on time and within budget. For instance, completing a ₹50 crore project within a year can generate significant revenue.
- **Contractual Terms:** Payment terms, such as advance payments, milestones, and final payments, influence cash flow. For example, receiving a 20% advance payment on a ₹100 crore project can boost the company's working capital.

Recommendation: **AVOID**

- **Performance Guarantees:** The company may need to provide performance guarantees, often in the form of bank guarantees, to secure contracts. These guarantees can range from 2% to 5% of the contract value.

### Risk Management

- **Risk Mitigation:** The company manages risks through careful planning, risk assessment, and insurance. For example, insurance can cover potential losses due to accidents or natural disasters.
- **Defect Liability:** The company is responsible for rectifying defects in completed projects within a specified period. For instance, a 5-year defect liability period means the company must repair any defects that arise within that time.

### Revenue from Repeat Customers

- **As a contractor:** ₹1,277.83 lakhs (6.07% of total revenue) in FY 2023-24.
- **As a sub-contractor:** ₹17,232.94 lakhs (81.81% of total revenue) in FY 2023-24.
- **Total Revenue from Repeat Customers:** ₹18,510.77 lakhs (87.87% of total revenue) in FY 2023-24.

### Revenue from First-Time Customers

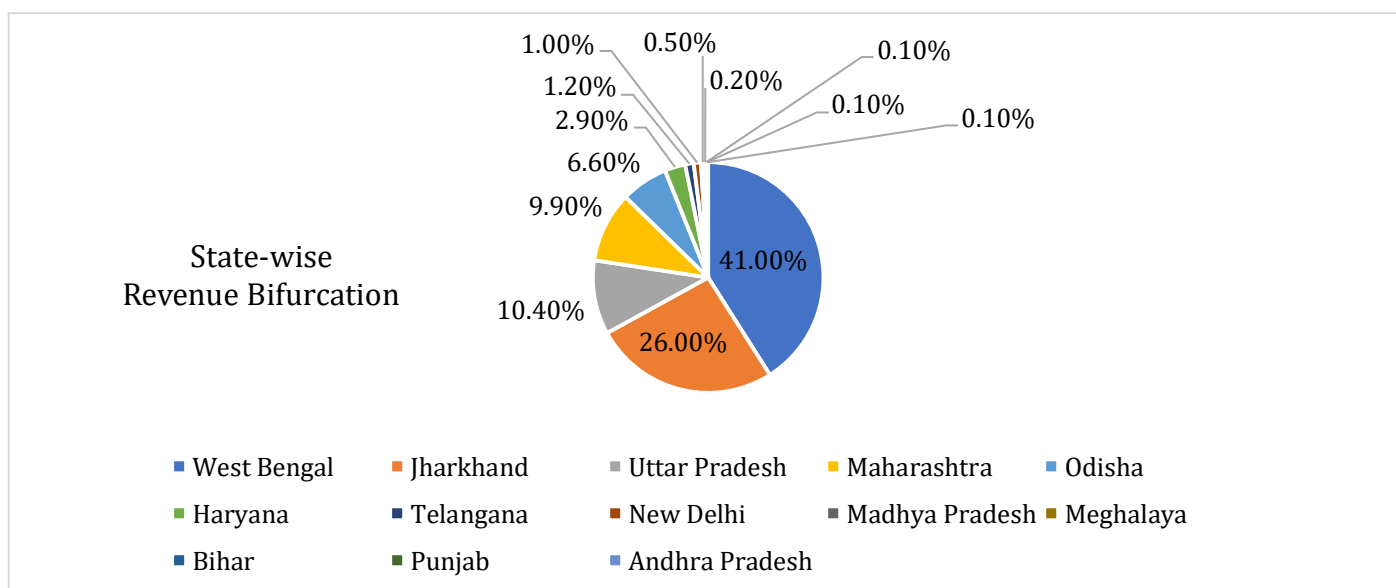
- **As a contractor:** ₹2,555.05 lakhs (12.13% of total revenue) in FY 2023-24.
- **As a sub-contractor:** ₹0 lakhs in FY 2023-24.
- **Total Revenue from First-Time Customers:** ₹2,555.05 lakhs (12.13% of total revenue) in FY 2023-24.

