



IPO DETAILS

Issue Date	29 th Sept-01 st Oct 2020
Price Band	117-120 per Share
Bid Lot	125 & in multiple there
Face Value	Rs 10/Share
Listing	BSE, NSE
Issue Size	51,00,000 Eq Shares
Fresh Issue	51,00,000 Eq Shares
Pre Issue Eq Shares	1,46,25,000 Eq Shares
BRLM	Unistone Capital Pvt Ltd
Registrar	Bigshare Services Private Limited

Company is an Oil & Gas pipeline infrastructure service provider in India, focused on laying pipeline networks along with construction of associated facilities; and providing Operations & Maintenance services to the City Gas Distribution (“CGD”) Companies in India. Company was founded by Promoter, Mr. Srinivasa Rao Gaddipati, in the year 1998 and has been engaged in the same line of business for over two decades. Over the years, company have diversified the gamut of services being provided by company from Cross-Country Pipeline Projects (CCP); City Gas Distribution (CGD) Projects to providing Operation & Maintenance (O&M) Services to CGD Companies. Company’s client base comprises of established players in the Oil and Gas Industry, both in public and private sector.

Company have executed 10.75” OD x 69 Kms Petroleum Product Pipeline for the first ever Trans-National Cross-Country Pipeline of South-East Asia connecting India to Nepal, in the Year 2019, for supply of petroleum products.

Company’s order book consists of the unexecuted portions of its outstanding orders, that is, the total contract value of the existing contracts secured by company as reduced by the value of work executed and billed until the date of such order book (“Order Book”). Company’s total order book as of July 31, 2020 was approximately Rs. 66,258.97 Lakhs

Company have presence (including past operation) in more than 16 states and 2 Union Territories in India. Company has successfully laid over 600 Kms. of Oil and Gas pipelines including steel and Medium-Density Polyethylene (“MDPE”) network in past 5 fiscals. Additionally, company has laid approximately 800 kms of Oil and Gas pipelines for on-going projects. Further, company have increased the scale of its operations by adopting a strategy of expansion across regions and have strategically expanded to geographies where there is a demand for providing pipeline infrastructure and O&M services.

Between fiscal 2015 and 2020, company’s income from operations increased at a CAGR of 38.96% from Rs. 3,111.92 Lakhs in fiscal 2015 to Rs. 16,123.83 Lakhs in fiscal 2020, while company’s profit after taxation, as restated, increased at a CAGR of 58.56 % from Rs. 198.34 Lakhs in fiscal 2015 to Rs. 1,987.93 Lakhs in fiscal 2020. Company’s RONW (Average of beginning and end of year) for equity shareholders in fiscal 2018, 2019 and 2020 was 24.83%, 43.16% and 33.06%, respectively. While company’s ROCE (Average of beginning and end of year) was 48.78%, 73.55% and 58.53%, respectively. As of March 31, 2019, company’s long-term debt equity ratio was 0.03:1 while it was 0.01:1 on March 31, 2020.

Valuation

Company is bringing the issue at p/e multiple of approx 12x at higher end of price band of Rs 117-120/share on post issue FY20 PAT basis. Company has established track record in executing Pipeline Infrastructure projects and O&M Services has long standing relationship with customers. Also the company has shown strong financial performance with almost zero debt on its book. In addition to this company’s order book is healthy which gives strong revenue visibility going forward.

Therefore, looking after all, we recommend “Subscribe” the issue .



