



## IPO Note

# Chamunda Electricals Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Chamunda Electricals Limited was originally incorporated on Jun 25, 2013. The registered office is located at Gujarat, India.
- **Business Activity:** The company engaged in the business of providing specialized services of operation and maintenance, testing and commissioning of electrical substation and solar power generation park.
- **Revenue Stream:** The company derives majority of its revenue from O&M services.
- **Human Resource:** The company has 637 full-time employees as on Dec 31, 2024.

### Objects of the Issue -

- To meet out the Capital Expenditure for Purchase of New Testing Kit and Equipment's
- Funding Working Capital requirements of the company
- Repayment of Term Loans and Cash Credit
- To meet out the General Corporate Purposes
- To meet out the Issue Expenses

### Promoters Name -

Chiragkumar Natvarlal Patel, Natvarbhai K Rathod and Purnikaben C Patel

### Rationale for recommendation -

- ✓ The company's bottom line and profitability margins have seen huge jumps in FY23 and FY24.
- ✓ The company had incurred loss in FY22.
- ✓ The company had negative cash flow from operations for FY22.
- ✓ The company is entirely dependent on top 10 customers for their revenue generation.
- ✓ The company's business operations are concentrated in Gujarat.
- ✓ The management of the company is not satisfactory.

### IPO Details

Opening Date	Feb 04, 2025
Closing Date	Feb 06, 2025
Allotment Date	Feb 07, 2025
Listing Date	Feb 11, 2025
Stock Exchange	NSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹47 to ₹50
Issue Size	14.60 Cr.
Fresh Issue	14.60 Cr.
Offer for Sale	-
Application Amt	₹ 1,50,000 (3,000 shares)

### INDUSTRY - Power (O&M)

Avg. P/E ratio as per RHP - N/A

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Dec-24
Revenue	1,123.31	1,394.24	1,994.93	1,829.02
EBITDA	46.51	176.63	465.17	487.62
Net Profit	-51.28	31.21	243.63	281.48
RoCE	-6.64%	12.78%	45.40%	20.06%*
ROE	-16.46%	9.10%	41.54%	14.16%*
P/E	-	106.38	13.55	14.69*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
97.46%	71.61%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.69	3.40
BVPS	29.32	24.04
P/E	13.55	14.69
P/BV	1.71	2.08
Mkt Cap (In Cr)	40.43	55.02

\*Annualized

### Lead Managers -

**GYR Capital Advisors Private Limited**

### Registrar -

**KFin Technologies Limited**

## Business Overview -

Chamunda Electricals Limited is engaged in the business of providing specialized services of operation and maintenance of substation up to 66 KV (kilovolt), testing and commissioning of electrical substation up to 220 KV (kilovolt) and solar power generation park of 1.5 MW (Megawatts) capacity. As of Jan 28, 2025, the company has a total quantity of 75 equipment of 19 different types.

**Order Book:** The company has tested 77 sub-stations and has an order book of Rs. 6,437 lakhs.

## Business Offerings:

- 1. Operation, Maintenance, Testing & Commissioning of Electrical Sub-station:** Operation and Maintenance (O&M) of electrical substations is crucial for ensuring the reliability, safety, and efficiency of power transmission and distribution up to 66kV (Class). These processes involve a series of checks, tests, and verifications to confirm that all components are installed correctly, meet design specifications, and operate safely under load conditions up to 220kV.
- 2. Solar-Power Generation Park:** The company has set-up a solar power generation park at Gujarat which has capacity 1.5 MW and has signed a 25-years Purchase Power Agreement with Uttar Gujarat Vij Company Limited (“UGVCL”).
- 3. EHV class equipment erections:** It refers to the installation and commissioning of electrical equipment designed to operate at voltages typically up to 220 kV. This is critical in power transmission and distribution networks, ensuring safe and reliable operation.



## Revenue Bifurcation –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Dec-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Operations, Maintenance, Testing and Commissioning of Electrical Sub-stations	1,092.10	97.22%	1,293.58	92.78%	1,922.70	96.38%	1,562.82	85.45%
Solar Power-generation plants	23.95	2.13%	73.75	5.29%	60.74	3.04%	49.35	2.70%
EHV class equipment erection and commissioning of Substations	7.26	0.65%	26.91	1.93%	11.49	0.58%	216.85	11.86%
<b>Total</b>	<b>1,123.31</b>	<b>100.00%</b>	<b>1,394.24</b>	<b>100.00%</b>	<b>1,994.93</b>	<b>100.00%</b>	<b>1,829.02</b>	<b>100.00%</b>

## Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of geographic region, nature and size of the projects.
- 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.

