

Issue Details

Listing	BSE & NSE
Open Date	29 Sep 2020
Close Date	01 Oct 2020
Price Band	Rs.117-120
Market Lot	125 shares
Minimum Lot	1 Lot

Likhitha Infrastructure Ltd, incorporated in 1998, is an oil & gas pipeline infrastructure service provider in India, focused on laying pipeline networks along with the construction of associated facilities. The company also provides Operations & Maintenance (O&M) services to the City Gas Distribution (CGD) Companies in the country. In the last 5 years, the company has laid over 600 km of oil and gas pipelines including steel and Medium-Density Polyethylene (MDPE) networks. The company has its presence in over 16 states and 2 Union Territories.

Issue Structure

Offer for sale	0%
Fresh Issue	100%

During FY18-20, Likhitha Infrastructure's overall revenue grew at a CAGR of 36.1% to Rs.161 cr in FY20. During the same period, the EBITDA grew at a CAGR of 63.0% to Rs.30 cr in FY20 whereas net profit grew at a CAGR of 66.7% to Rs.20 cr in FY20.

Issue Size	Rs.61.2 cr
Fresh issue shares	5,100,000
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

Key Investment Highlights:

- **Further growth from its O&M services operations.** The demand for O&M services is expected to increase owing to the significant increase in pipeline projects in India and the aging of existing pipeline projects. The revenue from this segment has increased at a CAGR of 130.8% during FY 18-20 and the company expects the segment to grow further, going ahead, as well.
- **Focus on expanding operations.** The company intends to strengthen its presence all over the country and play a bigger role in the 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 the CGD network.
- **The company has over 20 years of experience in oil and gas pipeline infrastructure and it is one of the few oil and gas pipeline infrastructure companies, having a good track record of timely delivery of supply chain in all the business areas.**

