

## Healthy Life Agritec Limited

### A REVIEW REPORT ON Healthy Life Agritec LIMITED IPO

#### IPO Details

<b>Opening Date</b>	July 13, 2022
<b>Closing Date</b>	July 18, 2022
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	10000 Shares
<b>Issue Price</b>	₹ 10 per share
<b>Issue Size</b>	10,00,000 Equity Shares
<b>Application Amount</b>	₹ 1,00,000

#### IPO Objective

- Funding Working Capital Requirements
- General Corporate Purposes
- Meet Issue Expenses

#### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,20,11,999	99.99999 %
Public	1	0.00001%

#### Company Background

- Company was incorporated in the year 2019.
- It is involved in trading of Raw Cow Milk in the state of Maharashtra and Live Chicken in the state of Maharashtra and Karnataka.
- During 2021-22, The Company has sold 39.20 Lakhs litres of raw Cow Milk and 7.69 Lakhs Kgs of Live Chicken which contributes approximately 60.05% and 39.95% of total revenue of the Company.
- As on the date of filing this prospectus, the company had a total of 8 employees.

#### Promoter of the Company

1. Ms. Divya Mojjada
2. M/s Cronosglobal Investments & Holdings Private Limited

## 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

Healthy Life Agritech Limited was incorporated in the year 2019 in Maharashtra. The company is engaged in the business of trading of Raw Milk from Cow in the state of Maharashtra and Trading of Chicken in the state of Maharashtra and Karnataka.

The company procures milk from farmers of Maharashtra and Poultry from Poultry Growers in the state of Maharashtra and Karnataka and supply poultry to Chicken Wholesalers in the state of Maharashtra and Karnataka.

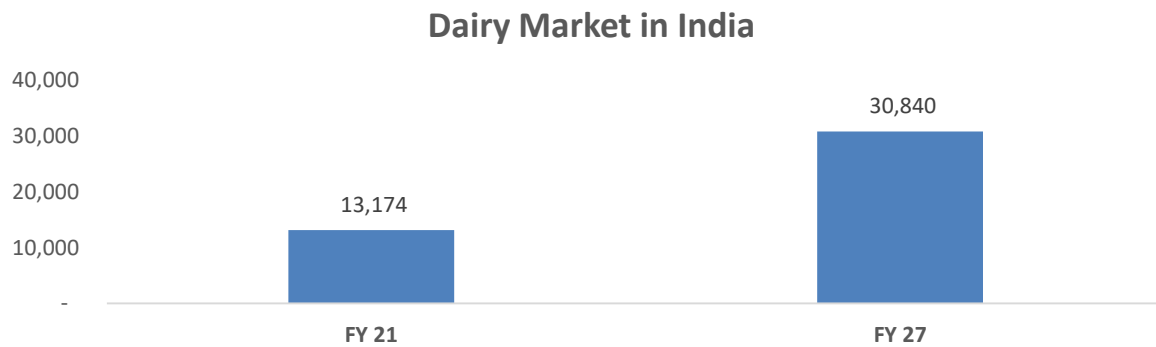
### **Analysis**

The company was incorporated just 2 years back in the year 2019 and does not have any good track record of existence. The company is engaged in trading of Milk and Chicken which is not a distinctive business and there are many organised and unorganised players in the market in all parts of India. The revenue of the company started generating only from the year 2020-21. During 2021-22, the Company has sold 39.20 Lakhs litres of raw Cow Milk and 7.69 Lakhs Kgs of Live Chicken which contributes approximately 60.05% and 39.95% of total revenue of the Company. During 2020-21, the Company has sold 6.50 Lakhs litres of raw Cow Milk and 1.21 Lakhs Kgs of Live Chicken which contributes approximately 59.95% and 40.05% of total revenue of the Company respectively.

