

MODI'S NAVNIRMAN LIMITED
A REVIEW REPORT ON MODI'S NAVNIRMAN LIMITED IPO

IPO Details

Opening Date	June 23, 2022
Closing Date	June 28, 2022
Stock Exchange	BSE SME
Lot Size	800 Shares
Issue Price	₹ 180 per share
Issue Size	12,60,000 Equity shares
Application Amount	₹ 1,15,200

IPO Objective

- Investment in subsidiary company – SMNPL for Repayment of its outstanding unsecured loans
- General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	29,69,500	99.98 %
Public	500	0.02 %

Company Background

- Company was incorporated in the year 2015 in Mumbai.
- Company is promoted by Mr. Dineshkumar Modi who founded the Modi Group in the year 2009.
- Modi Group has so far constructed 7 Residential and Commercial Projects.
- Company currently have ongoing and upcoming projects expected to provide an estimated total Carpet Area of 5.88 lakhs square feet.
- As on April 30, 2022 the company had 11 employees.

Promoter of the Company

1. Dineshkumar Modi
2. Rashmi Modi
3. Mahek Modi

Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

Company Overview

Incorporated in the year 2015, Modi's Navnirman Limited is in to the real estate sector. One of its promoters is Mr. Dineshkumar Modi who founded Modi's group in the year 2009. As on date of filing of prospectus, the group has constructed 7 Residential and Commercial Projects in and around the areas of Borivali, Kandivali, Malad and Goregaon. Company has a diversified its portfolio as Completed, Ongoing and Upcoming projects in mixed-use or single segment developments, which cover key segments of the real estate market, namely: (i) residential and (ii) residential-cum-commercial. Company has completed 2 projects in its own name and has 4 ongoing projects in the name of its subsidiary "Shree Modi's Navnirman Private Limited". Apart from this, the company has 5 upcoming projects out of which 3 is in Borivali and Kandivali.

Analysis

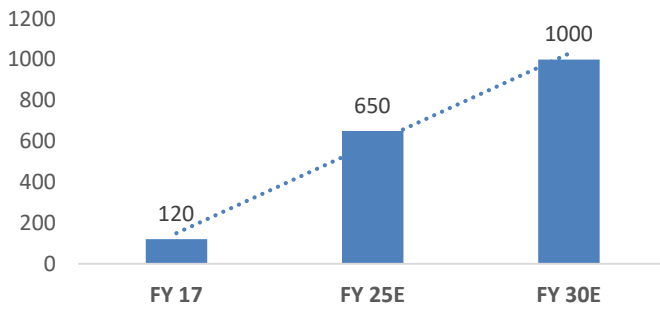
Company has been in existence as an LLP since 2015 and had been converted to public limited on March 04 2022 raising the question whether it has just been converted to raise money from public. The company on its own name has completed only 2 projects until now and also the upcoming and ongoing projects whether in its own name or in the name of its subsidiary combines to around 5.20 lacs sq. ft. of carpet area which is not considered to be significant considering the industry norms. The company is currently operating only in the state of Maharashtra. The market is very competitive and the company competes with large players in the industry segment. Being in a real estate sector the company is under a lot of regulations and not following any of these regulations would impact the company quite adversely. The operations of the company also seem to be dipping and in the coming times the sector as well as the company does not look very promising.

Industry Charts

Exhibit 1: Indian Real Estate Industry to grow at a CAGR of around 18% from FY 17 to FY 30

Exhibit 2: Net Absorption of Office Space

Indian Real Estate Market Size (US\$ Bn)



Sector Composition (Sq. Ft.)

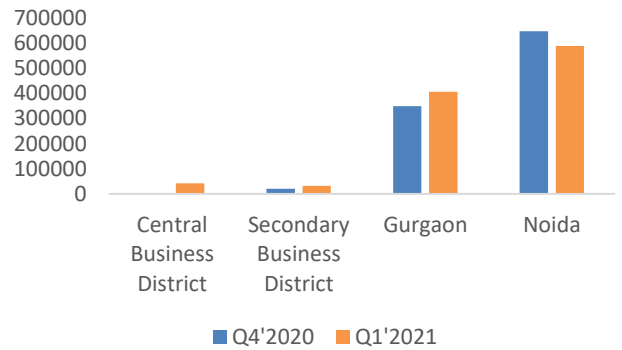
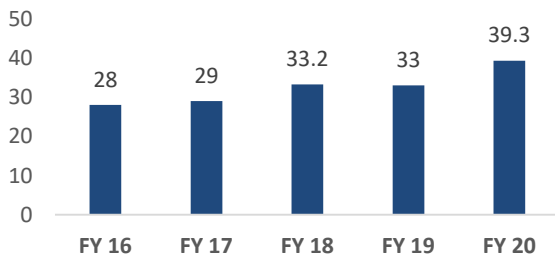