COMPANY OVERVIEW

Company have presence (including past operation) in more than 16 states and 2 Union Territories in India. Company has successfully laid over 600 Kms. of Oil and Gas pipelines including steel and Medium-Density Polyethylene (“MDPE”) network in past 5 fiscals. Additionally, company has laid approximately 800 kms of Oil and Gas pipelines for on-going projects. Further, company have increased the scale of its operations by adopting a strategy of expansion across regions and have strategically expanded to geographies where there is a demand for providing pipeline infrastructure and O&M services. The growth and development of company during the past years have been the result of company’s client centric approach and core competence in the field of pipeline infrastructure. Company’s main focus and vision is to sustain profitable growth by executing projects in time to the satisfaction of its clients. **Company are proud to have executed 10.75” OD x 69 Kms Petroleum Product Pipeline for the first ever Trans-National Cross-Country Pipeline of South-East Asia connecting India to Nepal, in the Year 2019, for supply of petroleum products.**

Company has grown significantly during the past, under the leadership and guidance of company’s Promoter, Mr. Srinivasa Rao Gaddipati, who is having vast technical experience of over three decades in the oil and gas pipeline infrastructure business and is the guiding force behind the successful execution of company’s business strategies over the years.

Company’s Business:

Company’s business operations can be broadly classified under the following heads:

Pipeline Infrastructure Projects

Operation & Maintenance Projects
(O&M) Services

Over the past two decades, company have established a track record of successfully executing majority of its projects in a timely manner and have developed and enhanced competencies in the areas in which company operate.



Company have a strong presence in India and significant experience:

Company is one of the well-established oil & gas pipeline infrastructure companies in India with diversified operations spread across various Geographical regions such as Karnataka, Delhi-NCR, West Bengal, Gujarat, Goa, Andhra Pradesh, Kerala, Tamil Nadu, Telangana, Madhya Pradesh, Jharkhand, Bihar, Chandigarh, Haryana, and Uttar Pradesh. Company's experience and operations in these regions has enabled company to establish contacts with local clients and suppliers. Company enjoy an established track record for successful completion of the projects undertaken by company. Company's Geographical diversity enables company to achieve operating efficiencies, focus on company's Projects and Regions where company can be competitive and obtain adequate margins with the appropriate level of contractual and geo-political risk.

Company have executed 10.75" OD x 69 Kms Petroleum Product Pipeline for the first ever Trans-National Cross-Country Pipeline of South-East Asia connecting India to Nepal for supply of petroleum products. Some of company's other notable projects include:

- A) 12" x 125 Kms Pipeline Laying Works for Dobhi- Durgapur- Haldia Pipeline Section along with Spur-lines under Jagdishpur-Haldia-Durgapur-Bokaro Pipeline Project
- B) 12" x 40 Kms Laying & Construction of Pipeline along with associated work for Bantumilli & Ullampura Pipeline Project
- C) 24" x 95 Kms laying works for Barauni-Guwahati Pipeline Project

Scalability of operations

Initially, in City Gas Distribution market, around 30 cities were notified by PNGRB as CGD Geographical Areas (GAs) for laying CGD network in such areas by the authorized entities. As per the recent Government policies, PNGRB has increased the number of Geographical Areas (GAs) to 228 comprising of 402 districts spread over 27 States and Union Territories, covering 70% of Indian population and 53% of its area. The recent Government initiatives have provided lucrative opportunities for work execution company is already having a good presence in City Gas Distribution Projects along with construction of CNG Stations.

Strong financial performance

Company strive to maintain a strong financial position with emphasis on having a strong balance sheet and increased profitability. Between fiscal 2015 and 2020, company's income from operations increased at a CAGR of 38.96% from Rs. 3,111.92 Lakhs in fiscal 2015 to Rs. 16,123.83 Lakhs in fiscal 2020, while company's profit after taxation, as restated, increased at a CAGR of 58.56 % from Rs. 198.34 Lakhs in fiscal 2015 to Rs. 1,987.93 Lakhs in fiscal 2020.

