



Greenhitech Ventures Limited

IPO Note
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IPO Details				Company Background				
Opening Date	April 12, 2024			<ul style="list-style-type: none">○ Founded in 2011, Greenhitech Ventures Limited has its registered office in Varanasi, Uttar Pradesh, India.○ The company is engaged in trading of various petroleum-based products for the different categories of industries.○ The company is also engaged in Operation & Maintenance as Job worker for Ethanol manufacturing in Government owned distilleries.○ The company provide business solutions and services to consumers of Fuels and other alternative materials across India.○ As of January 31, 2024, the company had a total of 68 employees on its payroll.				
Closing Date	April 16, 2024							
Stock Exchange	BSE SME							
Lot Size	3,000 Shares							
Issue Price	₹50 per share							
Issue Size	Aggregating up to 6.30 Cr.							
Fresh Issue	Aggregating up to 6.30 Cr.							
Offer for Sale	-							
Application Amount	₹1,50,000							
IPO Objective				Market Capitalization (In Cr.)				
1. To meet working capital requirements.				Pre-Issue		Post-Issue		
2. General corporate purposes.				₹ 17		₹ 24		
Pre-Issue Shareholding				Financial Summary (In Lacs.)				
Category	No. of Shares	% of Total Shares		For the Period Ended	Mar-21	Mar-22	Mar-23	Jan-24
Promoter & Promoter Group	33,20,000	96.51%		Total Assets	2,378.58	3,188.77	2,708.05	2,677.75
Public	1,20,000	3.49%		Net Assets	140.99	322.45	315.45	456.64
Promoter of the Company				Total Borrowing	114.60	150.15	347.07	431.71
1. Naved Iqbal				Total Revenue	4,007.68	6,611.58	2,504.35	474.79
2. Mohammad Nadeem				Profit After Tax	24.39	135.13	57.23	40.70
Competitive Strengths				Tentative Timeline				
1. Existing client relationship.				Opening Date		April 12, 2024		
2. Experienced Promoter and Management Expertise.				Closing Date		April 16, 2024		
3. Scalable Business Model.				Basis of Allotment		April 18, 2024		
4. Timely fulfilment of orders.				Initiation of Refunds		April 19, 2024		
5. Eco- friendly products.				Credit of Shares to Demat		April 19, 2024		
6. Quality Assurance and Standards.				Listing Date		April 22, 2024		



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Company Background and Analysis

Greenhitech Ventures Limited was incorporated on November 18, 2011. The company is engaged in trading of various petroleum-based products for the different categories of industries. This includes supply of biofuels, bitumen, light density oils, furnace oils etc. The company is also engaged in Operation & Maintenance as Job worker for Ethanol manufacturing in government-owned distilleries.

The Business Offerings –

1. Trading of Biofuels – The company is a supplier of various petroleum-based products for the different categories of industries based on their requirement. The company trade in two types of Biofuels –
 - i) Bio Diesel – The company’s fuel qualifies as Bio-Diesel B-10.
 - ii) Light Diesel Oil - It acts as a key ingredient in the generation of electricity and heat in a number of production units.

2. Jobwork for Ethanol Manufacturing – Ongoing Projects in the field of ethanol production –
 - i) Rajasthan Sugar Federation Limited, Sriganganagar Sugar Plant – The company has entered into agreement dated November 30, 2022, for the operation and maintenance of molasses/syrup-based distillery having capacity of 30 KLPD with 1.2 MW biomass-based power plant situated at Chak 23F, The ShriKaranpur, Sriganganagar City.
 - ii) Uttar Pradesh Cooperative Sugar Federation Limited, Ethanol Plant, Operations and Maintenance in Ghosi Tehsil, Mau, Uttar Pradesh - The company has entered into agreement dated May 26, 2022 for operation, repair and maintenance of equipments/machinery for newly erected Distillery of 30 KLPD capacity with DCS based control system consisting.

(Amt in Lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Jan-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Job work for ethanol production	-	-	-	-	500.35	19.98	397.05	83.63
Trading of Biofuels	4,006.97	100.00	6,611.58	100.00	2,004.00	80.02	77.74	16.37
Total	4,006.97	100.00	6,611.58	100.00	2,504.35	100.00	474.79	100.00

To conclude, the company has good experience in the industry. The company has recently started its business in Ethanol Production. The company has seen a decrease in the top line of its financials.