### **Business Strategies –**

1. The company is intensifying its focus on EHV (Extra High Voltage) Erection, Testing, and Commissioning, recognizing the growing demand for advanced electrical infrastructure.
2. The company is investing in the acquisition of advanced equipment which is imported from an MNC manufacturer of industrial test, measurement, and mainly electronic test equipment to establish a NABL-certified lab at Surat branch office.
3. The company is focused on broadening its geographical footprint and diversify its customer base.

### **Risk Factors –**

The company derives all of its revenue from top 10 customers contributing to 100% in the last three years.

The company has geographic concentration and generates major revenue from Gujarat contributing to 100%, 86.64%, 85.64% and 84.97% for FY22, FY23, FY24 and Dec-24 respectively.

The company has 4 cases against it for tax matters amounting to Rs. 61.40 lakhs and they have filed 1 case regarding civil matters amounting to Rs. 142.42 lakhs.

The directors/ promoters have 1 case against them for tax matters amounting to 0.007 lakhs.

The company had negative cash flow from operations for FY22.

The company had incurred loss in FY22.

### **PEER ANALYSIS –**

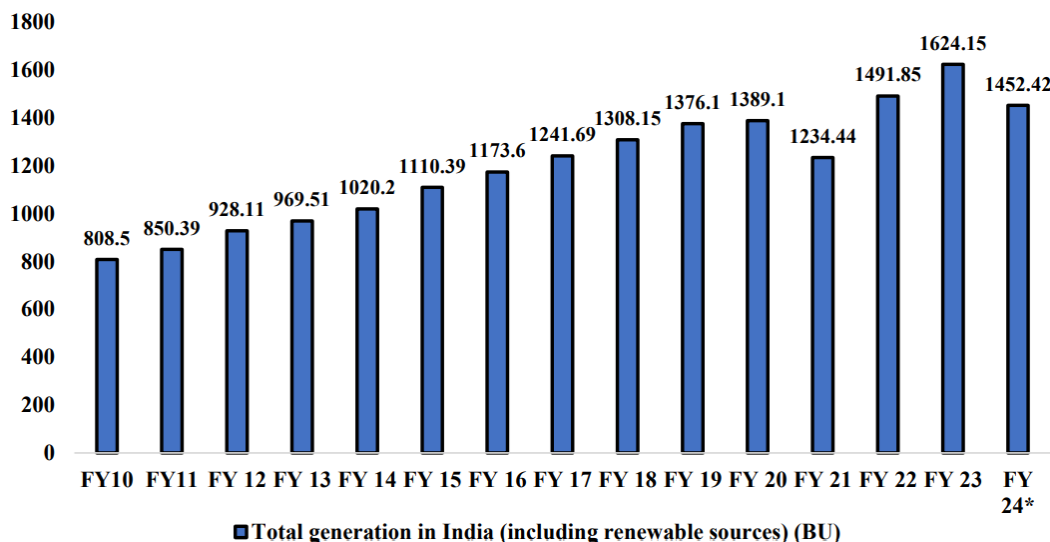
The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

**INDUSTRY OVERVIEW -**

**Indian Power Market –**

With a generation capacity of 442.85 GW, India is the third-largest producer and consumer of electricity in the world. India's power generation witnessed its highest growth rate in over 30 years in FY23. Power generation in India increased by 8.87% to 1,624.15 billion kilowatt-hours (kWh) in FY23. In FY24 (until January 2024), the power generation in India was 1,452.42 BU. During FY10-FY23, electricity generation in India increased at a CAGR of 4.75%. In the Union Budget 2022-23, the government allocated Rs. 7,327 crore (US\$ 885 million) for the solar power sector including grid, off-grid, and PM-KUSUM projects.

