



IPO Note

Rajputana Biodiesel Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Rajputana Biodiesel Limited was originally incorporated as “Rajputana Biodiesel Systems Private Limited” on Nov 10, 2016. The registered office is located at Jaipur, Rajasthan.
- **Business Activity:** The company is engaged in the manufacturing and supplying of bio-fuels and its by-products namely glycerine and fatty acids.
- **Revenue Stream:** The company derives majority of its revenue from biodiesel.
- **Human Resource:** The company has 30 full-time employees as on Sep 30, 2024.

Objects of the Issue -

- Loan to Subsidiary (Nirvaanraj Energy Private Limited (NEPL) for the expansion of existing unit of the Subsidiary
- Working Capital Requirements
- General Corporate Purposes
- Issue Expenses

Promoters Name -

Sarthak Soni, Madhuri Surana, Sudeep Soni and Tanay Attar

Rationale for recommendation -

- ✓ The PE ratio of 11.74 times makes it fairly priced.
- ✓ The company is looking for expansion and is using a part of net proceeds for the same.
- ✓ The company will produce its own feedstock which will further reduce their cost.
- ✓ The management overview is decent.
- ✓ The biofuel industry is growing and the demand for these products are increasing.

IPO Details

Opening Date	Nov 26, 2024
Closing Date	Nov 28, 2024
Allotment Date	Nov 29, 2024
Listing Date	Dec 03, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹123 to ₹130
Issue Size	24.70 Cr.
Fresh Issue	24.70 Cr.
Offer for Sale	-
Application Amt	₹ 1,30,000 (1,000 shares)

INDUSTRY - Biofuel P/E ratio of peer - 51.41

	KPIs			(In Lakhs)
KPI's	FY 22	FY 23	FY 24	May-24
Revenue	1,707.21	2,340.85	5,345.97	2,672.24
EBITDA	125.81	350.68	757.60	319.20
Net Profit	19.97	168.83	452.43	259.59
RoCE	157.91%	34.97%	30.63%	11.47%
ROE	-15.49%	37.11%	34.43%	16.49%
P/E	24.39	33.59	14.19	8.57*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
89.99%	65.69%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	9.16	11.07
BVPS	26.80	57.49
P/E	14.19	11.74
P/BV	4.85	2.26
Mkt Cap (In Cr)	66.74	91.44

*Annualized

Lead Managers -

GYR Capital Advisors Private Limited

Registrar -

Maashitla Securities Private Limited

Business Overview -

Rajputana Biodiesel Limited is engaged in the business of manufacturing and supplying of bio-fuels and its by-products namely glycerine and fatty acids.




Subsidiary: The company has subsidiary company i.e. Nirvaanraj Energy Private Limited (NEPL) (75% shareholding) to carry on the business of online and offline supply, distribution of petroleum products through mobile and web application and engage in the refining of petroleum products, fuels, petrol, diesel, Biodiesel, Bio CNG, natural gas and provide online aggregator and logistic service platform for on demand and door step supply of various fuels.

Manufacturing units and capacity utilization: The manufacturing unit is operational at G24 RIICO Industrial Area, Phulera, Rajasthan spread over 4,000 Square Meters. They have an installed production capacity of 30 kilo liters per day (klpd). The products cover majorly biodiesel, glycerine and fatty acid. The capacity utilization of the company remained at 82.67% for biodiesel, 89.73% for crude glycerine and 73.78% for fatty acids in FY2024.

Product Portfolio:

The company’s portfolio consists of biodiesel, crude glycerine, free fatty acid, castic potash flakes, waste sludge, used cooking oil, esteried fatty acid, methanol, citric acid, refined rice oil, crude sunflower oil, sodium methoxide, RBD palm sterin, buffalo fat, job work, freight & forwarding charges, halting charges, hotel accommodation, thinner, IVC tank, drums, HCL, phosphoric acid and LPG cylinder.