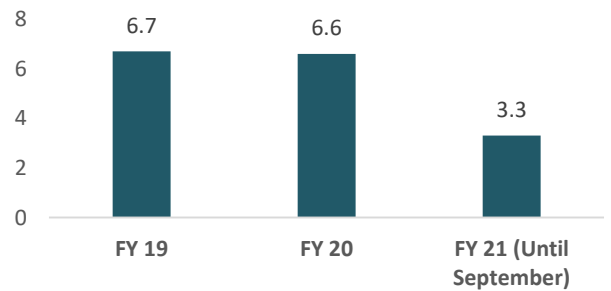
Exhibit 3: Key Trends in Commercial Space in Top 8 Cities

Exhibit 4: Key Trends in PE/VC investment in Real Estate

Demand for Commercial Space in Top 8 cities (mn sq ft)



PE/VC Investment in India Real Estate (US\$ Bn)



(Source: ibef.org)

Investment Overview

Real Estate Industry

Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. It is also expected that this sector will incur more non-resident Indian (NRI) investment, both in the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

According to Savills India, real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025. As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date. Demand for residential properties has surged due to increased urbanisation and rising household income. India is among the top 10 price appreciating housing markets internationally. Organised retail real estate stock is expected to increase by 28% to 82 million sq. ft. by 2023.

(Source: ibef.org)

Addressable Market for Modi's Navnirman Limited

Company's projects have been currently located in the western suburbs of Mumbai specifically in and around the areas of Borivali, Kandivali, Malad and Goregaon. Company plans to establish its presence in the other regions in Mumbai and intend to execute projects in other major cities.

Competition

The industry, also mentioned by company in their prospectus, is very competitive. The company competes in a highly fragmented industry with

companies belonging in the real estate, operating in the same geographies as that of the company. The company also compete to acquire land development rights. The availability of suitable land parcels or societies for its projects may be limited in the geography in which it operates. Some of the noted competitors as mentioned in the prospectus are Nirman Group, Sanghi Builders & Developers and Brijwasi Buildcon.

Peer Analysis

As mentioned in the prospectus, the peers of the company are Arihant Superstructures Limited, KBC Global Limited, Ajmera Realty & Infra India Limited, Hubtown Limited, Godrej Properties Limited, Macrotech Developers Limited and Vascon Engineers Limited.

The key measures of these companies have been highlighted in the table below –

Company	Modi's Navnirman Limited	Arihant Superstructures Limited	KBC Global Limited	Ajmera Realty & Infra India Limited	Hubtown Limited	Godrej Properties Limited	Macrotech Developers Limited	Vascon Engineers Limited
Net Profit (INR Cr)	1.33	41.38	17.33	45.39	-128.42	352.37	1202.37	32.09
EBITDA (INR Cr)	1.89	71.26	38.42	122.59	-35.69	893.97	2470.67	71.75
Return on Capital Employed	8.31%	18.38%	15.33%	8.07%	-2.48%	8.91%	16.30%	7.10%
Return on Equity	34.91%	23.19%	12.41%	7.08%	-9.82%	4.06%	9.86%	3.96%
EPS (INR)	4.48	10.00	2.79	13.00	-18.00	13.00	26.00	2.00
P/E* (Times)	40.20	12.04	13.04	17.32	-	95.49	41.33	12.03

*P/E has been calculated as on 21/06/2022

The company has underperformed with its peers in all sectors except Return on Equity. The companies included in its peer analysis are well establish and bigger in size than the concerned company. The sector P/E is around 30 times and demanding a P/E of 40 considering the company's size seems to be too much.

Promoters' Profile

Mr. Dineshkumar Modi



- Dineshkumar Modi is the founding promoter of the company.
- He has been appointed as the Chairperson and Managing Director on the Board of the Company.
- He has completed his S.S.C. in March, 1975 from Nagar Panchayat Higher Secondary School.
- He has been a real estate investor since 1999-2008 and then entered into the realm of being a developer since 2009 under the proprietary concern M/s Modis Nirman.
- He has around two decades of experience in the Real Estate & Construction Industry.