**Total generation in India (including renewable sources) (BU)**



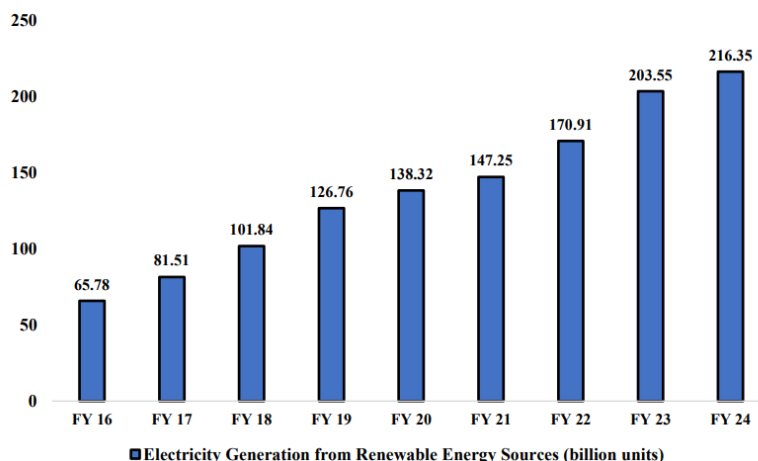
(Source:RHP)

For FY24, the electricity generation target from conventional sources has been fixed at 1,750 BU, comprising 1,324.11 BU of thermal energy, 156.70 BU of hydro energy, 46.19 BU of nuclear energy, 215 BU of RES (excluding hydro), and 8 BU to be imported from Bhutan.

**Indian Renewable Energy Industry –**

Installed renewable power generation capacity has increased at a fast pace over the past few years, posting a CAGR of 15.4% between FY16 and FY23. India has 125.15 GW of renewable energy capacity in FY23. As of March 2024, India's renewable energy capacity, including biomass, waste-to-energy, and hydropower, reached 143.64 GW, with non-fossil sources contributing 42.25% of total installed power. The country aims to increase renewable capacity to 170 GW by March 2025 and achieve 450 GW by 2030, with over 60% from solar. Solar capacity has grown 26 times in the past nine years, reaching 73.32 GW in December 2023, with 7.5 GW added in 2023 alone. India's total power generation capacity stood at 416 GW in FY23, with renewable sources accounting for 125 GW (30%). The country generated 75.57 BU of solar power in the first eleven months of FY24. Hydropower expansion is underway, with 15 GW under construction to boost total capacity to 67 GW by 2031-32. Northern India is expected to become a renewable energy hub with a potential capacity of 363 GW.

**Electricity Generation from Renewable Energy Sources (billion units)**



(Source: RHP)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Chiragkumar Natvarlal Patel</b>
<b>Age</b>	49
<b>Designation and No. of years of experience</b>	Promoter, Chairman, Managing Director and CFO, 10+ years of experience
<b>Qualification</b>	Bachelor of Commerce Degree
<b>Responsibility</b>	Responsible for Financing, accounting, marketing, management and office administration of the Company
<b>Previous Associations</b>	-
<b>Key Management Persons Name -</b>	<b>Natvarbhai K Rathod</b>
<b>Age</b>	74
<b>Designation and No. of years of experience</b>	Promoter and Whole Time Director, 30+ years of experience in Gujarat Electricity Board
<b>Qualification</b>	Diploma in Electrical Engineering
<b>Responsibility</b>	Responsible for the day-to-day administration of the Company
<b>Other Directorships</b>	Chamunda Electro Tech Private Limited
<b>Key Management Persons Name -</b>	<b>Purnikaben C Patel</b>
<b>Age</b>	49
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 4+ years of experience in administration activities
<b>Qualification</b>	Bachelor of Arts
<b>Other Directorships</b>	Chamunda Electro Tech Private Limited
<b>Key Management Persons Name -</b>	<b>Rameshkumar Devilal Chauhan</b>
<b>Age</b>	25
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 1.5 years of experience in Electrical Engineering Industry
<b>Qualification</b>	Master of Technology in Electrical Engineering
<b>Previous Associations</b>	R K Energy Solutions
<b>Key Management Persons Name -</b>	<b>Mansurkhan Ayazkhan Pathan</b>
<b>Age</b>	50
<b>Designation and No. of years of experience</b>	Non - Executive Independent Director, 15+ years of experience in Electrical Engineering Industry
<b>Qualification</b>	Diploma in Electrical Engineering
<b>Previous Associations</b>	Vikas Electronics