The company is heavily reliant on sub-contractor business, with 81.81% of FY 2023-24’s revenue coming from this source. Contractor-based revenue is increasing steadily year-on-year, reflecting the company’s efforts to transition from being a sub-contractor to a more autonomous player.

### Order Book Analysis

As of August 31, 2024, Ganesh Infracore’s order book stands at ₹57,485.54 lakhs, marking a significant portion of the company’s future revenue.

- **Repeat Orders:** A key driver of stability. Repeat orders make up 87.87% of the company’s total revenue for FY 2023-24.
- **Ongoing Projects:** The order book is heavily concentrated in the civil and infrastructure sectors, with a diverse set of projects across industrial, residential, commercial, and public infrastructure.
- **Geographic Distribution:** The company has secured projects primarily in West Bengal, Jharkhand, and Uttar Pradesh. There is a growing interest in expanding its footprint to other regions.



### Summary of Projects

Ganesh Infracore has a robust project portfolio, including several large-scale ongoing and completed works

- **Major Completed Projects:** Includes a mix of civil, water, and road infrastructure projects in West Bengal and Jharkhand.

- **Ongoing Projects:** The company is engaged in projects in the industrial and commercial sectors, as well as infrastructure development such as bridges, rail stations, and water distribution networks.
- **Key Clients:** The company has built a solid client base, with notable contracts from both government and private entities.

### Business Strategies

- **Focus on Repeat Business:** The company has cultivated strong relationships with repeat customers, resulting in high retention rates. In FY 2023-24, 87.87% of the revenue came from repeat business.
- **Cost Optimization:** Continuous efforts are made to reduce construction costs and project timelines, improving profitability and client satisfaction.
- **Geographical Expansion:** Plans to diversify operations and expand beyond its existing focus areas in West Bengal, Jharkhand, and Uttar Pradesh.
- **Diversification:** Expanding services in new sectors, particularly in water infrastructure, in response to rising demand in urban areas.

### Strategic Analysis

Ganesh Infracore Limited operates in a rapidly growing market, benefiting from India's strong infrastructure development initiatives like the National Infrastructure Pipeline (NIP). However, there are risks:

- **Geographic Risk:** The company is currently focused on specific regions, which exposes it to regulatory or economic risks within those states.
- **Client Dependency:** Heavy reliance on repeat clients and sub-contractor business could limit its ability to scale rapidly or expand into new markets without securing larger, independent contracts.
- **Governmental Support:** The Indian government's focus on infrastructure development presents significant growth opportunities. This is aided by policies like **Gati Shakti**, aimed at boosting project speed and efficiency.

### Risk Factors –

Ongoing projects, amounting to ₹57,485.53 lakhs (77.31% in West Bengal, Jharkhand, and Uttar Pradesh as of FY2024), may face risks from regional policy, law, or economic changes.

Seasonal variations, including slower progress during monsoons and festivals (September–November), may disrupt project schedules, impacting cash flows and operations, with unpredictable effects on financial performance in FY2024.

The company derives a significant portion of its revenues from a concentrated client base, creating a dependency risk. For the five months ended August 31, 2024, and the fiscal years FY2024, FY2023, and FY2022, revenue from the top five clients contributed 78.13%, 57.41%, 47.06%, and 51.47% of total revenue, respectively. Similarly, revenue from the top ten clients accounted for 82.29%, 64.94%, 50.27%, and 56.84% of total revenue during the same periods.

The company derives a significant portion of its revenue as a sub-contractor, accounting for 81.81% in the five months ended August 31, 2024, and 78.96%, 92.70%, and 91.60% in FY2024, FY2023, and FY2022, respectively. Revenue as a contractor remains comparatively lower, contributing 18.19%, 21.04%, 7.30%, and 8.40% in the same periods. This reliance on sub-contracting assignments creates a dependency on principal contractors and repeat orders, which may limit the company's ability to diversify its revenue streams. Any reduction in sub-contracting opportunities or loss of key relationships with principal contractors could adversely impact its business, revenue stability, and growth prospects.

