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IPO Snapshot – Likhitha Infrastructure Ltd

25-September-2020

Issue Snapshot:

Issue Open: Sept 29 – Oct 01, 2020

Price Band: Rs. 117 – 120

*Issue Size: 5,100,000 eq shares

Issue Size: Rs. 59.7 – 61.2 cr

Reservation for:

QIB	Upto 50% eq sh
Non Institutional	Atleast 15% eq sh
Retail	Atleast 35% eq sh

Face Value: Rs 10

Book value: Rs 47.83 (March 31, 2020)

Bid size: - 125 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 14.63 cr
Post issue Equity:	Rs. 19.73 cr

Listing: BSE & NSE

Book Running Lead Manager: Unistone Capital Private Limited

Registrar to issue: Bigshare Services Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	99.96	74.11
Public & Employee	0.04	25.89
Total	100.0	100.0

Source for this Note: RHP

* = assuming pricing at higher end of band

Background & Operations:

Likhitha Infrastructure Ltd (LIL) 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. Over the years, it has diversified the gamut of services being provided by the Company from Cross-Country Pipeline Projects (CCP); City Gas Distribution (CGD) Projects to providing Operation & Maintenance (O&M) Services to CGD Companies. Its client base comprises of established players in the Oil and Gas Industry, both in public and private sector.

LIL has 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, it has laid approximately 800 kms of Oil and Gas pipelines for on-going projects. Further, it has increased the scale of its operations by adopting a strategy of expansion across regions and has strategically expanded to geographies where there is a demand for providing pipeline infrastructure and O&M services. The growth and development of the Company during the past years has been the result of its client centric approach and core competence in the field of pipeline infrastructure. The main focus and vision is to sustain profitable growth by executing projects in time to the satisfaction of LIL's clients.

LIL's Total Income, was Rs. 8,860.56 Lakhs, Rs. 14,054.68 Lakhs and Rs. 16,279.02 Lakhs for the Fiscals 2018, 2019 and 2020 respectively. PAT was, Rs. 716.22 Lakhs, Rs. 1,785.51 Lakhs and Rs. 1,987.93 Lakhs for the Fiscals 2018, 2019 and 2020 respectively. Its order book, as of any particular date, consists of the unexecuted portions of its outstanding orders, that is, the total contract value of the existing contracts secured by LIL, as reduced by the value of work executed and billed until the date of such order book ("Order Book"). Its total Order Book as of July 31, 2020 was approximately Rs. 66,258.97 Lakhs.

LIL's business operations can be broadly classified under the following heads:

Pipeline Infrastructure:

Pipeline infrastructure business comprises of undertaking projects for laying of pipelines in Cross-Country Pipeline projects as well as for setting up City Gas Distribution network and construction of associated facilities.

Operation & Maintenance Services:

LIL also provides Operations & Maintenance Services to CGD Companies. Its Operation and Maintenance (O&M) Services business includes management services for CGD networks, other repairs, modernization, scheduled shutdowns, as well as overhauling and maintenance of existing pipelines. Operation & Maintenance activities involves deploying manpower and tools required for replacement of existing pipelines, emergency repair and maintenance, shifting and compressor hook up of pipelines with associated facilities. Based on the past track record, majority of the O&M contracts get extended, from time to time.

Objects of Issue:

LIL proposes to utilize the proceeds from the issue towards funding the following objects and achieve the benefits of listing on BSE Limited and the National Stock Exchange of India Limited.

The Objects of the Issue is to raise resources to:

- To meet Working Capital requirements
- To meet General corporate purposes; and
- To meet Issue Expenses.

Competitive Strengths

- Strong presence in India and significant experience
- Efficient Business Model
- Strong financial performance

- Scalability of operations
- Strong Project execution capabilities
- Long term relationship with clients and repeat business
- Highly experienced Management Team
- Diverse fleet of sophisticated equipment

Business Strategy

- Continue to expand operations
- Further growth in O&M services offerings
- Retaining Skilled Manpower
- Optimum Utilization of Resources
- Continue to develop Client relationship and expand Client base
- Focus on Performance and Project Execution
- Continue to focus on safety and environment standards

Key Concerns:

- The novel coronavirus (COVID-19) outbreak could materially adversely affect the financial condition and results of operations.
- General economic and business conditions in the markets in which LIL operate and in the local, regional and national economies;
- Dependence on business transaction with the government entities and agencies for a significant portion of revenue;
- Competitive bidding process;
- Competition from other oil and gas infrastructure companies
- Delays or cost overruns in the execution of the projects;
- Changes in technology and ability to manage any disruption or failure of LIL's technology systems;
- Ability to attract and retain qualified personnel;
- Changes in political and social conditions in India, the monetary and interest rate policies, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally;
- Market fluctuations and industry dynamics beyond LIL's control;
- Changes in foreign exchange rates or other rates or prices;
- Inability to collect dues and receivables from, or invoice unbilled services to, LIL's customers, its results of operations;
- Changes in domestic and foreign laws, regulations and taxes and changes in competition in LIL's industry
- Termination of clients/works contracts without cause and with little or no notice or penalty;
- Inability to obtain, maintain or renew requisite statutory and regulatory permits and approvals or non-compliance with and changes in, safety, health and environmental laws and other applicable regulations, may adversely affect the business, financial condition, results of operations and prospects.

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