The major products are -

Product	Description
 <p>Biodiesel</p>	Biodiesel is a renewable, biodegradable fuel manufactured domestically from non-edible vegetable oils, or recycled restaurant grease, Non-edible fat and methanol. Biodiesel meets both the biomass-based diesel and overall advanced biofuel requirement of the Renewable Fuel Standard. Biodiesel is a liquid fuel often referred to as B100 or neat biodiesel in its pure, unblended form. Like petroleum diesel, biodiesel is used to fuel compression-ignition engines.
 <p>Crude Glycerin</p>	Crude glycerine, a by-product of biodiesel production and soap making, has multiple industrial and agricultural applications.
 <p>Free Fatty acid</p>	Fatty acids are derived as a by-product in the biodiesel manufacturing process. It is mainly used in the production of soaps, detergents and cosmetics. In some cases, it can be reused for the production of biodiesel also.

Revenue Bifurcation Product-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Biodiesel	1,381.63	80.93	2,024.98	86.51	4,326.76	80.93
Crude Glycerine	144.49	8.46	129.16	5.52	133.66	2.50
Free Fatty Acid	148.54	8.70	120.46	5.15	274.88	5.14
Others	32.54	1.91	66.25	2.83	610.67	11.42
Total	1,707.20	100.00	2,340.85	100.00	5,345.97	100.00

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, price and product range.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

- The company has strategically acquired 75.21% stake in Nirvaanraj Energy Private Limited, a biodiesel producer based in Meerut, valued at ₹2.5 Crore
- NEPL's current biodiesel production capacity stands at 20 KLPD (Kilo Liters Per Day), with the potential to double to 40 KLPD in the near future. This expansion is expected to generate a revenue potential of ₹40-45 Crore in the first full year of operations.
- The company intends to significant capital expenditure for Unit 3, aiming to establish a manufacturing unit. This facility will not only produce biodiesel but also manufacture their own feedstock and add value to by-products. They plan to refine crude glycerine into pharmaceutical grade glycerine and maximize the value of fatty acids.

Risk Factors -

The company is highly dependent on Biodiesel for their revenue generation 80.93%, 86.51%, 80.93% and 89.80% for FY2022, 2023, 2024 and July-2024 respectively.

The company's significant portion of revenue is derived from top 10 customers which contributed to 79.64%, 89.72%, 85.98% and 100% for FY2022, 2023, 2024 and July-2024 respectively.

The company is highly dependent on top 10 suppliers for their purchase which contributed to 61.18%, 69.75%, 83.67% and 98.41% for FY2022, FY2023, FY2024 and July-24 respectively.

The promoters have 4 cases against them amounting to Rs. 88.25 lakhs.

The company had negative cash flow from operations for FY2022, 2023, 2024 and July-24.

PEER ANALYSIS -

Particulars	Rajputana Biodiesel Limited			Kotyark Industries Limited		
	FY 22	FY 23	FY 24	FY 22 (Standalone)	FY 23 (Consolidated)	FY 24 (Consolidated)
NP Margin	1.17%	7.21%	8.46%	5.77%	8.17%	11.02%
EBITDA Margin	7.37%	14.98%	14.17%	8.33%	9.04%	17.57%
RoCE	157.91%	34.97%	30.63%	40.28%	17.45%	21.48%
ROE	-15.49%	37.11%	34.43%	34.62%	28.95%	19.76%
EPS (INR)	5.33	3.87	9.16	10.44	16.42	23.36
P/E	24.39	33.59	14.19	34.91	18.37	51.85