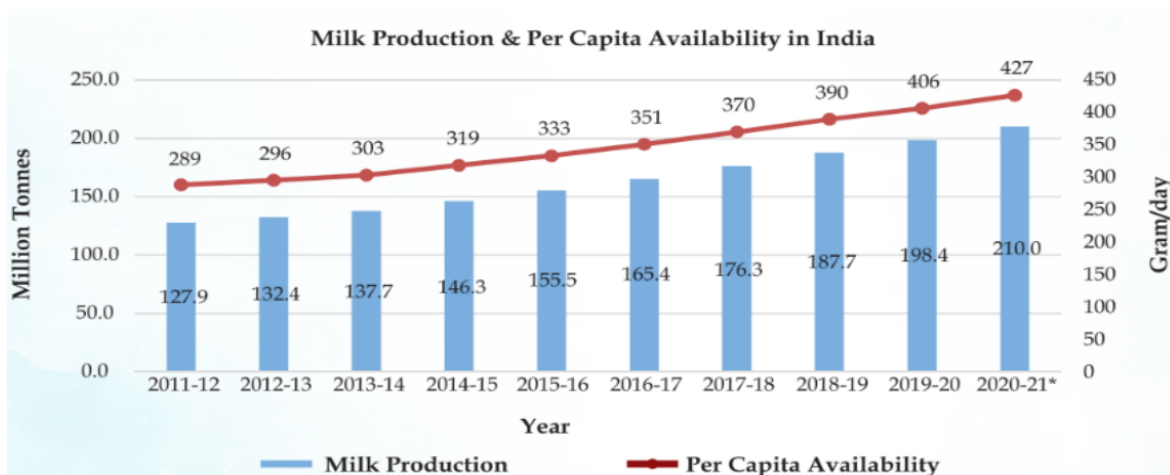
The track record of the company is not good and the products offered by the company has huge numbers of suppliers exhibiting a negative outlook on the business of the company.

## Industry Charts

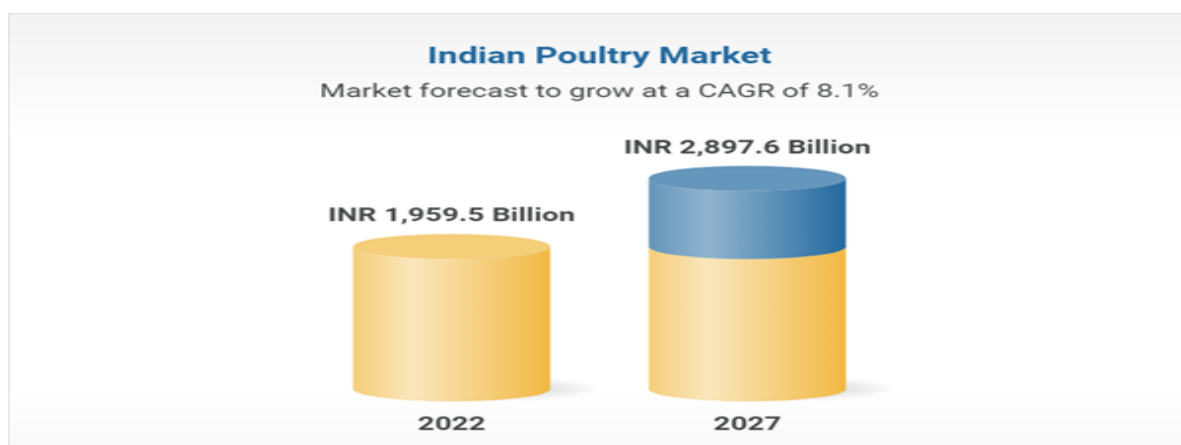
**Exhibit 1: Indian Dairy Market to grow at a CAGR 15.23% from FY21 to FY27**



**Exhibit 2: Indian Milk Production and Per Capita Availability in India**



**Exhibit 3: Indian Poultry Market**



## Investment Overview

### **Dairy and Poultry Industry**

The Dairy sector in India has grown substantially over the years. As a result of prudent policy interventions, India ranks first among the world's milk producing nations, achieving an annual production of 209.96 million tonnes during the year 2020- 21(Provisional) as compared to 198.44 million tonnes during 2019-20 recording a growth rate of 5.80%. FAO Food Outlook (November 2021) reported 2.05% increase in world milk production from 895.9 million tonnes in 2019 to 914.3 million tonnes in 2020 (estimates). This represents a sustained growth in the availability of milk and milk products for the growing population. Dairying has become an important secondary source of income for millions of rural families and has assumed the most important role in providing employment and income generating opportunities particularly for women and marginal farmers. The per capita availability of milk has reached a level of 427 grams per day during the year 2020-21(Provisional), which is more than the world average of around 321 grams per day in 2020 (Food Outlook Nov'21). Most of the milk in the country is produced by small, marginal farmers and landless labourers.

