



IPO Note

Aprameya Engineering Limited

Recommendation: **AVOID!**

Company Background -

- Aprameya Engineering Limited originally formed as a partnership firm 'M/s. Aprameya Engineering' on August 13, 2004. The registered office is located at Ahmedabad, Gujarat.
- The Company is engaged in selling of high value medical equipment as a dealer of medical equipment manufacturers and supplier.
- The company during the year 2024, have undertaken setting up, installing and commissioning of dialysis centres across the state of Rajasthan.
- The portfolio of products and services can be classified into two different segments i.e. setting up of healthcare infrastructure within the hospitals and medical care centres and dealing in high value medical equipment.
- The company had 43 permanent employees as of June 30, 2024.

Objects of the Issue -

- Working Capital Requirements (Including augmentation on Long-Term Working Capital)
- General Corporate Expenses.

Promoters Name -

Saurabh Kishorbhai Bhatt, Chetan Mohan Joshi, Pooja Saurabh Bhatt and Archana Chetan Joshi

Rationale for recommendation -

- ✓ The company has seen a decreasing trend in the top line and bottom line of its financials over the years
- ✓ The company's decrease in revenue is due to a decrease in turnkey projects which is their major revenue-generating service thus raises concerns over stability.
- ✓ The company's P/E is 31.95 times.
- ✓ The company has a high concentration with its suppliers and buyers which is not attractive
- ✓ The company also has a state-wise concentration towards Rajasthan
- ✓ The company has had negative operating cash flow for the past 3 financial years.

IPO Details

Opening Date	July 25, 2024
Closing Date	July 29, 2024
Allotment Date	July 30, 2024
Listing Date	Aug 01, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹56 to ₹58
Issue Size	29.23 Cr.
Fresh Issue	29.23 Cr.
Offer for Sale	-
Application Amt	₹ 1,16,000 (2,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	19,999.46	7,811.91	6,516.23
EBITDA	2,486.81	943.93	635.70
Net Profit	1,661.90	536.90	345.68
RoCE	88.44%	29.12%	17.39%
ROE	114.38%	26.95%	14.79%
P/E	4.89	15.10	23.48

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100%	73.53%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	2.47	1.82
BVPS	16.69	27.63
P/E	23.48	31.95
P/BV	3.47	2.10
Mkt Cap (In Cr)	81.20	110.43

Lead Managers -

Hem Securities Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Aprameya Engineering Limited was originally incorporated as on September 05, 2023. The company is engaged in the business of installation, set up & maintenance in the hospitals and medical care centres on turnkey basis.

The company operates in the healthcare sector and company does not manufacture any equipment and has recently started generating revenue from its new vertical of setting up, installing and commencement of dialysis centre across Rajasthan.

Business Model -

i) Healthcare infrastructure projects on a turnkey basis -

Under the healthcare infrastructure projects, the company offers solutions like the installation of ICU, NICU, PICU, dialysis centres, Cardio Thorasic Vascular Surgery department, operation theatres and prefabricated structure wards on a turnkey basis which includes designing & installing modular & prefabricated operation theatre, wards & ICU, installation of intensive care pendants, LED operating light, and etc.

ii) Dealing in high-value medical equipment -

Under this company provides a wide range of medical equipment and solutions including an Electrosurgical Generator, Electrosurgical Unit, CO2 Insufflator, LED Surgery Light, Surgical & Medical Examination Light, ICU Respiratory Monitoring System, ICU Ventilation System, Anesthesia Workstation, Jaundice Meter, Anesthesia Machine, Harmonic Scalpel, Ultra Sonic Cutting & coagulating device, Vessel sealer, Saline Plasma Bi-polar TUR etc

Revenue bifurcation for the above-mentioned business model is as follows -

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Healthcare infrastructure projects	11,505.29	57.53	6,460.55	82.70	4,578.76	70.27
Dealing in high value medical equipment	8,383.5	41.92	1,277.16	16.35	1,802.69	27.66
Other operating revenue	110.67	0.55	74.2	0.95	134.78	2.07
Total	19,999.46	100.00	7,811.91	100.00	6,516.23	100.00

Business Process -



Past completion works -



MDM NICU Hospital, Jodhpur



State Cancer Unit (OT), Jaipur

Order Book -

The company's total contract value of ongoing projects amounts to Rs. 842.78 lakhs.