The company had negative cash flow from operations for FY2022 and FY2024.

**Industry Overview- Infrastructure**

India's infrastructure sector is undergoing transformative growth, supported by government policies, substantial investments, and the execution of large-scale projects across various sub-sectors. With an ambitious vision, India aims to achieve a \$5 trillion economy while addressing key areas like housing, transportation, energy, and urban development.

**Sectoral Market Size and Investments**

**Capital Outlay and GDP Contribution:**

The Interim Budget 2024-25 allocated ₹11.11 lakh crore (~\$133.86 billion) for capital investment, up 11.1% from FY24, representing 3.4% of GDP.

India plans to spend \$1.723 trillion on infrastructure by FY30, focusing on roads, railways, energy, and logistics

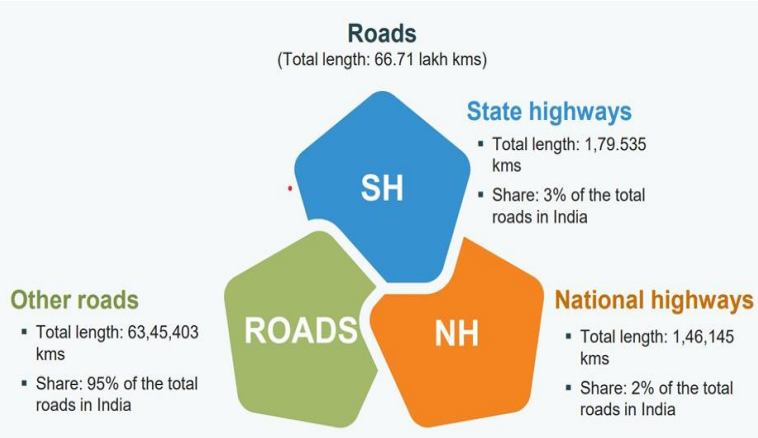
**Logistics and Transport:**

India's logistics market is projected to grow from \$317.26 billion in 2024 to \$484.43 billion by 2029 at a CAGR of 8.8%.

The focus is to lower logistics costs from 14% to 8% of GDP. Road freight demand is set to rise sharply, driven by urbanization and e-commerce growth, with urban freight expected to grow by 140% by 2030.

**Foreign Direct Investment (FDI):**

Cumulative FDI in construction (development and infrastructure activities) stands at \$60.52 billion between April 2000 and March 2024. Infrastructure accounted for 13% of the \$81.72 billion total FDI inflows in FY21



**Key Developments Across Sub-Sectors**

**1. Transportation:**

- Roads:** The National Highways Authority of India (NHAI) constructed 10,993 km of highways in FY23 and targets 12,500 km in FY24.
- Railways:** Indian Railways achieved revenue of ₹2.40 lakh crore (~\$28.89 billion) in FY24, a 7.6% YoY increase. Freight traffic is expected to touch 8,220 MT by 2031.
- Aviation:** India operates 158 airports, with plans to expand by adding 84 airports over the next five years. The Ministry of Civil Aviation has sanctioned \$11.8 billion for new terminals and capacity expansion.