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

## FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	1,123.31	1,394.24	1,994.93	1,829.02
Other Income	8.94	7.15	11.76	13.55
<b>Total Income</b>	<b>1,132.25</b>	<b>1,401.39</b>	<b>2,006.69</b>	<b>1,842.57</b>
<b>Expenses</b>				
Direct Expenses	325.02	179.70	153.20	148.84
Employee Benefit Expenses	729.02	1,010.16	1,348.27	1,154.30
Finance Cost	35.63	48.84	46.34	35.30
Depreciation and Amortization Expense	89.11	92.77	86.01	68.57
Other expenses	22.76	27.75	28.29	38.26
<b>Total Expenses</b>	<b>1,201.54</b>	<b>1,359.22</b>	<b>1,662.11</b>	<b>1,445.27</b>
<b>EBITDA</b>	<b>46.51</b>	<b>176.63</b>	<b>465.17</b>	<b>487.62</b>
<b>EBITDA Margin</b>	<b>4.14%</b>	<b>12.67%</b>	<b>23.32%</b>	<b>26.66%</b>
<b>Profit/(Loss) before tax</b>	<b>-69.29</b>	<b>42.17</b>	<b>344.58</b>	<b>397.30</b>
<b>Tax Expense</b>				
Current tax	-	14.97	103.25	119.67
Deferred Tax	-18.01	-4.01	-2.30	-3.85
<b>Total Tax</b>	<b>-18.01</b>	<b>10.96</b>	<b>100.95</b>	<b>115.82</b>
<b>Profit/(Loss) for the year</b>	<b>-51.28</b>	<b>31.21</b>	<b>243.63</b>	<b>281.48</b>
<b>Net Profit Margin</b>	<b>-4.57%</b>	<b>2.24%</b>	<b>12.21%</b>	<b>15.39%</b>

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	200.00	200.00	200.00	808.56
Reserves and surplus	111.60	142.82	386.45	284.46
<b>Total Equity</b>	<b>311.60</b>	<b>342.82</b>	<b>586.45</b>	<b>1,093.02</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	298.42	244.85	182.98	139.69
Long-Term Provisions	31.45	68.52	65.70	70.47
<b>Total Non-current liabilities</b>	<b>329.87</b>	<b>313.37</b>	<b>248.68</b>	<b>210.16</b>
<b>CURRENT LIABILITIES</b>				
Short-term Borrowings	166.46	123.70	277.86	152.67
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	15.66	10.43	1.71	11.54
Other Current Liabilities	48.59	73.58	30.51	182.53
Short-term provisions	2.30	7.01	68.26	156.18
<b>Total Current liabilities</b>	<b>233.01</b>	<b>214.72</b>	<b>378.34</b>	<b>502.92</b>
<b>Total Liabilities</b>	<b>562.88</b>	<b>528.09</b>	<b>627.02</b>	<b>713.08</b>
<b>Total Equity and Liabilities</b>	<b>874.48</b>	<b>870.91</b>	<b>1,213.47</b>	<b>1,806.10</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	443.32	417.99	465.29	431.80
Capital Work in Progress	-	-	-	211.62
Long-Term Loans and Advances	19.78	23.79	26.09	29.94
Deferred tax assets (net)	65.02	65.02	141.45	54.00
Other Non-current Assets	183.74	146.03	128.58	163.97

Particulars	FY 22	FY 23	FY 24	Dec-24
<b>Total Non-Current assets</b>	<b>711.86</b>	<b>652.83</b>	<b>761.41</b>	<b>891.33</b>
<b>CURRENT ASSETS</b>				
Trade Receivables	91.62	120.17	303.65	642.04
Cash & Cash equivalents	8.03	12.20	108.51	65.46
Short term loans and advances	62.97	85.71	39.90	52.79
Other Current Assets	-	-	-	154.48
<b>Total Current assets</b>	<b>162.62</b>	<b>218.08</b>	<b>452.06</b>	<b>914.77</b>
<b>Total Assets</b>	<b>874.48</b>	<b>870.91</b>	<b>1,213.47</b>	<b>1,806.10</b>