Business Strategies

1. Develop cordial relationships with the Suppliers, Customers and employees –

The company believe in maintaining good relationships with the Suppliers and Customers. The company believes that establishing strong, mutually beneficial long-term relationships and strategic supplier relationship management are critical steps in improving performance across the supply chain, generating greater cost efficiency and enabling the business to grow and develop.

2. Improving operational efficiencies –

The Company intends to improve efficiencies to achieve cost reductions so that they can be competitive. The company believes that this can be done through domestic presence and economies of scale.

3. Optimal Utilization of Resources –

The company will increase service activities to optimize the utilization of resources. The company has invested significant resources and intends to further invest in the activities to develop customized systems and processes to ensure effective management control.

4. To build up a Professional Organization –

The company believe in transparency, commitment and coordination in the work, with the suppliers, contractors, job workers, customers, government authorities, banks etc. The company also consult with external agencies on a case-to-case basis on technical and financial aspects of the business.

5. Leveraging the Marketing Skills and Relationships –

The company plan to increase the customer base by supplying orders in hand on time, maintaining and renewing the relationship with existing clients.

Competitive Scenario and Peer Mapping

Competition

The industry faces moderate competition from scattered unorganized players in the domestic market. The company believe that the ability to compete effectively is primarily dependent on ensuring consistent product quality and timely delivery at competitive prices, thereby strengthening the brand over the years. The company has moderate entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly higher in the industry in which the company operates in.

Peer Analysis

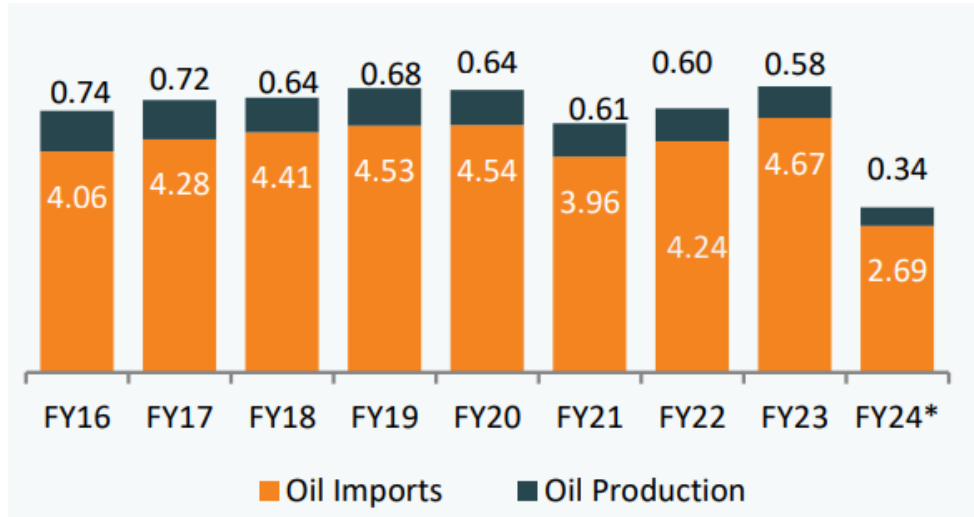
The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

The company believes they do not have any listed peers for comparison as per the Offer Document.