Interpretation -

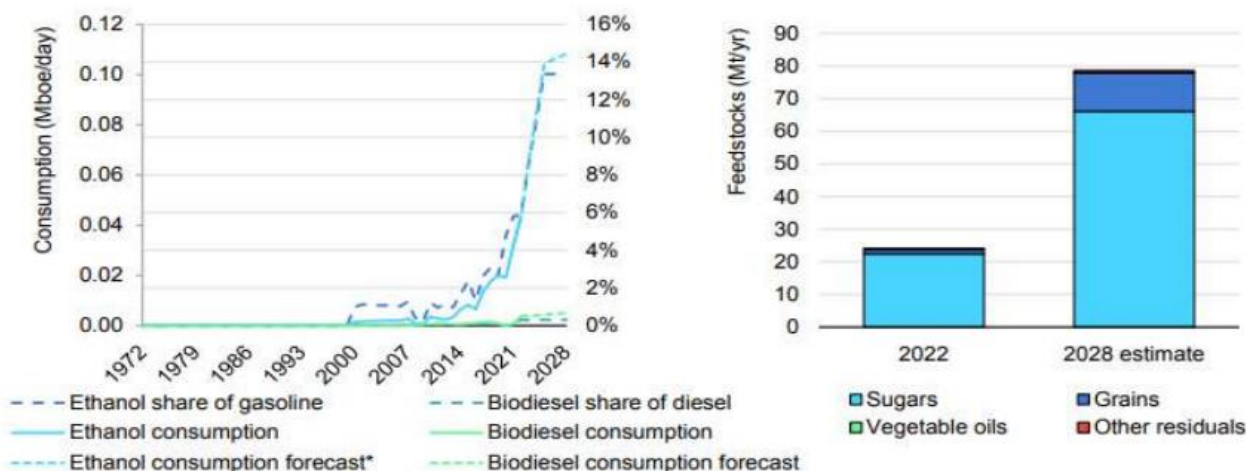
- The market cap of the company is very less compared to its peer.
- The PE ratio is better compared to its peer.
- The CCC of the company is worse than its peer.
- The RoE and RoCE of the company is better compared to its peer.

INDUSTRY OVERVIEW -

Biofuel Industry in India –

India has emerged as a major global player in biofuel production and consumption due to coordinated government policies, robust political support, and an abundance of feedstocks. The National Policy on Biofuels (2018) set ambitious blending targets: 20% ethanol blending and 5% biodiesel blending by 2030, later revised to 2025-26 for ethanol. India is now the third-largest producer and consumer of ethanol, with production nearly tripling over the past five years.

Biofuel consumption and share on an energy basis (left) and feedstock demand (right) in India, 1972-2028



(Source:RHP)

Over the next five years’ biofuel demand is set to expand 38 billion litres, a near 30% increase from the last five-year period. In fact, total biofuel demand rises 23% to 200 billion litres by 2028, with renewable diesel and biojet accounting for almost half of this growth with the remainder coming from ethanol and biodiesel.

India has other opportunities to expand biodiesel for use in diesel vehicles and biojet fuel as a replacement for jet fuel. The government has already established a 5% biodiesel target by 2030 which would require almost 4.5 billion litres of biodiesel per year according to IEA estimates.

Biojet fuel is another growth area. On 25 November 2023, the Ministry of Oil, Petroleum and Natural Gas announced indicative blending targets of 1% by 2027 and 2% by 2028 for international flights leaving India. It is estimated that it would require near 100 million litres of biojet fuel per year, likely to come from residue or vegetable oils grown on marginal land. However, future growth could come from other technologies such as alcohol-to-jet using ethanol and gasification technologies whereby agricultural, forestry and municipal solid waste can be converted into jet fuel.

Consumption Forecast of Biofuels in India

Year	Ethanol (Billion Litres)	Biodiesel (Billion Litres)
2025	9.9	2.1
2026	11.2	2.7
2027	11.3	3.3
2028	11.4	4.5

Source: International Energy Agency

Key Management -

Key Management Persons Name -	Sarthak Soni
Age	32
Designation	Promoter, Managing Director and CFO, 7 years of experience in Bio Diesel industry
Qualification	Arts graduate in Business
Responsibility	Looks after finance, Purchase and Management of the company
Other Directorships	Rajputana Speedwave Fuel LLP
Key Management Persons Name -	Tanay Attar
Age	32
Designation	Promoter and Whole-time Director
Qualification	Commerce graduate
Responsibility	Looks after production, operation and human resource of the company.
Other Directorships	-
Key Management Persons Name -	Sudeep Soni
Age	54
Designation and No. of years of experience	Promoter and Executive Director, 24+ years of overall experience and 23 years of experience in gems and 7 years in biodiesel industry.
Qualification	Commerce graduate
Responsibility	Looks after Risk Management, Strategy & Growth, Internal system and process of the company.
Other Directorships	Sanmati Holdings Private Limited, Life Buildestate Private Limited, Deeprabha Developers Private Limited etc.
Key Management Persons Name -	Madhuri Surana
Age	33
Designation and No. of years of experience	Promoter and Non-Executive Director, 9 Years in field of garment retail, design and manufacturing segment including 5 years in Biodiesel industry
Qualification	Bachelors in Arts
Responsibility	Looks after marketing and customer relations of the company
Other Ventures	Established her own label SUNDAY STUDIO and AAPRO
Key Management Persons Name -	Shrey Kastiya
Age	32
Designation and No. of years of experience	Independent Director, 10+ years of experience in jewellery industry
Qualification	Dropped out of college
Other Ventures	Devika Diamonds
Key Management Persons Name -	Palaash Gajria
Age	32
Designation	Independent Director
Qualification	Commerce graduate, Member of ACCA and Semi-Qualified Chartered Accountant
Present Venture	Cactus Communications Private Limited as a Manager of Financial Planning and Analysis

