

### IPO Details

<b>Opening Date</b>	Sep 27, 2022
<b>Closing Date</b>	Sep 29, 2022
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	1200 Shares
<b>Issue Price</b>	₹ 105 per share
<b>Issue Size</b>	11,14,800 Equity Shares
<b>Application Amount</b>	₹ 1,10,000

### IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	36,29,000	99.99%
Public	280	0.01%

### Promoter of the Company

- Mr. Mahendra Ahuja
- Ms. Roma Ahuja

### Competitive Strengths

- Experience and Track Record
- Experienced Promoters and Management
- Repeat Business
- Location Advantage
- Satisfied Chain of Vendors
- Progressive Employer

### Company Background

- Company was incorporated in the year 2008, in the name and style of M R Agriculture Private Limited.
- Initially the Company was engaged in the business of agriculture goods such as Rice Milling, Rice Sorting, Dal Milling, Dal Processing and Agriculture Products.
- In the year 2021, the company changed its name from M R Agriculture Private Limited to Reetech International Cargo and Courier Private Limited.
- The company started trading of Coal business in the year 2020.
- Company deals in trading of coal from South Africa, Indonesia, Australia, USA and India.
- Company has 8 employees as on the date of filing the prospectus

### Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
<b>Total Assets</b>	1,727.52	877.78	396.17
<b>Net Assets</b>	801.06	365.59	325.06
<b>Total Borrowings</b>	-	45.61	55.22
<b>Total Revenue</b>	11,689.10	1,842.41	18.99
<b>Profit After Tax</b>	417.29	30.10	13.98



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## Company Overview

Company was incorporated in the year 2008 in Chhattisgarh as M R Agriculture Private Limited. Company started its operations in 2009 and was engaged in the business of agriculture goods such as Rice Milling, Rice Sorting, Dal Milling, Dal Processing and Agriculture Products. In 2020, company shifted its business to trading of coals and got its name changed to Reetech International Cargo and Courier Limited.

## Analysis

Although the company was incorporated in the year 2008, the current business segment of the company started only after 2020. Currently the company is engaged in the business of trading of coals from Africa, Indonesia, Australia, USA and India.

Company mainly imports coal and the product segment of the company is given below –

### South African Coal

Company is currently importing the entire spectrum of South African coal that comprises 6000 NAR, 5500 NAR & 4800 NAR. The coal is transported in multifarious vessels such as Supramax, Panamax, Babycape & Capesize vessels. It is then stored in various locations including Gangavaram port, Vizag port.

### Indonesian Coal

Company is importing the entire spectrum of Indonesian coal grades, extending from Low Calorific Value and Medium Calorific Value to High Calorific Value.

### Indian Coal

Although company's core business is trading of imported coals, company procures Indian coal through e-auctions conducted by the various subsidiaries of Coal India Limited (WCL, ECL, SECL, CCL, MCL, NCL, SCCL). The coal is procured keeping in mind the quality and quantity requirements of the customers.

### US Coal

Company imports US coal on Kandla port of GCV higher than 7000.



Company has only started generating revenue from operations from the year 2021 and in the year 2022 the company has shown a jump of 518% from the previous year. The company has only been in the business properly since two years and has shown a whopping rise in its revenue. The management has given a reason of rapid recovery from pandemic for its supernormal increase in sales which does not seem to be a good explained reason and raises concern.

To conclude, the company has not given enough information on its business overview segment apart from what it does and what is used to do in the past. So there is not enough information to comment on the same. But only being in the industry for 2 years provides a negative outlook for the company.