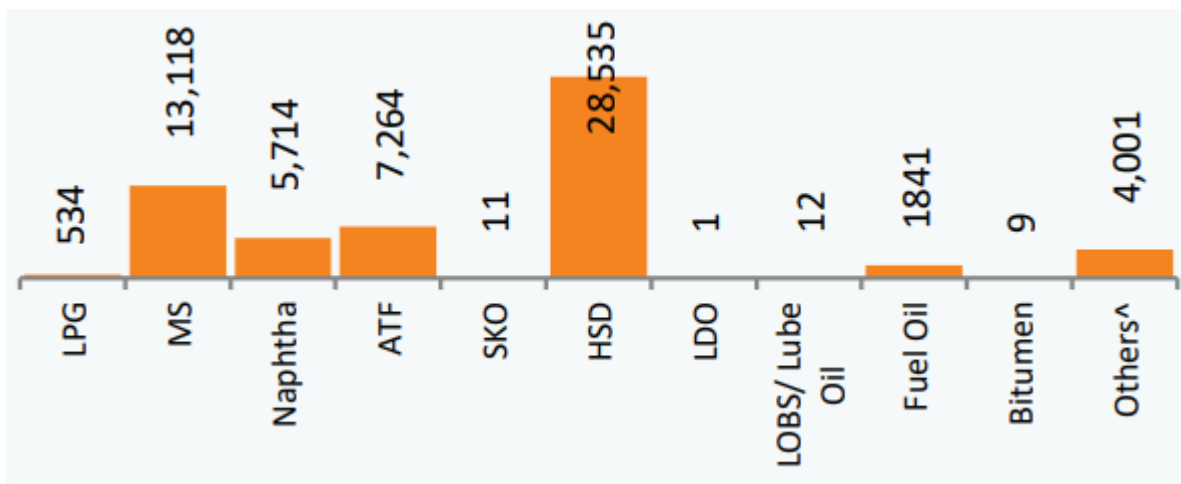
Industry Overview

Exhibit 1: Import and Domestic Oil Production in India (MBPD)



**Until October 2023*

Exhibit 2: Product-wise Export of Petroleum Products from India in FY23 (MMT)



(Source: ibef.org)



Oil and Gas Industry -

The oil and gas sector is among the eight core industries in India and plays a major role in influencing the decision-making for all the other important sections of the economy.

India's economic growth is closely related to its energy demand, therefore, the need for oil and gas is projected to increase, thereby making the sector quite conducive for investment. India retained its spot as the third-largest consumer of oil in the world as of 2022. The Government has adopted several policies to fulfil the increasing demand. It has allowed 100% foreign direct investment (FDI) in many segments of the sector, including natural gas, petroleum products and refineries, among others. The FDI limit for public sector refining projects has been raised to 49% without any disinvestment or dilution of domestic equity in existing PSUs.

Today, it attracts both domestic and foreign investment, as attested by the presence of companies such as Reliance Industries Ltd (RIL) and Cairn India. The industry is expected to attract US\$ 25 billion investment in exploration and production by 2022. India is already a refining hub with 23 refineries, and expansion is planned for tapping foreign investment in export-oriented infrastructure, including product pipelines and export terminals. India's crude oil production in FY23 stood at 29.2 MMT.

According to the IEA (India Energy Outlook 2021), primary energy demand is expected to nearly double to 1,123 million tonnes of oil equivalent, as India's gross domestic product (GDP) is expected to increase to US\$ 8.6 trillion by 2040. As of April 2022, India's oil refining capacity stood at 251.2 MMTPA, making it the second-largest refiner in Asia. Private companies owned about 35% of the total refining capacity.

India is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. India's consumption of petrol products stood at 222.3 MMT in FY23. High-Speed Diesel was the most consumed oil product in India and accounted for 38.6% of petroleum product consumption in FY23. India's consumption of petroleum products stood at almost 4.44 million barrels per day (BPD) in FY23, up from 4.05 million BPD in FY22. India's LNG import stood at 20.1 million metric tonnes (MMT) in FY23. Gross production of LNG was 2,883 MMSCM in January 2023. According to the International Energy Agency (IEA), consumption of natural gas in India is expected to grow by 25 BCM, registering an average annual growth of 9% until 2024.

Rapid economic growth is leading to greater outputs, which in turn is increasing the demand of oil for production and transportation. Crude oil consumption is expected to grow at a CAGR of 5.14% to 500 million tonnes by FY40 from 202.7 million tonnes in FY22. In terms of barrels, India's oil consumption is forecast to rise from 4.05 MBPD in FY22 to 7.2 MBPD in 2030 and 9.2 MBPD in 2050.