The Indian market for poultry is being driven by evolving consumer tastes on account of rising incomes and the growing focus on healthy food items. Poultry products like eggs and meat are rich sources of protein which is essential for the body. In recent years, the rising focus on physical health has favoured the market growth of poultry products in the region. In addition to this, eggs are used as active ingredients in many bakery products, and the rising demand for cakes and pastries is pushing the growth of the market. The market growth can further be associated with the growing adoption of poultry animals in rural households which are engaged in providing meat products and eggs to the markets. The growing awareness regarding advanced poultry farming techniques and animal welfare is providing impetus to the overall growth of the market. Hence, such factors are positively impacting the growth of the market

(Source: prospectus)

## **Addressable Market for Healthy Life Agritec Limited**

Company is currently catering to the market of Maharashtra and Karnataka. In the near future company aims to sell its products in the other states of India as well.

## **Competition**

The competition faced by the company is huge. Indian dairy sector is highly unorganised and there are many small and large players providing the same products as that of the company. Milk as a product has a regionally reputed and branded supplier in most of the developed cities and in developing or underdeveloped areas, there are many local suppliers available. The threat of entry in this industry is very high. The industry is looking for technological advancement and there are several projects already going on and the company must have to look on these technological upgradations to survive in the market.

## **Peer Analysis**

The company has mentioned in its prospectus that none of the listed companies in India offer products or services across the various business segments in which it operates.

However, there are many listed companies in India, although bigger in size, but is into the dairy sector and poultry sector. We have identified some of these companies as listed below –

<b>Company</b>	<b>Healthy Life Agritec Limited</b>	<b>Dodla Dairy Limited</b>	<b>Parag Milk Foods Limited</b>	<b>Heritage Foods Limited</b>	<b>Venky's (India) Limited</b>
Net Profit (INR Cr)	0.81	132.81	-529.16	96.57	164.78
EBITDA (INR Cr)	1.18	224.43	-419.74	192.97	280.65
Return on Capital Employed	10.43%	20.58%	-56.59%	19.55%	18.70%
Return on Equity	7.44%	16.87%	-95.51%	14.69%	13.19%
EPS (INR)#	0.76	22.00	-65.19	21.00	116.97
P/E## (Times)	13.16	21.13	-	13.75	17.08

# EPS is calculated on post IPO basis

## PE is taken as on 08/07/2022

The companies taken here have a greater market cap than that of the company and are already established and well known. The companies provide wider variety of products than that of the company.

## Promoters' Profile

### Ms. Divya Mojjada



- **Ms. Divya Mojjada** is the Promoter and Managing Director of the company.
- She has been on the board since August 2020.
- She holds a Bachelor's and Master's Degree in Business Administration from Monash University, Australia; and also, a Bachelor in Science in Computer Application from Alagappa University, India.
- She was actively involved in her family business into farm and dairy segment for over 10 years.

### Cronosglobal Investments & Holdings Private Limited

- **Cronosglobal Investments & Holdings Private Limited** was incorporated in the year 2020.
- The company is based in Mumbai, Maharashtra.
- The Directors of the company are also the directors of Healthy Life Agritech Limited.

## **Analysis on the Company's Promoter and Board of Directors**

**Ms. Divya Mojjada** is the Promoter and Managing Director of the company. She is associated with the company since its inception and is responsible for the overall working segment of the business. She holds a Bachelor's and Master's Degree in Business Administration from Monash University, Australia; and also, a Bachelor in Science in Computer Application from Alagappa University, India. She was involved in the family business of poultry firm and has around 10 years of experience in the business segment.

**Mr. Mohammed Sadiq** is the Non-Executive Director of the company and has been in the board since December 2021. He holds a Bachelor Degree in Mechanical Engineering from Visvesvaraya Technological University, Belgaum – Bengaluru. As per the prospectus He has an in-depth knowledge in farm and dairy segment and has been a driving force in guiding and building the dairy business of the company

The independent directors of the company **Mr. Anil Kumar Vijay** and **Mr. Pushpangathan Udayakumar** does not seem to have any track record in the industry in which the company operates

Looking at the management, it can be said that Ms. Divya Mojjada in the overall in-charge of the company and the strategic decisions of the company mainly revolves around her. Mr. Mohammed Sadiq joined the company on 27<sup>th</sup> December 2021 and therefore does not seem to be much familiar with the business operations. The independent directors of the company have also been appointed on April 20, 2022 and the experience of them could not be traced from the details provided in the prospectus.