In fiscal 2018, 2019 and 2020, company have also had strong cash flows from operations. Company's net cash flow from operations was Rs. 401.55 Lakhs, Rs. 318.67 Lakhs and Rs. 1,915.27 Lakhs, respectively, reflecting its strong financial operations. Company's RONW (Average of beginning and end of year) for equity shareholders in fiscal 2018, 2019 and 2020 was 24.83%, 43.16% and 33.06%, respectively. While company's ROCE (Average of beginning and end of year) was 48.78%, 73.55% and 58.53%, respectively. As of March 31, 2019, company's long-term debt equity ratio was 0.03:1 while it was 0.01:1 on March 31, 2020. Company's debtor holding period was 79.71, 36.53 and 31.36 days in the fiscal 2018, 2019 and 2020 respectively.



Continue to expand its operations

Company's objective is to expand and enhance its presence in regions where company have previously developed a strong base of operations by company's established contracts with local clients and suppliers, and familiarity with local working conditions. Increase in demand for natural gas in India in the recent period is expected to result in vast opportunities for the pipeline infrastructure business. In addition, favorable government policies may act as a catalyst for boosting the further growth of this industry.

Company intend to strengthen its presence all over the country and play a bigger role in CGD system as the Government is focusing to substantially increase the CGD network and also to become a prominent player in O&M operations of CGD network.

Further growth in company's O&M services offerings

The significant increase in pipeline projects in India and the aging of existing pipeline projects should result in a significant increase in demand for company's O&M Services business, which include AMC services, repairs and modernisation, scheduled shutdowns and overhauling of existing pipelines projects. Revenue from company's O&M Services business was Rs.642.67 Lakhs, Rs. 1978.94 Lakhs and Rs. 3426.43 Lakhs in fiscal 2018, 2019 and 2020, representing 7.38%, 14.40% and 21.25%, respectively, of its total revenue from operations in these periods. Company have experienced a significant growth in its O&M Services business in recent years which grew at a CAGR of 297.51% between fiscal 2017 and fiscal 2020. Presently, O&M Services offer relatively better margins as compared to pipeline infrastructure projects and taking into consideration the present phase of CGD business, the business of O&M Services is expected to further increase. Further, the level of competition for O&M contracts is relatively lower than that in case of Pipeline Infrastructure Projects due to technical requirements.

Focus on Performance and Project Execution

Company have developed a reputation for undertaking challenging projects and completing projects within the stipulated deadlines. Company intend to continue to focus on performance and execution of projects in order to maximize client satisfaction and margins. For better performance company focus on advanced technologies, designs and project management tools to increase productivity and maximize asset utilization. Through company's comparatively lower cost center of operations in India, company continue to optimize operating and overhead costs to maximize its operating margins.

To facilitate efficient decision making, company intend to continue to strengthen the information and communication infrastructure for its operations in order to deliver satisfactorily on commitments to its clients.



Risk Factors:

Company’s business is dependent on a few clients and the loss of, or a significant reduction in purchase orders from such clients could adversely affect its business and financials. Company depend on a limited number of clients for a significant portion of its revenue. The loss of any of its major client due to any adverse development or significant reduction in business from its major client may adversely affect company’s business, financial condition, results of operations and future prospects.

Objects of Issue:

The Objects of the Issue is to raise resources to:

1. meet the Working Capital Requirements;
2. meet General Corporate Purposes; and
3. meet Issue Expenses.

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20
Total Income	87.08	139.48	161.24
Total Exp	75.90	110.58	131.57
EBIDTA	11.17	28.91	29.67
Other Income	1.53	1.06	1.55
Depreciation	0.93	2.99	3.09
EBIT	11.77	26.98	28.13
Interest	0.85	1.68	1.36
PBT	10.93	25.30	26.77
E/O Items	0.00	0.00	0.00
PBT	10.93	25.30	26.77
Sh Of Profit in			
Asso	0.00	0.00	0.00
PBT	10.93	25.30	26.77
Tax	3.76	7.44	6.89
PAT	7.16	17.86	19.88
Eq Cap	4.50	4.50	14.63
Net Worth	32.43	50.31	69.96
Eq Shares	0.45	0.45	1.46
EPS	4.90	12.21	13.59
ROE	24.83	43.16	33.06

Source:RHP

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