Shareholding Pattern

Shareholder	%	%
Promoters	99.96	74.14
Institutional	0.00	12.93
Public	0.04	12.93

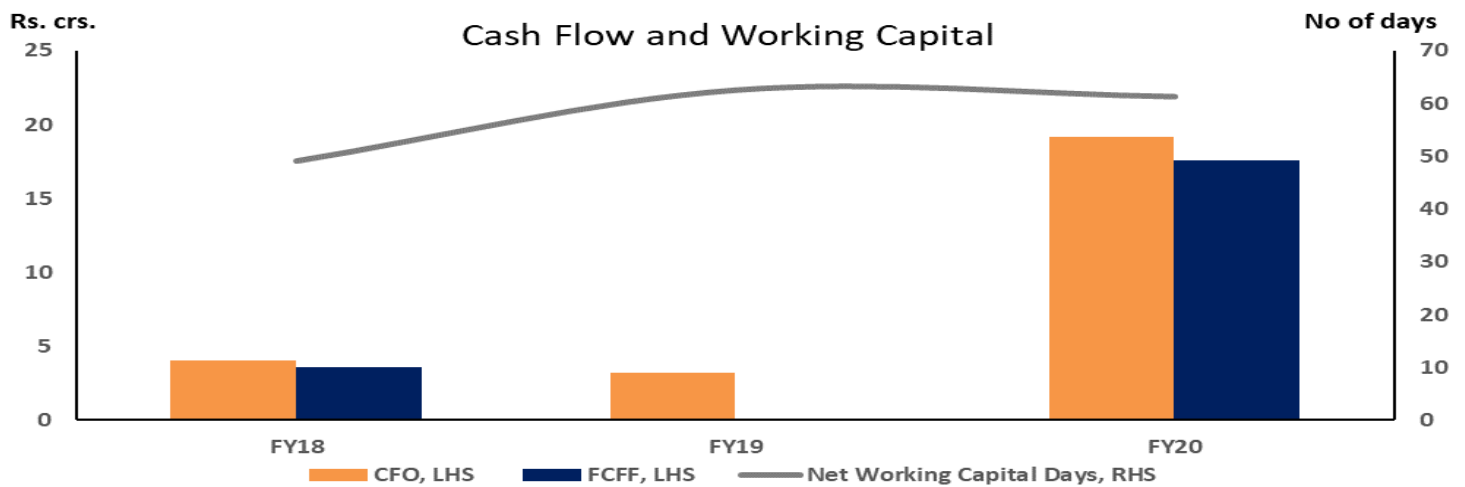
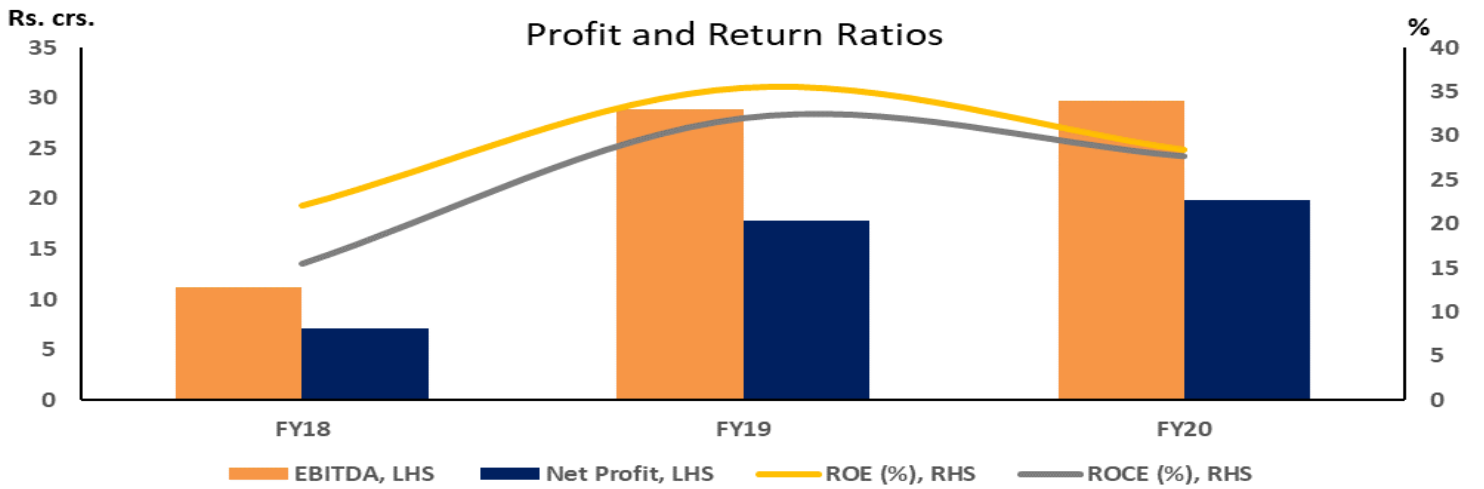
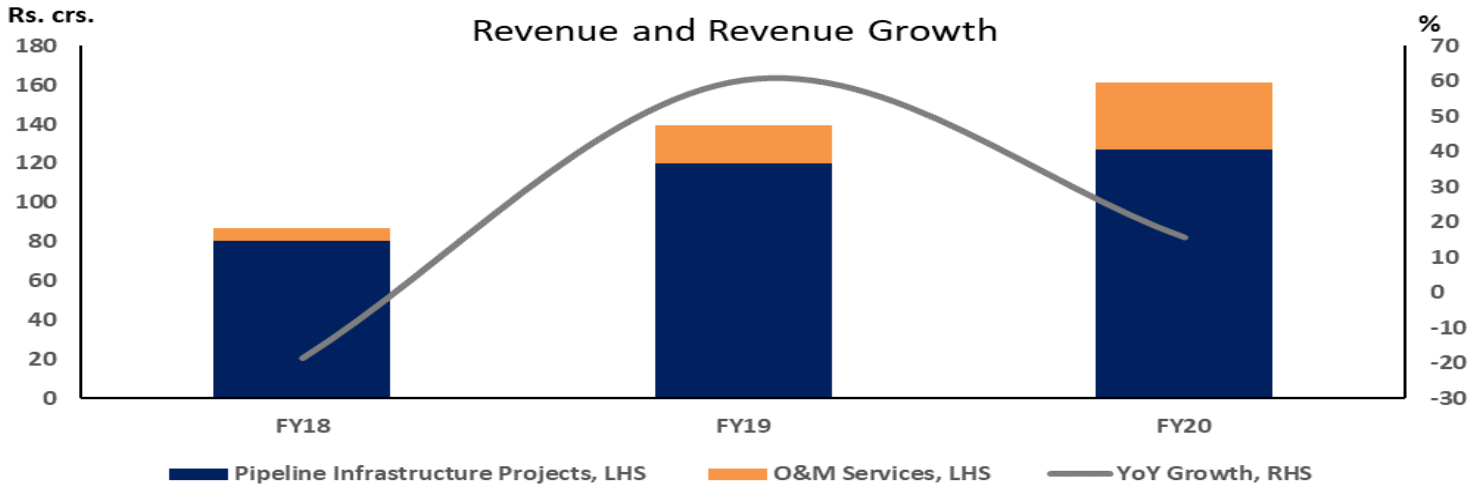
Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)
FY18	87	11	7	12.8	8.2	4.9	22.2	22.1	15.5	24.5	5.4
FY19	139	29	18	20.7	12.8	12.2	34.4	35.5	32.1	9.8	3.5
FY20	161	30	20	18.4	12.3	13.6	47.8	28.4	27.7	8.8	2.5