**2. Urban Development:**

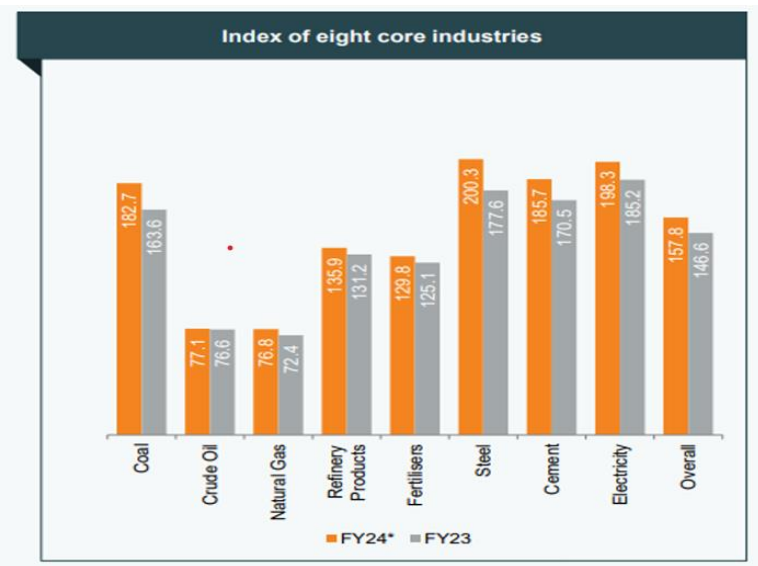
- Smart Cities Mission:** As of January 2023, 7,804 projects worth ₹1.81 lakh crore (~\$21.9 billion) were approved under the Smart Cities Mission. Over 67% of projects are completed.
- PMAY (Housing for All):** 122.69 lakh houses were sanctioned under PMAY-U, with 62.21 lakh completed by 2022. The government targets constructing 2 crore houses by 2028.

**3. Energy and Power:**

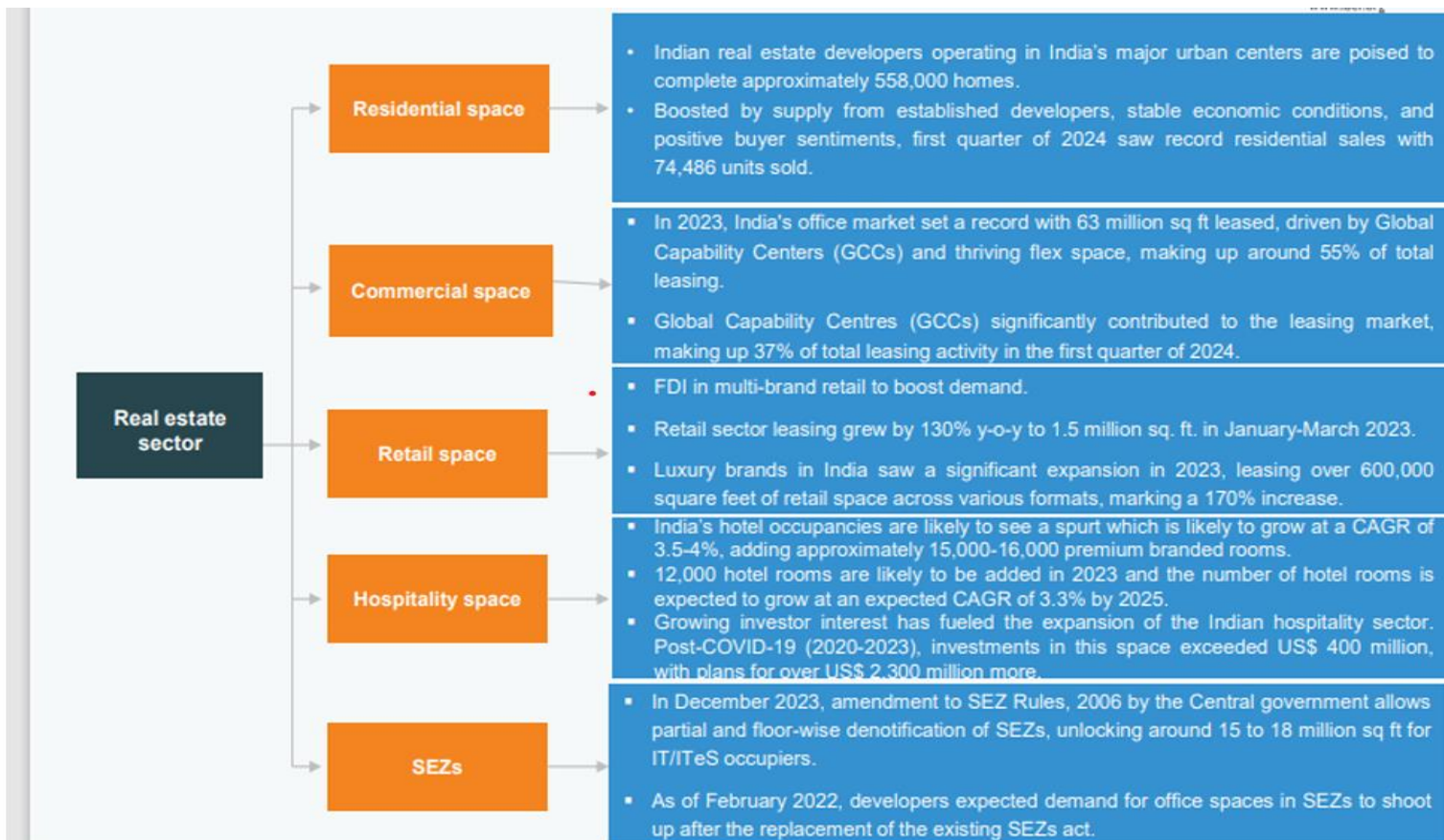
- Renewable energy capacity has reached 125 GW, with a target of 500 GW by 2030. The government plans to spend \$67 billion on clean energy projects over the next five years.
- Ocean Thermal Energy Conversion (OTEC)** initiatives are underway to tap non-conventional energy sources.