Exhibit 1: Market Size of Indian Mining and Metal Industry

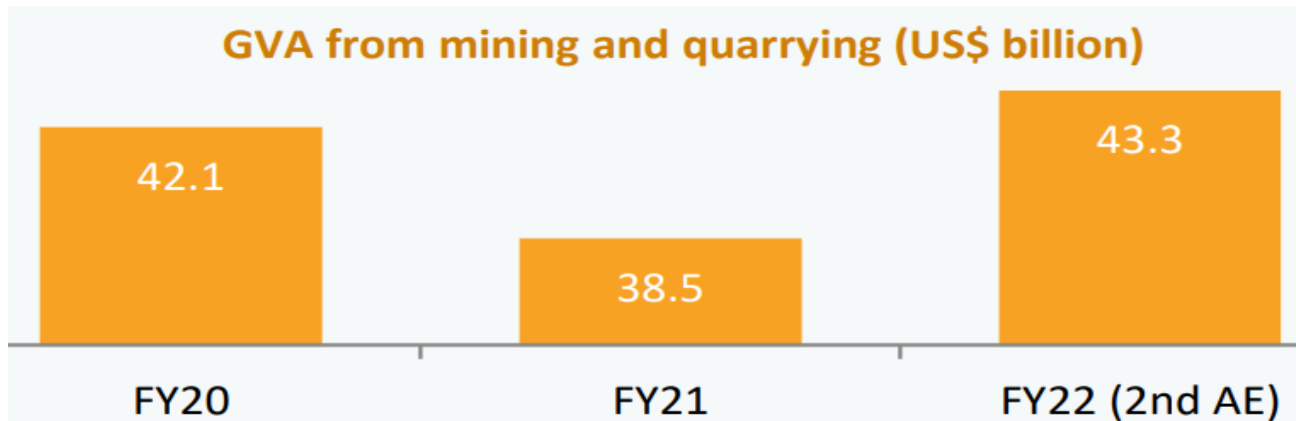


Exhibit 2: Sector Composition of Indian Mining and Metal Industry

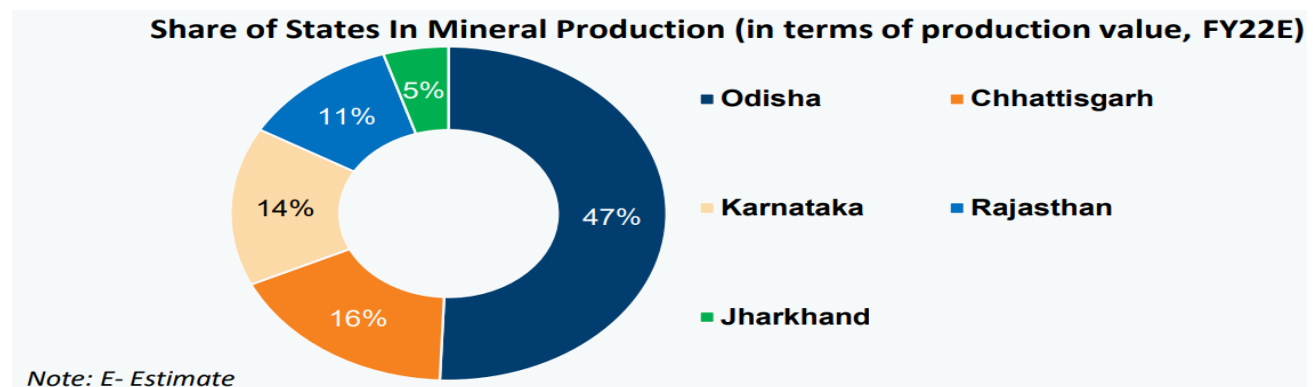
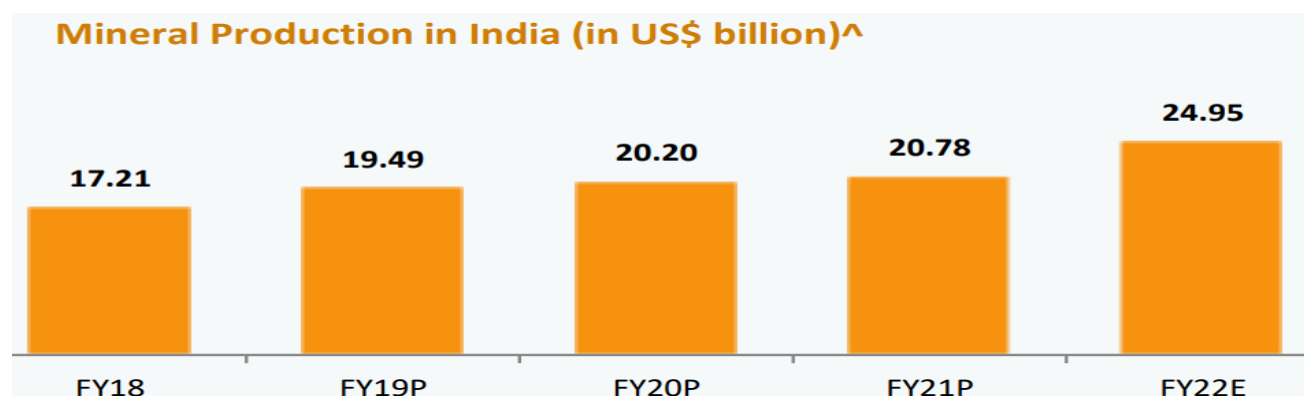