Overall the management outlook is not so good as it seems the business operations depends upon a single personnel and other directors also do not seem to be much experienced in the product segment.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>		
Revenue from operation	411.48	2,615.71
Other income	0.07	-
Total Revenue	411.55	2,615.71
Expenses	399.39	2,506.84
Depreciation and Amortisation Cost	3.41	4.19
Finance Cost	-	1.80
Total Expenses	402.80	2,512.83
PBT	8.75	102.88
EBITDA	12.16	108.87
EBITDA Margin	2.96%	4.16%
Net Profit	2.25	76.14
Net Profit Margin	0.55%	2.91%
<b>Balance Sheet</b>		
Total Borrowings	-	42.24
Net Worth	7.40	512.20
Fixed Assets	133.52	158.89
Net Working Capital	-125.18	20.07
<b>Financial Measures</b>		
Inventory Turnover Ratio	10.79	55.71
Receivables Turnover Ratio	1.25	13.78
Payables Turnover Ratio	1.06	19.70
Fixed Assets Turnover Ratio	3.08	16.46
Return on Capital Employed	118.24%	10.43%
Return on Equity	30.41%	7.44%
Debt-Equity Ratio	-	0.08

(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 grown from Rs. 12.16 lacs in 2021 to 108.87 lacs in 2022 growing more than 7 times. The EBITDA margin in 2022 was 4.16% from 2.96% in 2021. The company has been generating income only from last 2 years and therefore the sustainability of the same can't be properly commented upon. However, the companies in this industry are generating margins of around 7%-9% and considering this the company is underperforming.

### **Net Profit**

The net profit of the company has grown from Rs. 2.25 lacs in 2021 to Rs 76.14 lacs in 2022 growing more than 32 times. The net profit margin has grown from 0.55% in 2021 to 2.91% in 2022. The company has been generating income only from last 2 years and therefore the sustainability of the same can't be properly commented upon. However, the companies in this industry are generating margins of around 4%-5% and considering this the company is underperforming.

### **Finance Cost.**

The financial charge of the company is mainly towards the Cash Credit facility of Rs. 84.01 lacs raised from bank.

### **Financial Measures/Ratios**

The profitability margins of the company have increased but the mixed ratios such as RoCE and ROE have decreased.

RoCE of the company in 2022 was 10.43% vs 118.24% in 2021. The return has decreased due to increase in capital employed by the company in FY 22 in form of shares issued. The same is expected to fall again due to new shares being issued.

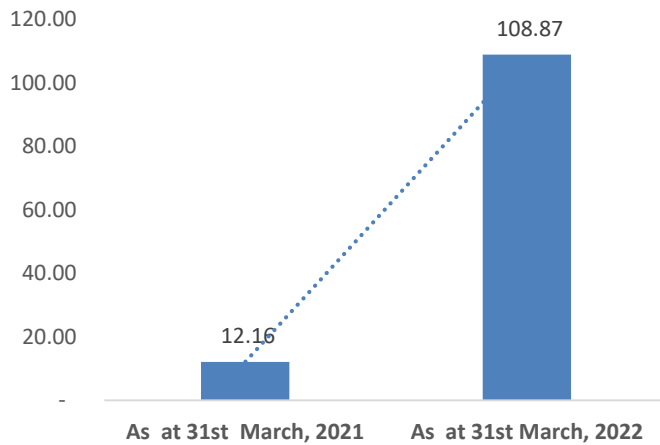
Return on Equity (ROE) of the company was 7.44% in 2022 vs 30.41% in 2021. Like RoCE, the return has decreased due to increase in capital employed by the company in FY 22 in form of shares issued. The same is expected to fall again due to new shares being issued.

The company has effectively managed its Inventory and Receivables but has not properly managed its Payables as evident from the above mentioned data.

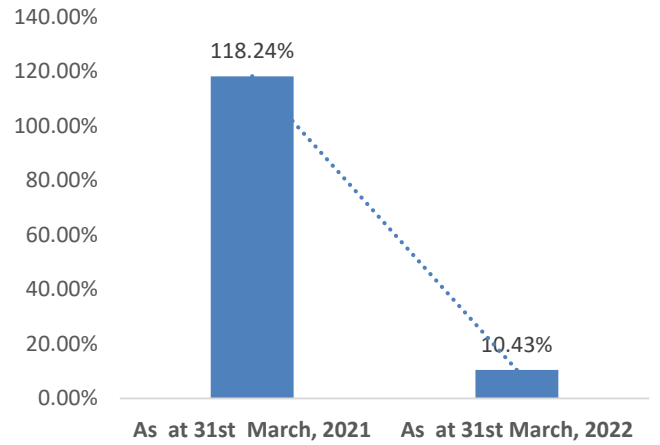
The company has Debt-Equity ratio of 0.08 due to Cash Credit Availed from the bank. Considering the same, the company could have thought of part bank finance for its working capital requirements and reduce its cost of capital.