Mr. Mahek Modi



- Mahek Modi has been appointed as a Whole Time Director of the company and has been associated with the company since its incorporation.
- He has completed his Bachelor of Commerce in Accounting & Finance & Masters from Mumbai University in the year 2014 and 2016 respectively.
- He has completed his post graduate diploma in Financial Management from Mumbai University in the year 2017.

Mrs. Rashmi Modi



- Rashmi Modi is a Whole Time Director of the company.
- She was appointed on the Board on March 14, 2022.
- She has completed her B.A. in Economics from Women's university Bombay in the year 1983.
- She is responsible for the charitable and administration tasks of the Company and also is an integral part of decision making process in consultation with the Board.

Analysis on the Company's Promoter and Board of Directors

Mr. Dineshkumar Modi, Chairman and Managing Director of the company has over 20 years of Experience in the real estate sector. He is associated with the company since its incorporation and founded Modi's Group in the year 2009. Being a real estate broker before that also guides that he has been a part of the Industry for more than two decades. The promoter has good experience and is very well versed with the company's business operations. He looks after the overall business and guides the strategic decisions of the company. His decisions are vital for the business and his experience suggests that his actions could be proved to be fruitful for the business.

Mr. Mahek Modi is a Whole Time Director of the company. He has been associated with the company since its incorporation. He has completed his education in the field of Accounting and Finance. Currently, He mentors and heads dynamic team of enthusiastic designers, engineers and liasoning consultants. He is also responsible for chairing meetings with architects, Business Consultants, contractors and surveyors. Based on his education, he could look after the Accounts and Finance Department of the company. Furthermore, he has only 5 years of experience in the business and in the coming years if he starts looking after the main operations of the company he could be a key person in making important business decisions.

Ms. Rashmi Modi is a Whole Time Director of the company. She joined the Board of Directors on March 14 2022 and has completed her education in Economics in the year 1984. She does not have good experience in the operations of the business and mainly looks after the administrative task of the company.

The Non-Executive and Independent Directors of the company although experienced do not hold good experience in the field of business in which the company operates.

Looking at the management, it looks like Mr. Dineshkumar Modi is the only experienced promoter of the company and the decisions are dependent on his shoulders. Mr. Mahek Modi is also associated with the company since 5 years but is not directly involved in the decision making process of the company. So it might be advised to involve Mr. Mahek also in the strategy formation of the business so that he can gain experience and lead the company in the coming times.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	2,194.04	1,321.75	1,124.89
Other income	1.42	0.58	26.18
Total Revenue	2,195.46	1,322.33	1,151.07
Expenses	1,975.98	1,264.97	962.43
Depreciation and Amortisation Cost	-	0.03	0.28
Finance Cost	25.83	6.21	1.42
Total Expenses	2,001.81	1,271.21	964.13
PBT	193.65	51.12	186.94
EBITDA	219.48	57.36	188.64
EBITDA Margin	10.00%	4.34%	16.77%
Net Profit	139.78	37.83	132.70
Net Profit Margin	6.37%	2.86%	11.80%
Balance Sheet			
Total Borrowings	250.23	53.50	1,887.44
Net Worth	0.50	296.23	381.25
Fixed Assets	-	0.31	0.34
Net Working Capital	129.58	-172.84	1659.64
Financial Measures			
Inventory Turnover Ratio	1.81	4.57	1.29
Receivables Turnover Ratio	57.91	41.96	40.52
Payables Turnover Ratio	15.25	1.83	10.36
Return on Capital Employed	9.67%	16.39%	8.31%
Return on Equity	27956.00%	12.77%	34.91%
Debt-Equity Ratio	500.46	0.18	4.95

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has come down from Rs. 219.48 lacs in FY 20 to Rs. 188.64 lacs in FY 22 showing a CAGR of -8%. However, the EBITDA margin has grown from 10% in FY 20 to 16.77% in FY 22 showing better management of operating expenses over the year.

Net Profit

The net profit of the company has come down from Rs. 139.78 lacs in FY 20 to Rs. 132.70 lacs in FY 22 depicting a CAGR of -3%. However, like EBITDA margin, Net Profit margin has also improved from 6.37% in FY 20 to 11.80% in FY 22.