Competition -

Competitive Landscape: The medical devices industry is highly competitive, with competition varying by market, geography, and product type.

Key Competitors: Competition comes from both domestic and international players, including manufacturers supplying hospitals and multinational companies on an OEM basis, as well as other distributors, dealers, and partners engaged by manufacturers.

Competitive Factors: Companies in this industry compete primarily on product quality, technology, cost, delivery, service, and senior-level relationships.

The industry in which the company operates has moderate barriers to entry. The bargaining power with the suppliers is high and the bargaining power with the customers is slightly low in this sector.

Business Strategies -

Expanding the geographical footprint: The company plans to continue the strategy of diversifying and expanding its presence in different states for the growth of the business

Continue to enhance the core strengths and execution capability: The company intends to identify and participate in new opportunities in the medical infrastructure space.

Intend to expand in-house capabilities in service & maintenance: The company intends to further develop comprehensive in-house capabilities in service & maintenance activities for the medical equipment and healthcare infrastructure installed.

Strengthen and establish relationships with hospitals and medical colleges: The company intends to continue to strengthen and establish relationships with hospitals and medical colleges for the medical equipment market.

Risk Factors -

The company's top 10 customers contributed to 78.59%, 96.28% and 90.02%, and the top 5 customers represented 70.04%, 73.99% and 76.65% of the revenue from operations in FY 24, 23 and 22, respectively. loss of any of the key customers may materially and adversely affect the business and financial performance.

The company during FY 22, 23 and 24, derived more than 58%, 84% and 83% of the revenue, which is concentrated in Rajasthan, any adverse developments in these markets could adversely affect the business.

The Company and Directors are involved in certain legal proceedings amounting to Rs. 9.01 lakhs, an adverse outcome in any such proceedings may adversely affect the business and financial condition.

The company has contingent liabilities amounting to Rs. 641.05 lakhs which could adversely affect the financial condition if they materialize.

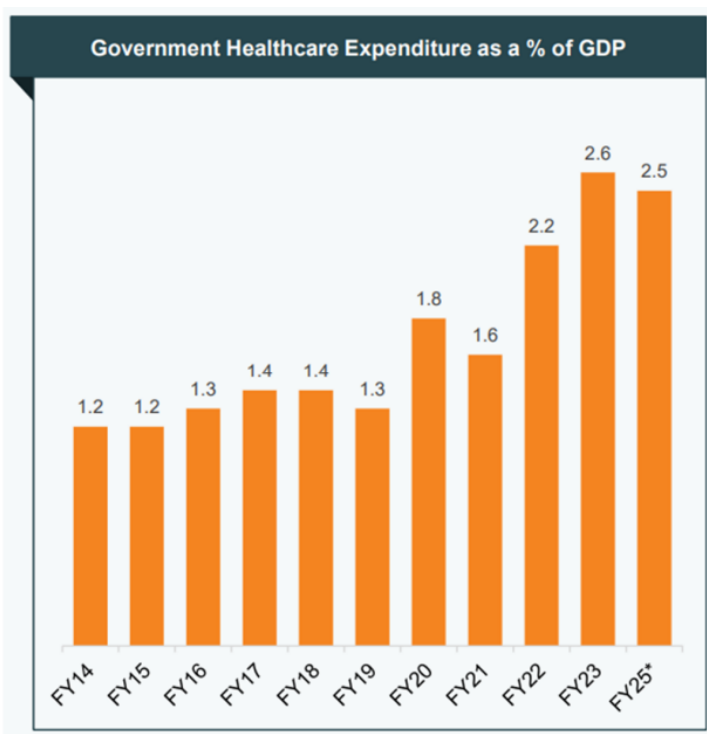
The company has had negative operating cash flow for all the previous financial years. Sustained negative cash flow may affect the liquidity and financial condition.