Exhibit 3: Key Trends in Indian Mining and Metal Industry



(Source: ibef.org)



## Investment Overview

### Indian Coal Industry

Indian coal reserves are the third largest in the world, after the United States and China. India is the third largest coal producer in the world and the eighth largest importer. With annual production of 310 million tonnes and imports of almost 25 million tonnes, coal provides one-third of energy supply in India. The Indian government forecasts huge increases in electricity capacity based on coal. Massive increases in coal supply would be required if these plans are realised, although it is not clear if they are feasible. The principal objective of Indian coal policy should be to improve the financial performance of the industry by creating a freely competitive coal industry. A financially viable electricity industry will be necessary to support reforms in the coal industry. This report describes the Indian coal sector, and comments on government policies and the performance of India's largely state-owned coal companies. There is a substantial need for reforms in India's coal sector to improve efficiency and competitiveness.

As on June 16, 2022, coal stock at different domestic coal mines is more than 52 MT, which is sufficient for about 24 days' requirement of power plants. In addition to it, about 4.5 MT coal stock is available at various Good shed sidings, Private Washeries and ports and is awaiting to be transported to the power plants. During the monsoons, despite having high coal stock at mine ends, the coal companies face problems in transporting coal to the sidings due to flooding of mines and the wet coal jamming the Coal Handling Plants conveyor systems. Even by end of the second quarter, coal stocks remain high at CIL mines when stocks are low at thermal plant end. There domestic coal production is not an issue. The coal supplies from CIL are more than the FSA requirements. However, CIL has agreed to import coal for the interested power sector consumers (State Gencos and IPPs) and have floated a short term tender for 2.4 MT imported coal for supply within three months and two long term imported coal supply tenders of 6 MT each for supply over a period of one year. The ICB power plants and the Gas based power plants have been operating at very low capacities due to constraints in easy availability of required fuel and issues related to PPAs. However, coal supplies from CIL and other domestic sources is sufficient to ensure that there is adequate coal at the power plants during the monsoon season.

(Source: prospectus)

## **Addressable Market for Reetech International Cargo and Courier Limited**

Company currently is in the segment of trading of coals. As mentioned in the prospectus the company looks to expand the currently business and also focus on trading of new minerals in the coming times.

## **Competition**

The company faces competition from a number of players in the market. There are numerous organised and unorganised players in the industry making the competition stiff. The bargaining power of the company is less and the threat of new entry is also not low. Also there are reputed companies having bigger capital base and resources than that of the company.

## **Peer Analysis**

As Mentioned in the prospectus, the company has mentioned 2 listed peer companies viz. Anmol India Limited and Redington India Limited. A summary on the key financial parameters is given in the table below –

<b>Company</b>	<b>Reetech International Cargo and Courier Limited</b>	<b>Anmol India Limited</b>	<b>Redington India Limited</b>
Net Profit (INR Cr)	4.17	15.55	1279.91
EBITDA (INR Cr)	5.88	27.52	1879.23
Return on Capital Employed	73.34%	27.23%	26.68%
Return on Equity	52.09%	25.75%	22.12%
EPS (INR)	8.82	15.59	17.39
P/E* (Times)	11.90	10.99	8.11

\*As on 28/09/2022

#Post IPO Basis

## Promoters' Profile and Management Analysis

### Mr. Mahendra Ahuja



- **Mr. Mahendara Ahuja** is the Promoter and Managing Director of the Company.
- He has been an entrepreneur since 2007 and has been successfully engaged in the business of real estate in the city of Raipur.
- In the company he is responsible for providing strategic advice and guidance to the members of the board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations.

### Mr. Roma Ahuja



- **Ms. Roma Ahuja** is the Promoter and Executive Director of the Company.
- Shas more than 14 years of experience in the business of Implementation of Strategic objectives, administration, preparing budgets, reviewing accounting procedures and financial analysis
- In the Company she is responsible for providing strategic advice and guidance to the members of the board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations.