- Well diversified operations spread across various geographical regions. The company has its presence in 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.
- The company has a strong order book in both of its operations. The order book position as of July 31 2020 is as below:

Particulars	No of projects	Value (Rs. cr)
Pipeline Infrastructure Projects	28	615.86
O&M Services	3	46.73
Total		662.59

- Long term relationship with clients and repeat business. The company enjoys a good reputation in their area of business and has received repeat orders from several of its prominent clients, despite the increase in competition.



Source: Company Reports & Ventura Research

Issue Structure and Offer Details

The proposed issue size of Likhitha Infrastructure IPO is Rs.61.2 cr. The issue comprises of fresh issue of 5,100,000 shares. The price band for the issue is in the range of Rs.117-120 per share, and the bid lot is 125 shares and multiple thereof.

Issue Structure		
Issue Structure	No. of shares	Offer Details
Authorized shares	20,000,000	
Outstanding shares (@ Face Value of Rs. 10)	14,625,000	
Fresh Issue shares	5,100,000	
- Qualified Institutional Buyers	Not more than 2,550,000	Not more than 50% of Issue
- Non Institutional Investors	Not less than 765,000	Not less than 15% of Issue
- Retail Investors	Not less than 1,785,000	Not less than 35% of Issue

Source: Company Reports & SEBI

Valuation

At a higher price band of Rs. 120, Likhitha Infrastructure is trading at FY20 P/E of 8.8x.

Key Management Personnel

Key Person	Designation	Description
Mr. Srinivasa Rao Gaddipati	Managing Director	He has been associated with the company since inception. He is having vast technical experience of over three decades in the Oil & Gas infrastructure business. He has exposure in all business verticals and is engaged in supervision & conduct of business of the Company, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision & control of the Board of Directors.
Mr. Sudhanshu Shekhar	Chief Executive Officer	He has been associated with the company since February 2018 and has been appointed as the CEO of the Company w.e.f. June 01, 2019. He has done his graduation in mechanical engineering from Bapurao Deshmukh College of Engineering, Nagpur University, Maharashtra. He has an overall experience of nearly 16 years in the field of project management, contract management, control planning and co-ordination for various oil and gas pipeline projects, water pipeline projects, tank farm projects, plants and city gas distribution projects.
Mr. Sambasiva Rao Ketineni	Chief Financial Officer	He has been associated with the company since June 2020. He has done his graduation in commerce from Andhra University and a member of the Institute of Chartered Accountants of India (ICAI) and is an associate member of the Institute of Company Secretaries of India (ICSI). He has overall experience of over 30 years in the fields of Project Financing including Finance Modelling, Debt syndication, Capital Budgeting, Working Capital Management, Public Issue, Amalgamations and Mergers, Accounting and Auditing, Taxation (Direct and Indirect Taxes), etc.
Mr. Santhosh Kumar Gunemoni	Company Secretary & Compliance Officer	He has been appointed as the Company Secretary & Compliance Officer of the Company w.e.f. December 10, 2019. He has done his bachelor's in commerce from Osmania University, Hyderabad and is an associate member of the Institute of Company Secretaries of India (ICSI).