**4. Metro Rail and Urban Transport:**

- India's metro rail network spans 945 km, operational across 21 cities, with an additional 919 km under construction.
- Mumbai's 20 km monorail is the third largest globally.



Note: \* - Provisional (April-February 2023-24)



(Source: IBEF Real Estate Infrastructure May 24)

## Policy Framework and Growth Drivers

### 1. Government Schemes:

- **National Infrastructure Pipeline (NIP):** Encompassing 9,142 projects with \$1.4 trillion investment plans across 34 sub-sectors.
- **PM Gati Shakti:** Integrated platform for faster project approvals, focusing on multi-modal connectivity.
- **Green Initiatives:** India is committed to net-zero emissions by 2070, with \$1.02 billion allocated to solar power grid expansion in FY25.

### 2. Urbanization and Private Participation:

- Urban population growth demands advanced housing and infrastructure solutions. Hundreds of new cities are required to support urban expansion.
- Private sector contributions are anticipated to provide 40% of the funding for infrastructure development during the 12th Five-Year Plan.

### 3. Digital and Telecom Expansion:

- ₹1.12 lakh crore (~\$13.5 billion) is allocated for the telecom sector in FY25 to drive digital connectivity.

## Future Outlook

India's infrastructure sector is expected to grow at an 11.4% CAGR between 2021-26, supported by increased government spending, private investments, and rapid urbanization. Key focus areas include:

- Achieving a \$484 billion logistics market by 2029.
- Doubling metro rail coverage and improving urban mobility.
- Expanding renewable energy capacities to support green growth.

India's infrastructure strategy aligns with its vision for sustainable economic growth, aiming to solidify its position as a global construction and logistics hub by 2030.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Vibhoar Agrawal</b>
<b>Age</b>	38
<b>Designation</b>	Promoter, CEO, Chairman and Managing Director (founding partner of M/s Ganesh International)
<b>Qualification</b>	Bachelor's degree in commerce from University of Calcutta
<b>Roles &amp; Responsibility</b>	Strategic decision making, pertaining to corporate and administrative affairs, expansion activities, business development and management of overall business of the Company
<b>Other Directorships</b>	<i>Indian Companies</i> 1. Kiwi Realty Private Limited 2. Starwings Realtors Private Limited 3. Ganesh International Infrastructure Limited 4. M.R. Foods Private Limited 5. Rise Well Alcobev Private Limited

<b>Key Management Persons Name -</b>	<b>Rachita Agrawal</b>
<b>Age</b>	35
<b>Designation and experience</b>	Promoter and Non- Executive Director, Fashion designer from International Institute of Fashion Design.
<b>Other Directorships</b>	<i>Indian Companies</i> 1. Kiwi Realty Private Limited 2. Starwings Realtors Private Limited 3. Ganesh International Infrastructure Limited