Finance Cost.

The finance cost of the company is majorly towards Unsecured Loans taken from Directors and Other Parties by its subsidiary Sri Modi Nirman Private Limited. The company's object of issue is to repay these unsecured loans.

Financial Measures/Ratios

The RoCE is around 8.31% in FY 2022 but is quite below the industry standards and its peers.

The ROE of the company cannot be commented upon as there was a supernormal return in FY 20 due to share capital being just 0.50 lacs. In the year 2022, the ROE is around 34% but the same is expected to decrease in coming years looking at the peers and incoming of new equity capital through IPO.

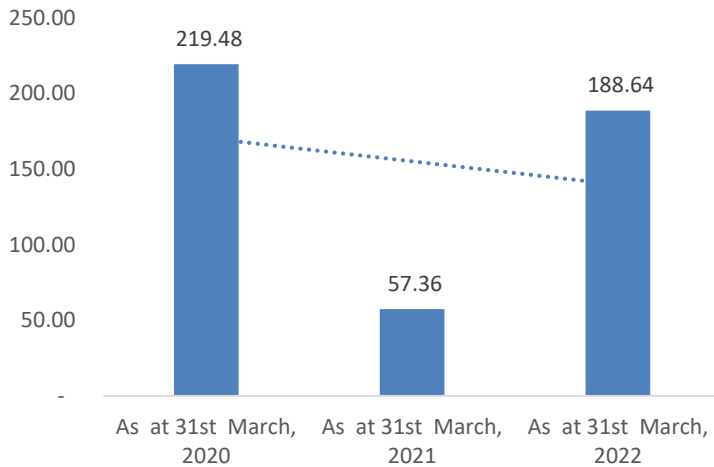
The Receivables turnover ratio of the company is constantly coming down in recent years. In FY 2020 it was 57.91 times and in Mar'22 it was 40.52 times showing that the company has not been managing its receivables effectively. However, the company does not seem to invest much in its receivables as it is only 3% of its revenue from operations.

The Payables turnover ratio of the company has been decreasing gradually and has been around 10.36 times showing good management of Company's payables considering the industry norms.

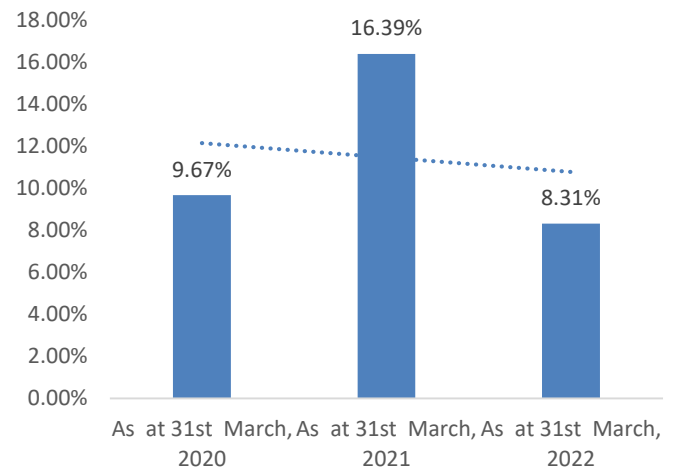
Debt-Equity ratio of 4.95 is mainly due to Unsecured Loans and since the company plans to repay these loans through IPO proceeds, the debt-equity ratio is expected to be NIL in short future.

Financial Graph

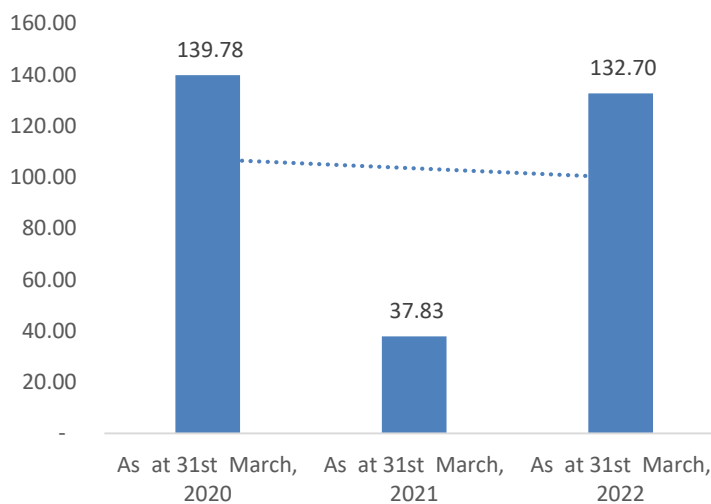
EBITDA (In Lacs)