PEER ANALYSIS

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

Indian Healthcare Industry -

- Healthcare has become one of India's largest sectors, both in terms of revenue and employment. The industry is growing at a tremendous pace owing to its strengthening coverage, service and increasing expenditure by public as well private players.
- Between 2016–22, the market is expected to record a CAGR of 22.52%.
- The total industry size is estimated to reach US\$ 372 billion by 2022.
- The e-health market size is estimated to reach US\$ 10.6 billion by 2025.
- In November 2021, the Government of India, the Government of Meghalaya and the World Bank signed a US\$ 40 million health project for the state of Meghalaya. This project will improve the quality of health services and strengthen the state’s capacity to handle future health emergencies, including the COVID-19 pandemic

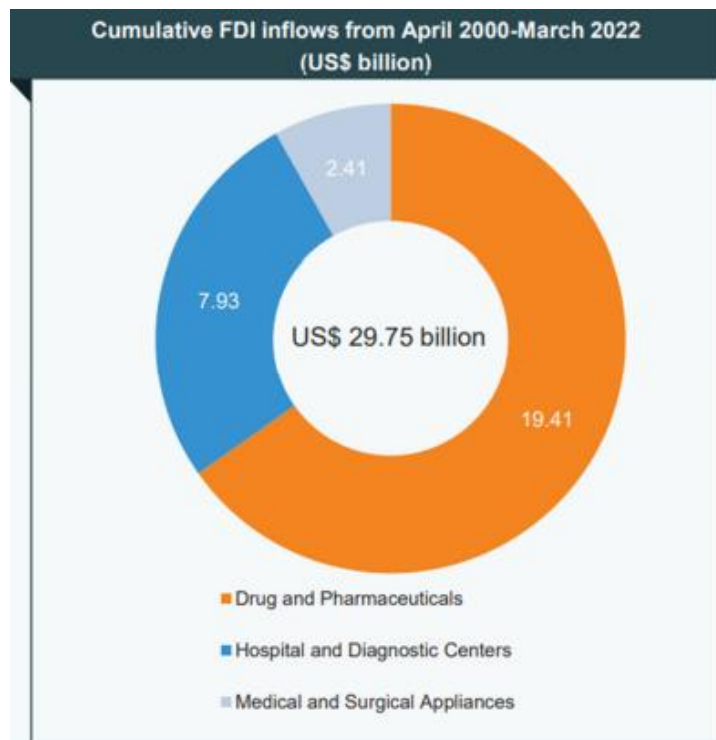


(source: prospectus)

- Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade.
- Economic prosperity is driving the improvement in affordability for generic drugs in the market.

Indian Healthcare Outlook -

- During 2022-23 (up to December 2022) Foreign Direct Investment, (FDI) inflow in India stood at US\$ 36,746 million.
- Inflows in sectors such as hospitals and diagnostic centres and medical and surgical appliances stood at US\$ 8.09 billion and US\$ 2.71 billion, respectively, between April 2000-June 2022.



India Advantage -

Strong demand: The healthcare market in India is expected to reach US\$ 372 billion by 2022, driven by rising income, better health awareness, lifestyle diseases and increasing access to insurance.

Government support: In Union Budget 2023-24, the Ministry of Health and Family Welfare has been allocated Rs. 89,155 crore (US\$ 10.76 billion). In March 2021, the Parliament passed the National Commission for Allied & Healthcare Professions Bill 2021, which aims to create a body that will regulate and maintain educational and service standards for healthcare professionals. The Indian government is planning to introduce a credit incentive programme worth Rs. 500 billion (US\$ 6.8 billion) to boost the country’s healthcare infrastructure.