**Golock Chandra Sahoo** serves as a **Non-Executive Independent Director** of the Company. He holds a master's degree in commerce from Utkal University, an MBA from Indira Gandhi National Open University, and a Master of Arts in Economics from Odisha State Open University. Additionally, he cleared the Revenue Audit Examination for Senior Audit Officers, conducted by the Indian Audit and Accounts Department. With over **30 years of public service in the Indian Audit and Accounts Department** under the Comptroller and Auditor General of India, he specialized in supervising audit coverage and reviewing audit findings as a Senior Audit Officer in the Office of the Principal Accountant General, Odisha. He has been associated with the Company since July 5, 2024.

**Manisha Khandelwal** is a **Non-Executive Independent Director** of our Company. She is a qualified **Company Secretary** and a member of The Institute of Company Secretaries of India. With over **4 years of experience**, she previously worked with Navraj Enterprises Private Limited as a Company Secretary and currently serves as the Company Secretary and Compliance Officer of Viraj Leasing Limited. She has been associated with the Company since its incorporation.

**Rupal Dhiren Haria** is a **Non-Executive Independent Director** of our Company. She holds a bachelor's degree in commerce from the University of Mumbai. Currently, she is a **partner at Atul C. Bheda** and Company, Chartered Accountants, specializing in Taxation, Corporate Taxation, Auditing, TDS, and Indirect Taxes, with over **16 years of experience**. She has been associated with the Company since 2024.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug-24
Revenue from Operations	8,023.88	13,349.18	29,033.71	21,065.82
Other Income	91.58	155.67	147.41	167.04
<b>Total Income</b>	<b>8,115.46</b>	<b>13,504.85</b>	<b>29,181.12</b>	<b>21,232.86</b>
<b>Expenses</b>				
Construction & Other Direct Expense	7,435.38	12,130.12	26,014.73	18,671.48
Employee Benefit Expenses	82.46	103.8	157.21	75.76
Finance Cost	68.21	67.32	106.14	52.57
Depreciation and Amortization Expenses	18.69	64.89	89.42	72.18
Other expenses	224.59	354.35	590.03	322
<b>Total Expenses</b>	<b>7,829.33</b>	<b>12,720.48</b>	<b>26,957.53</b>	<b>19,193.99</b>
<b>EBITDA</b>	<b>281.45</b>	<b>760.91</b>	<b>2,271.74</b>	<b>1,996.58</b>
<b>EBITDA Margin</b>	<b>3.51%</b>	<b>5.70%</b>	<b>7.82%</b>	<b>9.48%</b>
<b>Profit/(Loss) before tax</b>	<b>286.13</b>	<b>784.37</b>	<b>2,223.59</b>	<b>2,038.87</b>
<b>Tax Expense</b>				
Current tax	97.03	210.26	592.46	498.57
Deferred Tax	0.36	53.19	76.66	3.1
<b>Total Tax</b>	<b>97.39</b>	<b>263.45</b>	<b>669.12</b>	<b>501.67</b>
<b>Profit/(Loss) for the year</b>	<b>188.74</b>	<b>520.92</b>	<b>1,554.47</b>	<b>1,537.20</b>
<b>Net Profit Margin</b>	<b>2.35%</b>	<b>3.90%</b>	<b>5.35%</b>	<b>7.24%</b>