- The overall management of the company is decent.
- The promoter and management have decent experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- The management structure is condensed.

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	July-24
Revenue from Operations	1,707.21	2,340.85	5,345.97	2,672.24
Other Income	38.86	13.21	21.54	106.94
Total Income	1,746.07	2,354.06	5,367.51	2,779.18
Expenses				
Cost of Material Consumed	1,484.42	1,997.27	4,658.41	2,048.60
Purchase if stock-in-trade	48.60	43.44	85.28	277.63
Direct Expenses	43.84	58.36	116.26	61.78
Changes in stock-in-trade	-137.65	-283.72	-547.12	-236.40
Employee Benefit Expenses	62.26	70.53	90.03	62.47
Finance Cost	83.29	84.94	118.08	60.10
Depreciation and Amortization Expense	52.27	51.86	50.46	28.08
Other expenses	78.52	104.11	187.78	85.86
Total Expenses	1,715.55	2,126.79	4,759.18	2,388.12
EBITDA	125.81	350.68	757.60	319.20
EBITDA Margin	7.37%	14.98%	14.17%	11.95%
Minority Interest	-	-	-2.31	50.77
Share of Profit of associates	-0.21	-0.18	-0.04	-0.01
Profit/(Loss) before exceptional items and tax	30.31	227.09	610.60	340.28
Exceptional Items	1.20	-	-	-
Profit/(Loss) before tax	29.11	227.09	610.60	340.28
Tax Expense				
Current tax	-	-	155.77	61.32
Deferred Tax	9.14	58.26	2.40	19.37
Total Tax	9.14	58.26	158.17	80.69
Profit/(Loss) for the year	19.97	168.83	452.43	259.59
Net Profit Margin	1.17%	7.21%	8.46%	9.34%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	July-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	2.50	462.00	513.35	513.35
Reserves and surplus	-131.42	-7.01	800.87	1,060.46
Total Shareholder's Fund	-128.92	454.99	1,314.22	1,573.81
Minority Interest	-	-	61.47	112.24
Total Equity	-128.92	454.99	1,375.69	1,686.05
2. Non-current liabilities				
Long-term borrowings	168.59	376.45	925.94	826.72
Deferred Tax liability	-	15.48	-	17.56
Long-term provisions	6.90	7.65	6.85	8.74
Total Non-current liabilities	175.49	399.58	932.79	853.02
3. Current liabilities				
Short-term Borrowings	925.02	510.67	988.25	1,162.51
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	62.01	130.30	211.01	526.60
Other Current Liabilities	36.95	18.49	336.95	183.68
Short-term provisions	0.93	1.66	150.47	214.74
Total Current liabilities	1,024.91	661.12	1,686.68	2,087.53

Particulars	FY 22	FY 23	FY 24	July-24
Total Liabilities	1,200.40	1,060.70	2,619.47	2,940.55
Total Equity and Liabilities	1,071.48	1,515.69	3,995.16	4,626.60
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	419.32	376.37	553.00	538.33
Capital Work-In-Progress	-	3.82	-	64.41
Non-Current Investments	-	-	0.02	0.02
Deferred Tax Assets (Net)	42.78	-	1.81	-
Long term loans and advances	161.13	109.03	366.23	405.18
Total Non-Current assets	623.23	489.22	921.06	1,007.94
2. Current assets				
Inventories	231.12	520.79	1,233.32	1,543.66
Trade Receivables	131.26	310.37	1,153.38	1,214.19
Cash & Cash equivalents	30.12	76.23	384.54	281.69
Short term loans and advances	52.40	116.91	297.17	563.85
Other Current Assets	3.35	2.17	5.69	15.27
Total Current assets	448.25	1,026.47	3,074.10	3,618.66
Total Assets	1,071.48	1,515.69	3,995.16	4,626.60