## Financial Graph

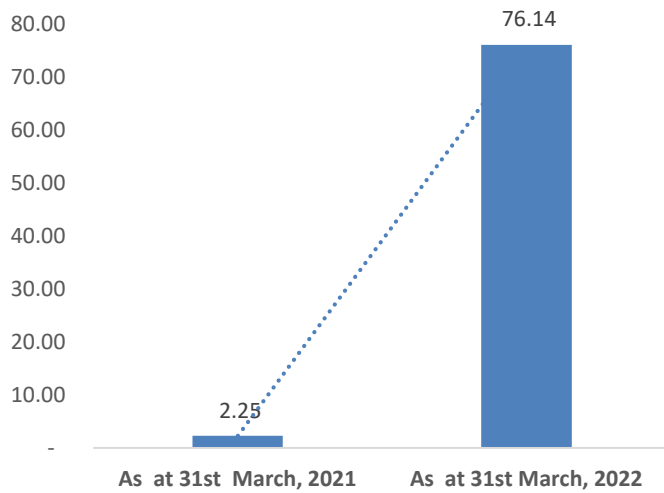
**EBITDA (In Lacs)**



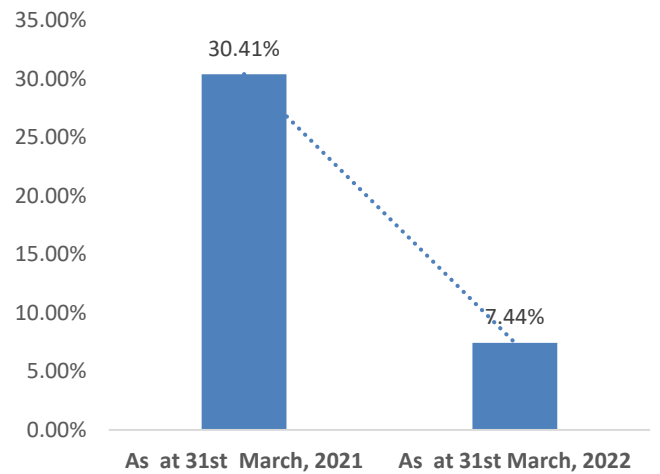
**Return on Capital Employed**



**Net Profit (In Lacs)**



**Return on Equity**



## Key Risk Factors

1. The company deals in perishable product and has to be transported in temperature-controlled vehicle. Any unfortunate change in temperature or weather condition will adversely affect the business.
2. The company deals in Live Chicken which are subject to infections and disease and cause health hazards which may impact company's financial condition.
3. There are no specific quality checks performed at the procurement of Milk and Live Chicken.
4. The company is dependent on few customers and suppliers. The top 5 customers and suppliers contributed to more than 85% of its sales and purchases.

## Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Finshore Management Services Limited and the previous issue details have been taken from the Prospectus. 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#
1.	ICL Organic Dairy Products Ltd.	4.08	20/-	17/02/2020	17.15
2.	DJ Mediaprint & Logistics Ltd.	2.40	20/-	13/04/2020	55.25
3.	Promax Power Ltd.	1.60	10/-	12/10/2021	23.25
4.	Dynamic Services & Security Ltd.	24.13	51/-	13/10/2021	17.30
5.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	17.80
6.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	65.00
7.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	10.24
8.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	96.20
9.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	50.00
10.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	6.49
11.	Scarnose International Limited	6.60	55/-	27/06/2022	50.50

**#CMP is taken as on 08<sup>th</sup> July 2022**

This is the 25th IPO of the Lead Manager, out of the last 11 listings, 2 opened at par and rest at premium

## Recommendation

The company has been into the business since 2019 and does not hold a good track record of existence. The company is engaged in Milk and Live Chicken which seems to be a growing industry but is highly fragmented. There are various organized and unorganized players in the market. The peers are already established in the market and there are certain unlisted companies as well which are popular local brands in different regions of India.

The financials of the company have grown substantially in the last year. As the company was established in 2019 and started generating revenue from 2020-21, it is difficult to comment upon the sustainability of such growth. However, from peer analysis it is evident that the company has underperformed.

The dairy sector PE is around 66 times and poultry sector PE is around 16 times. The company is getting listed at around 13 PE and is not demanding any premium making it a fairly priced issue.

To conclude, there is not enough existence of the company to give a proper recommendation. If the company is able to overcome its competition and is able to cope-up with the technological advancements happening in the industry, it can do well in the coming years. But as of now one should wait and see how the company performs in the coming years and how well it expands itself in other parts of the country and other product segment and therefore, it is advisable to **avoid** 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.