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	819.44	1,515.22	1,097.78	1,542.23
Reserves and surplus	-	-	2,622.26	5,075.01
<b>Total Equity</b>	<b>819.44</b>	<b>1,515.22</b>	<b>3,720.04</b>	<b>6,617.24</b>
<b>2. Non-current liabilities</b>				
Long-term borrowings	23.00	-	-	-
Deferred tax liabilities (Net)	0.36	53.55	130.21	133.31
Long-term provisions	-	-	3.27	3.27
<b>Total Non-current liabilities</b>	<b>23.36</b>	<b>53.55</b>	<b>133.48</b>	<b>136.58</b>
<b>3. Current liabilities</b>				
Short-term Borrowings	281.99	708.96	3,072.42	1,033.02
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	811.45	1,273.74	2,203.07	2,693.55
Other Current Liabilities	454.32	505.17	513.90	531.44
Short-term provisions	139.21	210.25	662.42	994.34
<b>Total Current liabilities</b>	<b>1,686.97</b>	<b>2,698.12</b>	<b>6,451.81</b>	<b>5,252.35</b>
<b>Total Liabilities</b>	<b>1,710.33</b>	<b>2,751.67</b>	<b>6,585.29</b>	<b>5,388.93</b>
<b>Total Equity and Liabilities</b>	<b>2,529.77</b>	<b>4,266.89</b>	<b>10,335.33</b>	<b>12,006.17</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant & Equipment	33.81	821.86	1,252.86	1,180.67
Capital work in progress	389.76	-	-	-
Non-Current Investments	90.00	-	-	-



Particulars	FY 22	FY 23	FY 24	Aug-24
Other Non- current Assets	41.8	153.57	225.75	413.00
<b>Total Non-Current assets</b>	<b>555.37</b>	<b>975.43</b>	<b>1,478.61</b>	<b>1,593.67</b>
<b>2. Current assets</b>				
Current Investments	-	-	1,878.51	-
Inventories	176.3	339.57	944.66	1,187.00
Trade Receivables	1,139.76	2,079.34	3,852.51	5,681.00
Cash & Cash equivalents	3.17	8.10	560.88	1,878.78
Short term loans and advances	655.17	864.45	1,620.16	1,665.72
<b>Total Current assets</b>	<b>1,974.40</b>	<b>3,291.46</b>	<b>8,856.72</b>	<b>10,412.50</b>
<b>Total Assets</b>	<b>2,529.77</b>	<b>4,266.89</b>	<b>10,335.33</b>	<b>12,006.17</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug 24
Net Cash Flow from Operating Activities	-1,020.34	258.64	-1,025.03	34.32
Net Cash Flow from Investing Activities	674.68	-702.69	-1,596.41	2,045.55
Net Cash Flow from Financing Activities	316.03	448.98	2,651.45	-761.97

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	Aug 24
Diluted EPS	2.3	3.44	3.63	4.98
BV per share	-	-	33.89	21.45
<b><u>Operating Ratios</u></b>				
EBITDA Margins	3.51%	5.70%	7.82%	9.48%
PAT Margins	2.35%	3.90%	5.35%	7.24%
Inventory days	8.02	9.28	11.88	8.56
Debtor days	51.85	56.85	48.43	40.99
Creditor days	36.91	34.83	27.70	19.44
<b><u>Return Ratios</u></b>				
RoCE	31.18%	44.37%	56.19%	28.49%
RoE	23.03%	34.38%	41.79%	23.23%

<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	Aug 24
EV/EBITDA	3.98	2.91	2.74	2.89
Market Cap / Sales	1.23	0.74	0.34	0.47
P/E	36.09	24.13	22.87	16.67
Price to Book Value	-	-	2.45	3.87
<b><u>Solvency Ratios</u></b>				
Debt / Equity	0.37	0.47	0.83	0.16
Current Ratio	1.17	1.22	1.37	1.98
Quick Ratio	1.07	1.09	1.23	1.76
Asset Turnover	3.17	3.13	2.81	1.75
Interest Coverage Ratio	3.85	10.34	20.56	36.61

## Competition Analysis -

India's infrastructure sector faces competitive pressures driven by technological advancements, including the adoption of AI, IoT, and green building technologies. Social influences like urbanization and housing demands amplify competition. Macroeconomic factors, such as government investment and inflation, also play a pivotal role.

### Porter's Five Forces:

- Threat of New Entrants:** Moderate; significant capital requirements act as barriers, but regional players add competition.
- Supplier Bargaining Power:** High; construction depends on raw materials, with price fluctuations affecting margins.
- Buyer Bargaining Power:** High; price-sensitive clients often prioritize cost over technical capabilities.
- Threat of Substitutes:** Low; few alternatives to large-scale infrastructure.
- Industry Rivalry:** High; numerous players with varying resources and capabilities.