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

**Mr. Mahendra Ahuja**, aged 39 years, is the Promoter and Managing Director of the Company. He has more than 14 years of experience in the field of management, finance and overall business development. In a Company he is responsible for providing strategic advice and guidance to the members of the board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations

**Ms. Roma Ahuja**, aged 38 years, is the Promoter and Executive Director. She has completed her Bachelor in Commerce from Pt. Ravishankar Shukla University, Raipur in the year 2005. She has more than 14 years of experience in the business of Implementation of Strategic objectives, administration, preparing budgets, reviewing accounting procedures, financial analysis, she always delivers value to the customers and endeavour in fulfilling / exceeding their expectations.

**Mr. Vijay Kumar Khilnani**, aged 58, is a Non-Executive Director of the company. His role in the company includes overseeing whether company's programmes and projects are being executed in right direction as per its aim and objectives, recommending business policies to the board governing the company, establishing long-term business plans for supporting the vision and values of the company.

To conclude, the management's role has not been properly explained in the prospectus and has been given in generalised form. The education background of the Managing Director is missing. The directors have good experience, but whether the same is in the line of business it is currently operating, is not properly depicted.



## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>			
Revenue from operation	-	1,840.26	11,373.97
Other income	18.99	2.15	315.13
Total Revenue	18.99	1,842.41	11,689.10
Expenses	0.10	1,801.72	11,101.57
Depreciation and Amortisation Cost	-	-	-
Finance Cost	-	0.19	0.09
Total Expenses	0.10	1,801.91	11,101.66
PBT	18.89	40.50	587.44
PBT Margin	0.00%	2.20%	5.16%
EBITDA	18.89	40.69	587.53
EBITDA Margin	0.00%	2.21%	5.17%
Net Profit	13.98	30.10	417.29
Net Profit Margin	0.00%	1.64%	3.67%
<b>Balance Sheet</b>			
Total Borrowings	55.22	45.61	-
Net Worth	325.06	365.59	801.06
Fixed Assets	-	-	-
Net Working Capital	-0.42	20.07	43.59
<b>Financial Measures</b>			
Inventory Turnover Ratio	-	23.75	58.70
Receivables Turnover Ratio	-	2.93	16.80
Payables Turnover Ratio	-	30.02	75.00
Fixed Assets Turnover Ratio	-	-	-
Return on Capital Employed	4.97%	9.90%	73.34%
Return on Equity	4.30%	8.23%	52.09%
Debt-Equity Ratio	0.17	0.12	-

(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. 18.89 lacs in 2020 to Rs. 587.53 lacs in 2022 growing at a CAGR of 457.70%. The EBITDA margin in 2020 was 0.00%, 2.21% in 2021 and 5.17% in 2022. As the company had no revenue from operations in 2020, the EBITDA margin is NIL in that year. The company has shown good strength in its margin from 2021 to 2022. However, in absolute terms the EBITDA has grown at an extra ordinary rate of 457.70% which is not sustainable in the future.

### **Net Profit**

The net profit of the company has grown from Rs. 13.98 lacs in 2020 to Rs. 417.29 lacs in 2022 at a CAGR of 446.34%. The net profit margin in 2020 was 0.00%, 1.64% in 2021 and 3.67% in 2022. The growth of CAGR of 446.34% seems to be unsustainable in the coming future. However, talking about the net profit margin, it has shown good strength and is not extra-ordinary.

### **Finance Cost.**

The company has not incurred in the financial year 2022.

### **Financial Measures/Ratios**

RoCE of the company in 2020 was 4.97% vs 9.90% in 2021 and 73.34% in 2022. The RoCE has increased due to substantial increase in absolute operating profit and reduction of entire long term loans. Infusion of Equity Capital is likely to reduce the RoCE in coming times.

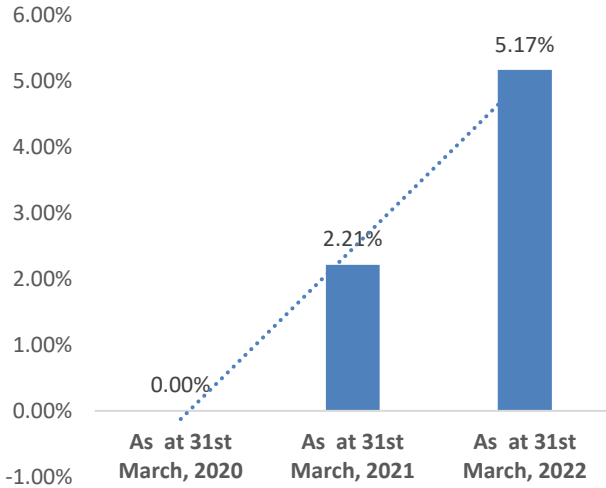
ROE of the company in 2022 was 52.09%, 8.23% in 2021 and 4.30% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

The company has been able to effectively maintain its Receivables and Inventory in these two years, however it seems like the company has to pay its payables quite early and is not enjoying enough credit period.