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	July-24
Net Cash Flow from Operating Activities	-52.77	-116.55	-745.07	-25.17
Net Cash Flow from Investing Activities	-32.54	52.38	-332.61	-82.26
Net Cash Flow from Financing Activities	298.57	123.65	1,373.30	14.94

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	5.33	3.87	9.16	EV/EBITDA	7.43	3.61	3.75
BV per share	-515.68	9.85	26.80	Market Cap / Sales	5.36	3.91	1.71
<u>Operating Ratios</u>				P/E	24.39	33.59	14.19
EBITDA Margins	7.37%	14.98%	14.17%	Price to Book Value	-0.25	13.20	4.85
PAT Margins	1.17%	7.21%	8.46%	<u>Solvency Ratios</u>			
Inventory days	49.41	81.20	84.21	Debt / Equity	-8.48	1.95	1.46
Debtor days	28.06	48.39	78.75	Current Ratio	0.44	1.55	1.82
Creditor days	14.56	23.24	16.22	Quick Ratio	0.21	0.76	1.09
<u>Return Ratios</u>				Asset Turnover	1.59	1.54	1.34
RoCE	157.91%	34.97%	30.63%	Interest Coverage Ratio	0.88	3.52	5.99
RoE	-15.49%	37.11%	34.43%				

INTERPRETATION –

1. The top line has increased over the years by 37% in FY2023 and by 128% in FY2024 which was due to increase in demand and purchase from government PSU's.
2. The net profit has also increased over the years by 745% in FY2023 and 168% in FY2024.
3. The EBITDA margin and PAT margin had seen a sudden increase in FY2023.
4. The RoCE and RoE has seen a slight dip in FY2024.
5. The PE ratio has improved in FY2024.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is GYR 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 –

GYR Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Freshara Agro Exports Limited	75.39	116.00	Oct 24, 2024	119.00
2.	Lakshya Powertech Limited	49.91	180.00	Oct 23, 2024	264.90
3.	Afcom Holdings Limited	73.83	108.00	Aug 09, 2023	550.45
4.	Sathlokhar Synergys E&C Global Limited	92.93	140.00	Aug 06, 2019	370.45
5.	S A Tech Software India Limited	23.01	59.00	Aug 02, 2024	140.45
6.	Petro Carbon and Chemicals Limited	113.16	171.00	Jul 02, 2024	208.55
7.	Medicamen Organics Limited	10.54	34.00	Jun 28, 2024	52.95
8.	HOAC Foods India Limited	5.54	48.00	May 24, 2024	118.00
9.	ABS Marine Services Limited	96.29	147.00	May 21, 2024	205.60
10.	Naman In-Store (India) Limited	25.35	89.00	Apr 02, 2024	150.75

The company has handled 29 mandate in the last three years (including current year).

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

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

Recommendation -

Rajputana Biodiesel Limited has been in the industry since 2016 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 11.74 times which makes it fairly priced.

The company is expanding its existing unit and this facility will not only produce biodiesel but also manufacture their own feedstock and add value to by-products. Most of their revenue is generated from government sector.

Although, the company is operating in the biofuel industry which is highly fragmented and competitive, the industry is growing exponentially and over the next five years' biofuel demand is set to expand 38 billion litres, a near 30% increase from the last five-year period.

But the company's top line had seen a sudden increase in FY2024. The bottom line and PAT margin had seen a sudden increase in FY2023. The cash flow from operations have remained negative for FY2022, 2023, 2024 and July-24.

Also, the company has high concentration for customers and suppliers and loss of any may cause adverse effect in the business operations.

Thus, investors can **APPLY** to this IPO and monitor post IPO performance.

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