The industry is in the growth phase of the life cycle but follows cyclical trends tied to government spending and economic cycles. Positioned on the experience curve, larger firms with advanced technologies hold cost advantages. Smaller companies face challenges due to constrained resources and scalability.

## PEER ANALYSIS -

Particulars	Ganesh Services Ltd.			Capacite Infracore Ltd			Chavda Infra Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.78%	7.85%	9.96%	3.53%	5.27%	6.12%	4.73%	7.44%	7.75%
EBITDA Margin	3.51%	5.70%	7.82%	17.07%	19.98%	18.55%	14.27%	16.80%	17.71%
RoCE	31.18%	44.37%	56.19%	9.66%	15.90%	14.56%	24.66%	36.93%	30.06%
ROE	46.80%	69.15%	77.76%	4.95%	8.88%	7.93%	1.35%	3.01%	4.77%
EPS (INR)	2.30	3.44	3.63	7.03	14.04	15.77	2.89	6.70	8.80
P/E	36.09	24.13	22.87	16.36	8.47	16.60	-	-	11.49

Particulars	AVP Infracon Ltd			PSP Projects Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	10.5%	10.0%	11.5%	9.4%	6.7%	4.9%
EBITDA Margin	13.0%	20.3%	22.3%	15.8%	13.0%	11.3%
RoCE	43.6%	34.0%	26.6%	35.2%	25.6%	23.0%
ROE	17.8%	9.9%	14.5%	24.3%	16.5%	13.4%
EPS (INR)	0.00	6.40	8.68	46.29	36.65	34.16
P/E	-	-	8.93	11.84	18.31	20.14

### LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Vivro Financial Services 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 –

#### Vivro Financial Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shiv Texchem Limited	101.35	166.00	Oct 15, 2024	306.35
2.	Bondada Engineering Limited	42.72	75.00	Aug 30, 2023	565.85
3.	K. P. I. Global Infrastructure Limited	39.94	80.00	Jan 22, 2019	793.00
4.	ICE Make Refrigeration Limited	23.71	57.00	Dec 08, 2017	797.70
5.	Capacite Infracore Limited	400.00	250.00	Sep 25, 2017	424.45
6.	Raj Television Network Limited	91.70	257.00	Mar 16, 2007	66.77

The company has handled 1 mandate in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 29<sup>th</sup> Nov 2024.

As per the offer document, the above-mentioned mandates Raj Television Network Limited has opened at a discount and remaining all have opened at a premium on the listing day.

## Recommendation -

### Experience and Management:

Established in 2017, the company has a decent track record in the industry. However, the management team lacks depth, with no board member possessing prior relevant industry expertise or education related to infrastructure or management. Furthermore, according to the company Directors do not have experience of being a director of a public listed company. Adding more experienced professionals could improve decision-making and operational capabilities.

### Financial Analysis

#### Revenue Growth and Margins:

- The company's revenue has grown at a CAGR of 90% over the past three years which seems unsustainable.
- PAT margins and EBITDA margins have improved significantly, reaching 7.24% & 9.48% in FY2024 compared to 2.35 % & 3.51% in FY2022 respectively. However, such high margins appear unsustainable. Management credits the 214.29% revenue growth in FY23, totalling ₹13,349.18 lakhs, to executing high-value EPC contracts (₹22,767.43 lakhs), supported by increased banking limits and promoter contributions.
- Return margins have fluctuated widely across the past three years.

#### Revenue Dependence:

The company's heavy reliance on its top 5 customers and subcontracting services, contributing 81% of total revenue, is a significant red flag. Additionally, only 12.13% of revenue in FY 23-24 came from new customers, indicating limited diversification and potential vulnerability to customer concentration risks. This over-dependence could impact stability if key customers or subcontractors disengage.

#### Industry and Conclusion

Operating in a competitive and fragmented industry, the company faces challenges despite a positive industry outlook. Investors should **AVOID** this IPO and reassess after observing post-listing performance.

**Disclaimer**

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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