<b>Cash Flow Statement</b>				<b>Amt in Lakhs.</b>
Particulars	FY 22	FY 23	FY 24	Nov-24
Net Cash Flow from Operating Activities	-239.02	209.63	175.28	178.70
Net Cash Flow from Investing Activities	-110.74	-60.29	-124.92	-243.06
Net Cash Flow from Financing Activities	356.83	-145.17	45.95	21.31

**Key Ratios**

<b>Per Share Data</b>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	-0.78	0.47	3.69	3.40
BV per share	15.58	17.14	29.32	24.04
<b>Operating Ratios</b>				
EBITDA Margins	4.14%	12.67%	23.32%	26.66%
PAT Margins	-4.57%	2.24%	12.21%	15.39%
Inventory days	-	-	-	-
Debtor days	29.85	31.55	55.71	53.41
Creditor days	-	-	-	-
<b>Return Ratios</b>				
RoCE	-6.64%	12.78%	45.40%	20.06%
RoE	-16.46%	9.10%	41.54%	14.16%

<b>Valuation Ratios (x)</b>	FY 22	FY 23	FY 24	FY 25*
EV/EBITDA	16.52	3.96	2.02	0.36
Market Cap / Sales	0.89	0.72	0.50	2.26
P/E	-	106.38	13.55	14.69
Price to Book Value	3.21	2.92	1.71	2.08
<b>Solvency Ratios</b>				
Debt / Equity	1.49	1.08	0.79	0.11
Current Ratio	0.70	1.02	1.19	1.19
Quick Ratio	0.70	1.02	1.19	1.19
Asset Turnover	1.28	1.60	1.64	2.01
Interest Coverage Ratio	-1.20	1.72	8.18	11.87

**INTERPRETATION –**

1. The top line has increased over the years. It increased by 24.12% in FY2023 and by 43.08% in FY2024 which was due to increase in number of projects and tenders received during the year.
2. The net profit has seen a huge jump by 160.86% in FY2023 and by 680.62% in FY24.
3. The EBITDA margin and the PAT margin have also seen huge jumps for FY23 and FY24.
4. The PE ratio has improved in FY24.
5. The RoCE and RoE have seen a sudden increase in FY24.
6. The company had negative cash flow from operations for FY22.
7. The company had incurred loss in FY22.

**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.	CapitalNumbers Infotech Limited	169.37	263.00	Jan 27, 2025	248.30
2.	Delta Autocorp Limited	54.60	130.00	Jan 14, 2025	111.45
3.	NACDAC Infrastructure Limited	10.01	35.00	Dec 24, 2024	59.86
4.	Emerald Tyre Manufacturers Limited	49.26	95.00	Dec 12, 2024	119.35
5.	Rajputana Biodiesel Limited	24.70	130.00	Dec 03, 2024	277.00
6.	Freshara Agro Exports Limited	75.39	116.00	Oct 24, 2024	161.30
7.	Lakshya Powertech Limited	49.91	180.00	Oct 23, 2024	247.35
8.	Afcom Holdings Limited	73.83	108.00	Aug 09, 2023	1,015.20
9.	Sathlokhar Synergys E&C Global Limited	92.93	140.00	Aug 06, 2019	446.90
10.	S A Tech Software India Limited	23.01	59.00	Aug 02, 2024	87.50

The company has handled 34 mandate in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 29<sup>th</sup> Jan 2025.

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



## Recommendation -

Chamunda Electricals Limited has been in the industry since 2013 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 14.69 times which makes it fairly priced.

The company's overall management structure is condensed and not satisfactory. A significant reliance on a single individual, who holds multiple key management positions, raises concerns regarding leadership diversification.

The company's top line has increased consistently over the year. But the bottom line and profitability margins have a sudden increase in FY23 and FY24 which raises concern over its sustainability. The company had also incurred loss and had negative cash flow from operations in FY22.

Also, the company is highly concentrated and operates majorly in Gujarat and it heavily relies on top 10 customers as 100% of the revenue is generated from them.

Although, the company has a good order book, the financials of the company slightly looks unsustainable with sudden increases in net profit and profitability/return margins.

The company has potential to grow and perform exponentially if it focuses on its solar power plant generation vertical as the industry is expected to grow at a CAGR of 15.4% with government support.

Thus, investors can **AVOID** this IPO for now.

### 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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