

Lithika Infrastructure Ltd : Good Issue

IPO Note : Good top line and bottom-line growth : Small Issue : Listing in "T" Group Ranking***



Issue details

Price band (Rs)	Rs.117-120
IPO Opening Date	29/09/2020
IPO Closing Date	01/10/20
Issue Size	Rs.61.20 Cr.

Recommendation

Total revenue grew at a **CAGR of 35.55%** from Rs.88.60 Cr for the FY 2018 to Rs.162.79 Cr for FY 2020 and Net Profit grew at a **CAGR of 66.59%** in the same period. Net profit grew from Rs.7.16 crore to Rs.19.87 crore in this period. If we attribute FY20 earnings on fully diluted equity post issue, **then asking price is at a P/E of around 11.91**. On the basis of financial data and the P/E as well as P/BV ratio, the issue appears reasonably priced. LIL has good track record and a healthy order book. It has total Based on financial parameters issue appears reasonably priced. It is going to create fancy as first mover in the segment post listing. Due to listing in "T" group with 5% circuit limit, speculative movement will get restricted. Looking to its fundamentals, long term investment may be considered.

Highlights

- Likhitha Infrastructure Ltd. (LIL) is an oil & gas infrastructure service provider in India, focused on laying pipeline networks along with the construction of associated facilities and providing Operations & Maintenance Services for City Gas Distribution ("CGD") projects in India.
- The company has a presence (including past operation) in more than 16 states and 2 Union Territories in India. It has successfully laid over 600 Kms. of Oil and Gas pipelines including steel and Medium-Density Polyethylene ("MDPE") network in past 5 fiscals. Additionally, the Company has laid approximately 800 kms of Oil and Gas pipelines for on-going projects.
- As on July 31, 2020, our Company's order book size was approx. Rs. 66,258.97 Lakhs
- As on 31 July 2020, the company has total debt of Rs. 59.87 crore.

Company Introduction

Incorporated in 1998, Likhitha Infrastructure Ltd is an oil and gas pipeline infrastructure service provider in India. The company is engaged in providing oil & gas pipelines, city gas distribution projects, Cross-Country Pipeline Projects, and operations and maintenance services as well. It is the first company that has executed the first Trans-National Cross Country Hydrocarbon Pipeline Project between India and Nepal. With 20+ years of existence, it has spread its geographical presence across 16+ states and 2 Union Territories in India such as Delhi, West Bengal, Telangana, Gujarat, Andhra Pradesh, Madhya Pradesh, Bihar, Chandigarh, Haryana, Kerala, Orissa, Uttar Pradesh, etc. Company has a strong client base in India including both the private and public players such as ONGC, HCG, IndianOil, GAIL, etc.

Competitive strength

- Diversified geographical presence in India



Financial Summary (Rs. In Crore)

Particulars	FY2020	FY2019	FY2018
Total Income	162.79	140.54	88.60
Net Profit	19.87	17.85	7.16
EPS (Rs)	10.07	9.04	3.62

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

- Strong client base
- Efficient business model
- Strong project execution capabilities

Company Promoters:

Mr. Srinivasa Rao Gaddipati and Ms. Likhitha Gaddipati are the promoters of the company.

The object of the issue

The net proceeds from the IPO will be used against following objectives;

- To meet the general working capital requirements of the business.
- To meet general corporate purposes.
- To meet IPO issue expenditures.

IPO Issue Proceed

To part finance its need for working capital (Rs. 47.00 cr.) and general corpus fund, LIL is coming out with a maiden IPO of 5100000 equity shares of Rs. 10 each via book building route. It has fixed a price band of Rs. 117 - Rs. 120 per share. The issue opens for subscription on September 29, 2020, and will close on October 01, 2020. Minimum application is to be made for 125 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. LIL mulls mobilizing around Rs. 61.20 cr. (based on upper price band) through this IPO. Issue constitutes 25.86% of the post issue paid-up capital of the company. Post issue, LIL's current paid-up equity capital of Rs. 14.63 cr. will stand enhanced to Rs. 19.73 cr. With this issue, the company is looking for a market cap of Rs. 236.70 cr.

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