Key Management -

Key Management Persons Name -	Saurabh Kishorbhai Bhatt
Age	46
Designation and No. of years of experience	Promoter, Chairman, and Joint Managing Director, 20+ Years of experience
Qualification	Bachelor's degree in electronics (industrial electronics)
Roles and Responsibility	Overall management, project handling and tender bidding process
Other Directorships	Aprameya Engineering (India) Private Limited. Mecviz Endoscopy Private Limited

Key Management Persons Name -	Chetan Mohan Joshi
Age	48
Designation and No. of years of experience	Promoter and Managing Director, 20+ years of experience
Qualification	Bachelor's in engineering (SecondYear) in industrial electronics, Diploma in Electrical engineering
Roles and Responsibility	Overall management, finance and internal controls systems
Other Directorships	Aprameya Engineering (India) Private Limited. Mecviz Endoscopy Private Limited

Key Management Persons Name -	Archana Chetan Joshi
Age	39
Designation and No. of years of experience	Promoter and Non-Executive Director, 12+ years of experience
Qualification	Bachelor of Science (Second Year)
Roles and Responsibility	-
Other Directorships	Aprameya Engineering (India) Private Limited. D&A Instrumentation Labs LLP

Key Management Persons Name -	Pooja Saurabh Bhatt
Age	41
Designation and No. of years of experience	Promoter and Non-Executive Director, 12+ years of experience
Qualification	Master of Science (Electronics)
Roles and Responsibility	-
Other Directorships	Aprameya Engineering (India) Private Limited. D&A Instrumentation Labs LLP

Key Management Persons Name -	Suresh Kumar Verma
Age	60
Designation and No. of years of experience	Independent Director, 29+ years of experience
Qualification	Bachelor of Commerce (Honor's.), bachelor's in law, CS
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Raina Singh
Age	33
Designation and No. of years of experience	Independent Director, 12+ years of experience
Qualification	Master of Business Administration, Member of the Institute of Company Secretaries of India
Roles and Responsibility	-
Other Directorships	Air Control and Chemical Engineering Company Limited HEC Infra Projects Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	19,999.46	7,811.91	6,516.23
Other Income	26.70	21.44	45.99
Total Income	20,026.16	7,833.35	6,562.22
Expenses			
Cost of Materials Consumed			
Purchase if stock-in-trade	6,805.34	809.13	1,228.46
Turnkey project expense	8,991.78	4,841.63	3,302.47
Changes in Inventories of finished goods, work-in-progress	-390.59	-44.34	448.72
Employee Benefit Expenses	301.80	257.69	270.55
Finance Cost	91.75	207.81	211.33
Depreciation and Amortisation	8.76	9.53	10.75
Other expenses	1,804.32	1,003.87	630.33
Total Expenses	17,613.16	7,085.32	6,102.61
EBITDA	2,486.81	943.93	635.70
EBITDA Margin	12.43%	12.08%	9.76%
Profit/(Loss) before tax	2,413.00	748.03	459.61
Tax Expense			
Current tax	753.50	211.88	134.16
Deferred Tax Expenses/(credit)	-2.40	-0.75	-20.23
Total Tax	751.10	211.13	113.93
Profit/(Loss) for the year	1,661.90	536.90	345.68
Net Profit Margin	8.31%	6.87%	5.30%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	700.00	1,400.00	1,400.00
Reserves and surplus	752.94	592.49	936.76
Total Equity	1,452.94	1,992.49	2,336.76
3. Non-current liabilities			
Long-term borrowings	1,331.91	1,197.77	1,235.19
Long-term provisions	12.65	12.68	17.69
Other Non-Current Liabilities	4.54	6.22	4.66
Total Non-current liabilities	1,349.10	1,216.67	1,257.54
4. Current liabilities			
Short-term borrowings	36.37	1,676.18	2,969.65
Trade Payables			
Total outstanding dues of MSME	54.05	185.64	17.25
Total outstanding dues of creditors other than MSME	1,745.32	683.68	652.87
Other Financial Liabilities	13.71	188.07	49.18
Other Current Liabilities	114.30	193.24	241.33
Short-term provisions	13.27	17.28	17.67
Current Tax Liabilities (Net)	91.78	35.78	18.19
Total Current liabilities	2,068.80	2,979.87	3,966.14
Total Liabilities	3,417.90	4,196.54	5,223.68
Total Equity and Liabilities	4,870.84	6,189.03	7,560.44
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	145.16	138.67	131.08
Investment Property	8.13	7.81	7.49
Other financial assets	430.43	459.49	284.95