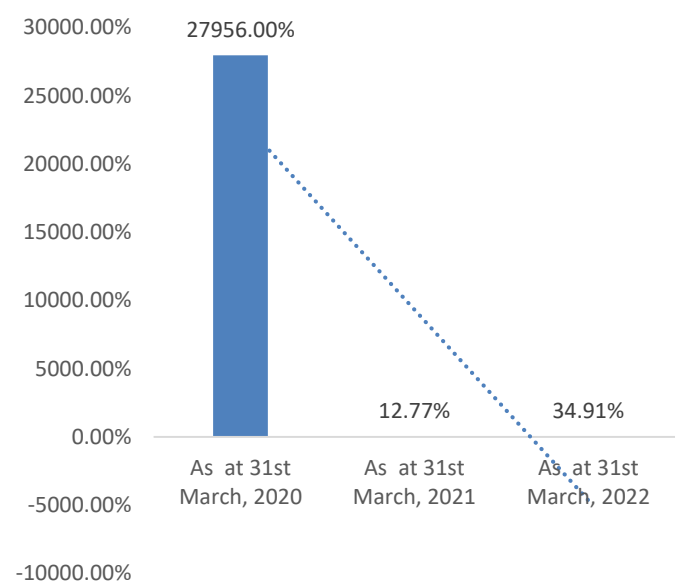
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. Company has an outstanding Direct and Indirect Tax liability of Rs. 47.34 lacs and there can be no assurance that these litigations will be decided in favour the Company, its Directors, its Promoters and Subsidiary and the company may incur significant expenses in such proceedings.
2. Company operates entirely in the suburbs of Mumbai, so any geographical and political changes might adversely affect the company's operations.
3. Company rely on independent third party service providers and contractors to execute various parts of its projects and any failure on their part to perform their obligations could adversely affect its business, results of operations, and cash flows.
4. Any changes in the rates of Property Taxes, Stamp Duties etc. could adversely affect the business operations.
5. Company has entered into joint development agreements with Co-operative Societies to acquire construction and/or land development rights. Such agreements contain conditions and requirements, the non-fulfilment of which could result in delays or inability to implement and complete its projects as contemplated.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Aryaman Financial Services Limited and the previous issue details have been taken from the Lead Manager's Website. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	SP Refractories Limited	4.92	90	Mar 22, 2022	82.00
2.	Fabino Life Sciences Limited	3.24	36	Jan 13, 2022	27.50
3.	Suyog Gurbaxani Funicular Ropeways Limited	29.5	45	Nov 16, 2021	45.05
4.	CWD Limited	18.01	180	Oct 13, 2021	1139.95
5.	Gretex Corporate Services Ltd	5.13	170	Aug 09, 2021	217.80
6.	Times Green Energy (India) Ltd	4.05	61	Jun 30, 2021	55.25
7.	Adeshwar Meditex Limited	9.75	25	Jun 28, 2021	25.00
8.	Pavna Industries Limited	29.7	165	Mar 09, 2021	337.50
9.	Net Pix Shorts Digital Media Limited	2.7	30	Dec 02, 2020	33.00
10.	Atal Realtech Ltd	10.83	72	Oct 15, 2020	138.95

#CMP is taken as on 26th June 2022

Out of the last 10 Listings the Lead Manager has made 9 had positive listing and 1 had negative listing.

Recommendation

Based on the Business track record, Products/Services, Competitive Scenario, Management Background and Experience, Financial Measures, Peer Analysis and Industry Outlook, we would like to state that one **should avoid** applying in the IPO.

The management of the company has decent experience, but is again dependent mainly on the strategic decision of a single personnel.

The issue is raised to repay unsecured loans of Rs. 1,779.00 lacs out of which Rs. 1464.00 lacs i.e. around 82% have been taken from Related Parties which raises doubt whether the IPO is under good faith or not.

The price has been set at Rs. 180 demanding a high P/E of around 40. Comparing the size of the company with its peer and the recent performance of the Real Estate sector the Issue seems to be highly priced.

To conclude, one should **avoid** applying in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.