Source: Company Reports

Financial Statements

Figures are in Rs Cr	FY18	FY19	FY20	Figures are in Rs Cr	FY18	FY19	FY20
Income Statement				Per Share Data (Rs)			
Net Revenue	87.1	139.5	161.2	Adjusted EPS	4.9	12.2	13.6
<i>YoY Growth (%)</i>	<i>-18.7</i>	<i>60.2</i>	<i>15.6</i>	Adjusted Book Value per Share	22.2	34.4	47.8
Total Expenditure	75.9	110.6	131.6	Debt Burden			
<i>YoY Growth (%)</i>		<i>45.7</i>	<i>19.0</i>	Total Debt to Equity	0.3	0.1	0.0
EBITDA	11.2	28.9	29.7	Net Debt to Equity	-0.1	-0.1	-0.3
<i>Margin (%)</i>	<i>12.8</i>	<i>20.7</i>	<i>18.4</i>	Net Debt to EBITDA	-0.4	-0.2	-0.7
Depreciation	0.9	3.0	3.1	Return Ratios			
EBIT	10.2	25.9	26.6	Return on Equity (%)	22.1	35.5	28.4
<i>Margin (%)</i>	<i>11.8</i>	<i>18.6</i>	<i>16.5</i>	Return on Capital Employed (%)	15.5	32.1	27.7
Other Income	1.5	1.1	1.6	Return on Invested Capital (%)	24.2	40.0	39.1
Finance Cost	0.9	1.7	1.4	Working Capital			
<i>Interest Coverage</i>	<i>12.0</i>	<i>15.4</i>	<i>19.6</i>	Receivable Days	94	42	37
PBT	10.9	25.3	26.8	Inventory Days	11	52	56
<i>Margin (%)</i>	<i>12.5</i>	<i>18.1</i>	<i>16.6</i>	Payable Days	56	32	32
Tax	3.8	7.4	6.9	Net Working Capital Days	49	63	61
<i>Tax Rate (%)</i>	<i>34.4</i>	<i>29.4</i>	<i>25.7</i>	Valuation Ratios			
PAT	7.2	17.9	19.9	P/E	24.5	9.8	8.8
<i>Margin (%)</i>	<i>8.2</i>	<i>12.8</i>	<i>12.3</i>	P/BV	5.4	3.5	2.5
Share of Associates	0.0	0.0	0.0	Cash Flow Statement			
Net Profit	7.2	17.9	19.9	Profit Before Tax	10.9	25.3	26.8
<i>Margin (%)</i>	<i>8.2</i>	<i>12.8</i>	<i>12.3</i>	Adjustments	1.1	3.9	3.7
Balance Sheet				Change in Working Capital	-4.3	-21.3	-3.7
Share Capital	4.5	4.5	14.6	Less: Tax Paid	-3.7	-4.6	-7.6
Total Reserves	27.9	45.8	55.3	Cash Flow from Operations	4.0	3.2	19.2
Shareholders' Fund	32.4	50.3	70.0	Net Capital Expenditure	0.3	0.2	-1.5
Long Term Borrowings	3.6	1.1	0.2	Change in Investment Activities	-7.1	-2.6	-5.7
Long Term Provisions	0.1	0.2	0.7	Cash Flow from Investing	-6.9	-2.4	-7.3
Total Liabilities	36.1	51.7	70.8	Change in Investment Activities	6.5	-2.4	-3.2
Net Block	14.7	13.8	11.7	Less: Finance Cost	-0.2	-0.9	-0.6
Capital Work in Progress	0.0	0.0	0.0	Cash Flow from Financing	6.3	-3.3	-3.8
Deferred tax assets	-0.3	-0.1	0.4	Net Cash Flow	3.5	-2.5	8.1
Non-current tax assets	0.0	0.0	0.0	Opening Cash Balance	4.8	8.3	5.8
Non Current Investments	0.4	0.0	0.0	Closing Cash Balance	8.3	5.8	13.9
Long Term Loans & Advances	1.9	2.6	2.7				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	19.4	35.5	56.0				
Total Assets	36.1	51.7	70.8				

Source: Company Reports & Ventura Research

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