Particulars	FY 22	FY 23	FY 24
Deferred Tax Assets (Net)	16.47	16.34	37.04
Other Non Current Assets	9.92	6.94	72.27
Total Non-Current assets	610.11	629.25	532.83
2. Current assets			
Inventories	743.86	788.21	339.48
Trade Receivables	2,668.34	4,179.63	5,806.35
Cash & Cash equivalents	249.05	21.24	34.76
Bank balances other than cash	24.87	65.85	300.25
Short term loans and advances	1.30	0.80	0.80
Other financials assets	281.08	189.32	181.66
Other Current Assets	292.23	314.73	364.29
Total Current assets	4,260.73	5,559.78	7,027.59
Total Assets	4,870.84	6,189.03	7,560.42

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-36.80	-1,349.04	-997.50
Net Cash Flow from Investing Activities	-264.85	-182.86	-99.82
Net Cash Flow from Financing Activities	549.94	1,304.09	1,110.84

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	11.87	3.84	2.47	EV/EBITDA	1.02	5.06	9.76
BV per share	10.38	14.23	16.69	Market Cap / Sales	0.55	1.41	1.69
<u>Operating Ratios</u>	11.87	3.84	2.47	P/E	4.89	15.10	23.48
EBITDA Margins	12.43%	12.08%	9.76%	Price to Book Value	5.59	4.08	3.47
PAT Margins	8.31%	6.87%	5.30%	<u>Solvency Ratios</u>			
Inventory days	13.58	36.83	19.02	Debt / Equity	0.94	1.44	1.80
Debtor days	48.70	195.29	325.24	Current Ratio	2.06	1.87	1.77
Creditor days	96.51	392.15	199.11	Quick Ratio	1.70	1.60	1.69
<u>Return Ratios</u>				Asset Turnover	4.11	1.26	0.86
RoCE	88.44%	29.12%	17.39%	Interest Coverage Ratio	27.01	4.50	2.96
RoE	114.38%	26.95%	14.79%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Hem Securities 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 –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	461
2.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	553
3.	Vilas Transcore Limited	95.26	147.00	June 03, 2024	469
4.	Premier Roadlines Limited	40.36	67.00	May 17, 2024	136
5.	Aztec Fluids & Machinery Limited	24.12	67.00	May 17, 2024	102
6.	Energy-Mission Machineries (India) Limited	41.15	138.00	May 16, 2024	332
7.	TGIF Agribusiness Limited	6.39	93.00	May 15, 2024	91.5
8.	Amkay Products Limited	12.61	55.00	May 08, 2024	74.5
9.	Blue Pebble Limited	18.14	168.00	April 03, 2024	266
10.	Aspire & Innovative Advertising Limited	21.97	54.00	April 03, 2024	107

The company has handled 46 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 19th July 2024.

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

Recommendation -

The company has been in the industry since 2004 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 31.95 times which makes it slightly highly priced by looking at the performance of the company

We are recommending avoid to this company due to a decreasing trend in both top-line and bottom-line financials over the years. The revenue decline, driven by a reduction in turnkey projects, raises stability concerns. Additionally, the high concentration of suppliers and buyers, along with a focus on Rajasthan, limits attractiveness. The company faces high competition and has not provided any listed peers, hindering comparison with industry standards. Moreover, the company has reported negative operating cash flow for the past three financial years, further signalling financial instability.

Thus, investors can **AVOID** applying to this IPO.

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