Indian Ethanol Market -

India ethanol market size was estimated at USD 2.27 billion in 2022. During the forecast period between 2023 and 2029, India ethanol market size is projected to grow at a CAGR of 9.16% reaching a value of USD 4.15 billion by 2029. The rising demand for biofuels is expected to lead to growth in the India ethanol market. The country is gradually embracing the usage of ethanolbased fuels and electric cars, which will fuel market expansion in India. A major trend in the nation is the expansion of the agricultural sector and the use of feedstock for the production of ethanol. To increase output and support the schemes and plans that will lead to the expansion of the India ethanol market During the forecast period, the government is actively investing in the sector.

(Source: ibef.org)



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Key Managerial Personnel

Naved Iqbal, aged 37 years, is one of the Promoters, Chairman and Managing Director of the Company. He holds the degree of Master of Business Administration. He has of 12 years in the Renewable Energy industry. He is responsible for the expansion and overall management of the business of the Company.

Mohammad Nadeem, aged 34 years, is one of the Promoters and Whole-Time Director of the Company. He holds a bachelor's degree in technology in Computer Science and Engineering. He has experience of 08 years in the Renewable Energy Industry. He has expertise in the field of Market research, People Management and Team leading which helped in the overall development of the Company.

Arham Anees, aged 27 years, is the Non-Executive Director of the Company. He is Intermediate qualified and has experience of 08 years in production, quality and marketing.

Amit Kumar Singh, aged 44 years, is the Non-Executive Director of the Company. He holds a bachelor's degree in electrical and Telecommunication having experience of 22 Years in the Telecom Industry. He has expertise in end-to-end Understanding of the Telecom Domain from Testing, Planning, and Integration to Pricing, Business Development, Sales, Negotiations, and Contract Closures.

Raj Rathi, aged 36 years, is the Independent Director of the Company. He is a qualified Chartered Accountant and Company Secretary. He has 12 years of experience of 12 years in Auditing, Accounts and Taxation related services.

Sobha Gupta, aged 32 years, is the Independent Director of the Company. She is a semi-qualified Company Secretary and holds a bachelor's degree in law. She has experience of 07 years in Corporate Compliance.

To conclude, the company has two promoters, and they have good experience in the industry. The Remaining Directors of the company also have good knowledge and experience in their respective fields which helps in the overall growth of the company.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jan-24
Revenue from Operations	4,006.97	6,611.58	2,504.35	474.79
Other Income	0.71	-	-	-
Total Income	4,007.68	6,611.58	2,504.35	474.79
Expenses				
Cost of Material Consumed	3,681.09	5,870.03	2,032.27	241.49
Employee benefits expense	73.80	86.20	76.10	45.53
Finance costs	13.99	16.72	44.65	31.00
Depreciation and Amortization expense	11.30	11.86	13.52	6.51
Other expenses	187.18	398.40	240.18	94.98
Total Expenses	3,967.36	6,383.21	2,406.72	419.51
Earnings Before Interest, Taxes, Depreciation & Amortization	64.90	256.95	155.80	92.79
EBITDA Margin	2%	4%	6%	20%
Profit/(Loss) before tax	40.32	228.37	97.63	55.28
Tax Expense				
Current Tax	17.25	94.27	41.70	14.13
Deferred Tax	-1.32	-1.03	-1.30	0.45
Total Tax Expense	15.93	93.24	40.40	14.58
Profit/(Loss) for the year	24.39	135.13	57.23	40.70
Net Profit Margin	0.61%	2.04%	2.29%	8.57%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jan-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	140.99	322.45	315.45	344.00
Reserves and surplus	-	-	-	112.64
Total Equity	140.99	322.45	315.45	456.64
2. Non-current liabilities				
Long Term Borrowings	32.86	83.51	175.56	53.07
Total Non-current liabilities	32.86	83.51	175.56	53.07
3. Current liabilities				
Short-term borrowings	81.74	66.64	171.51	378.64
Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises; and	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises.	1,814.88	1,978.88	1,867.94	1,708.29
Other current liabilities	290.86	643.02	135.89	69.60
Short-term provisions	17.25	94.27	41.70	11.51
Total Current liabilities	2,204.73	2,782.81	2,217.04	2,168.04
Total Liabilities	2,237.59	2,866.32	2,392.60	2,221.11



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Balance Sheet					(In Lacs)
Total Equity and Liabilities	2,378.58	3,188.77	2,708.05	2,677.75	
ASSETS					
1. Non-current assets					
Property, plant & equipment	34.47	30.88	22.68	16.39	
Deferred Tax Assets (Net)	1.32	2.35	3.65	3.20	
Total Non-Current assets	35.79	33.23	26.33	19.59	
2. Current assets					
Inventories	686.54	922.30	770.77	605.01	
Trade receivables	1,490.07	2,102.80	1,777.50	1,827.98	
Cash and cash equivalents	4.10	0.57	6.78	4.36	
Short-term loans and advances	102.88	116.92	86.56	187.98	
Other Current Assets	59.20	12.95	40.11	32.83	
Total Current assets	2,342.79	3,155.54	2,681.72	2,658.16	
Total Assets	2,378.58	3,188.77	2,708.05	2,677.75	

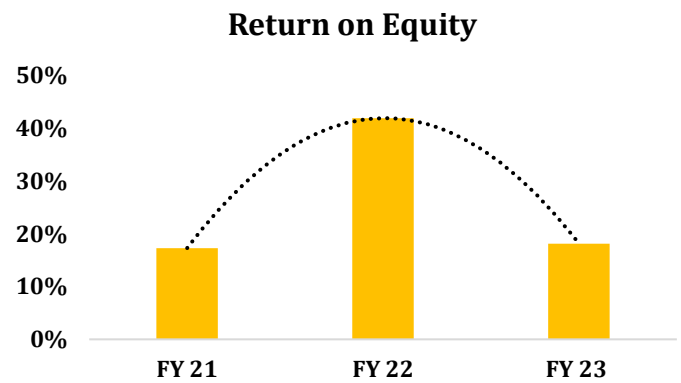
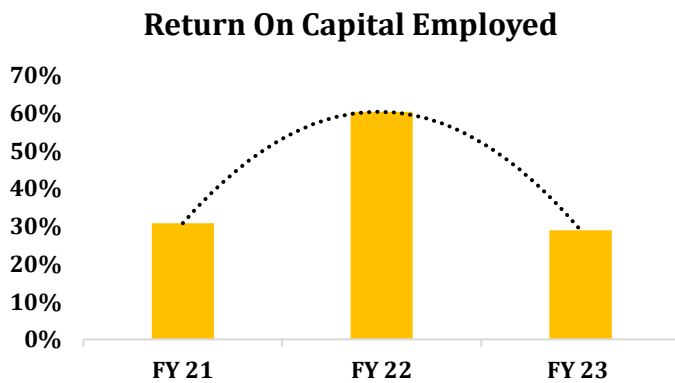
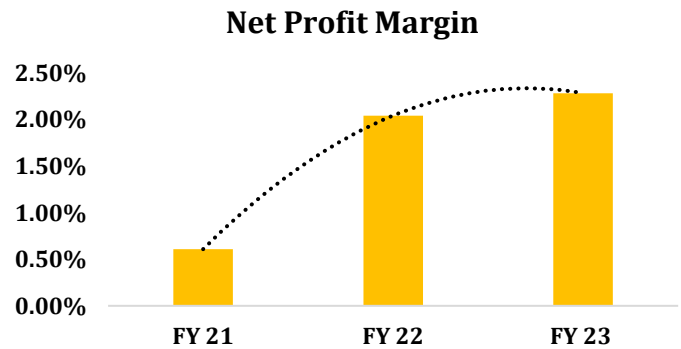
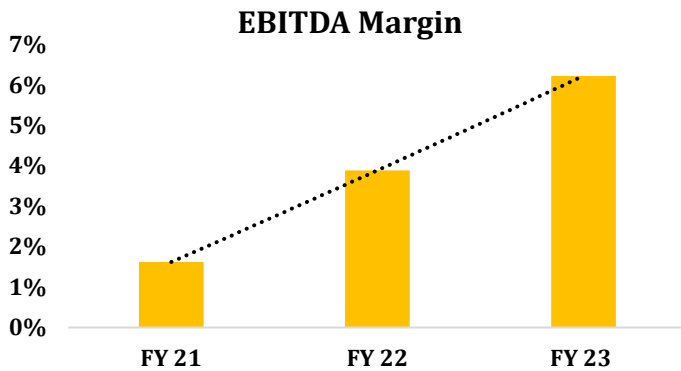
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jan-24	
Net Cash Flow from Operating Activities	-158.6	-63.17	-80.04	-157.03	
Net Cash Flow from Investing Activities	-25.14	-8.28	-5.31	-0.22	
Net Cash Flow from Financing Activities	155.66	67.88	91.57	154.83	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jan-24*
Per Share Data				
Diluted EPS	30.48	168.93	71.53	1.05
BV per share	3.00	6.86	6.71	23.31
Operating Ratios				
EBITDA Margins	1.62%	3.89%	6.22%	19.54%
PAT Margins	0.61%	2.04%	2.29%	8.71%
Inventory days	62.54	50.92	112.34	389.93
Debtor days	135.73	116.09	259.06	1,178.12
Creditor days	152.79	118.30	362.52	6,902.64
Return Ratios				
RoCE	31%	60%	29%	9%
RoE	17%	42%	18%	5%
Valuation Ratios (x)				
EV/EBITDA	3.88	1.84	4.21	12.83
Market Cap / Sales	0.59	0.36	0.94	4.14
P/E	1.64	0.30	0.70	47.50
Price to Book Value	16.67	7.29	7.45	2.15
Solvency Ratios				
Debt / Equity	0.81	0.47	1.10	0.95
Current Ratio	1.06	1.13	1.21	1.23
Quick Ratio	0.75	0.80	0.86	0.95
Asset Turnover	1.68	2.07	0.92	0.18
Interest Coverage Ratio	3.83	14.66	3.19	2.78

*Annualized Figures



Financial Charts



Key Risk Factors

1. The company has had negative operating cash flows for all the three FY 21, 22, 23, and the Period ended Jan-24. Any such negative cash flows in the future could affect the business, results of operations and prospects.
2. The company's top ten customers contribute approximately 100%, 100%, 99.96%, and 99.97% of the revenues for the period ended July 31, 2023, March 31, 2023, March 31, 2022, and March 31, 2021. The loss of, or a significant reduction in the revenues receive, one or more of these clients, may adversely affect the business.
3. The company's top ten suppliers contributed approximately 100% of the total purchases for the period ended July 31, 2023, March 31, 2023, March 31, 2022, and March 31, 2021.
4. The ethanol manufacturing business is slightly seasonal in the country which affects some portion of the revenue and such seasonality may affect the operating results.
5. There are outstanding legal proceedings involving the Company and Group companies amounting to Rs. 295.47 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.



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Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TAC Infosec Limited	29.99	106.00	April 05, 2024	289.00
2.	KP Green Engineering Limited	189.50	144.00	March 22, 2024	326.00
3.	Pratham EPC Projects Limited	36.00	75.00	March 18, 2024	112.00
4.	V R Infraspac Limited	20.40	85.00	March 12, 2024	111.00
5.	Fonebox Retail Limited	20.37	70.00	February 02, 2024	137.00
6.	Konstelec Engineers Limited	28.70	70.00	January 30, 2024	196.00
7.	Australian Premium Solar (India) Limited	28.08	147.00	January 18, 2024	225.00
8.	Indifra Limited	14.04	65.00	December 29, 2023	37.2
9.	Benchmark Computer Solutions Limited	12.24	66.00	December 21, 2023	55.00
10.	Sheetal Universal Limited	23.80	70.00	December 11, 2023	65.00

The company has had 29 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 8th April 2023.

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



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Recommendation

The company has been in the industry since 2011 and has good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 47.50 times which makes it fully priced by looking at the performance of the company.

The company operates in a competitive environment. The company has two job verticals with one trading of biofuels and another manufacturing of ethanol which was started recently. The company has seen a decreasing trend and a huge dip in the top line of its financials for FY 2023 and for annualized 24 which places the company in a very risky place and raises concerns about sustainability. The company has also had negative operating cash flows. The company does not have any unique strategies planned. Thus at the current P/E, we recommend **AVOID** applying to this IPO.



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