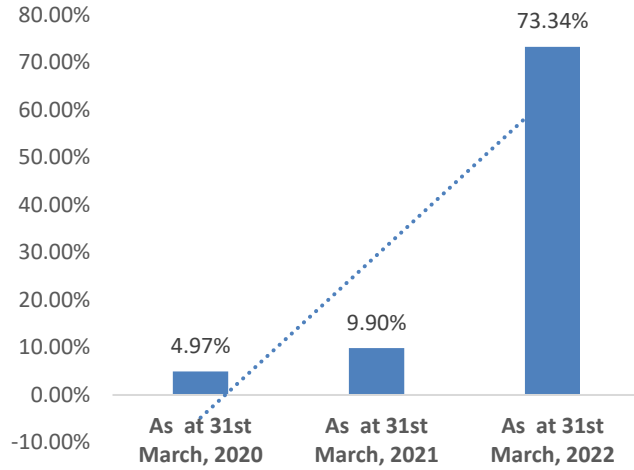
The company has no debt in FY 22. The company could have looked to raise bank funding partly and reduce its Weighted Average Cost of Capital.

**Financial Charts**

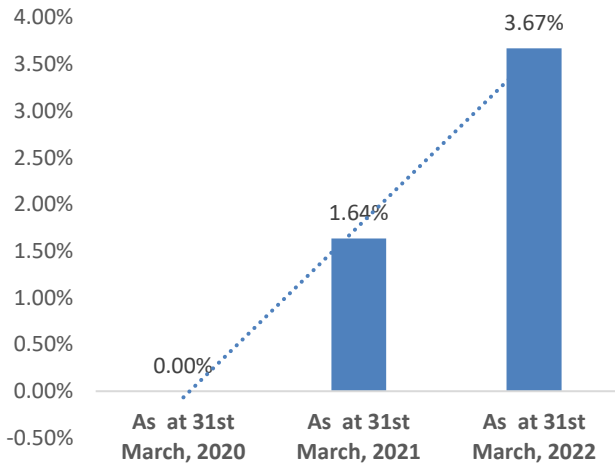
**EBITDA Margin**



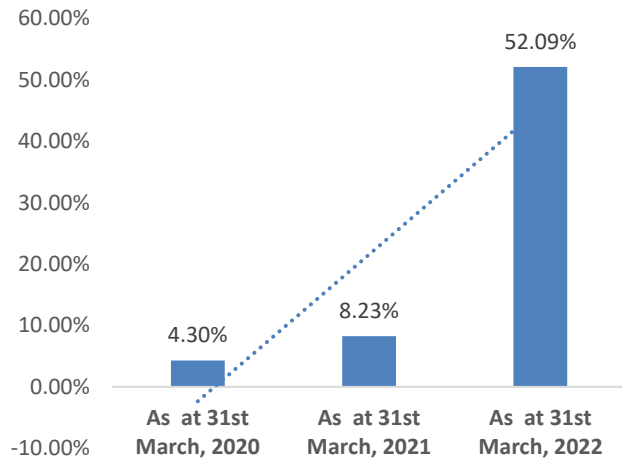
**Return on Capital Employed**



**Net Profit Margin**



**Return on Equity**





## Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of more than Rs. 10 crores, which if determined against them, can affect financial conditions of the company.
2. The top 10 customers of the company contributes to around 96% of the total revenue.
3. The company is currently only in one product segment i.e. coal.
4. The product of the company is exposed to the risk of certain government regulations and also price fluctuations.
5. The company is relatively new in the business of trading coal.



## Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate 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# (INR)
1.	B & B Triplewall Containers Limited	19.99	36.00	October 15, 2018	280.00
2.	BCPL Railway Infrastructure Limited	17.01	35.00	October 29, 2018	37.80
3.	Misquita Engineering Limited	1.93	27.00	October 04, 2019	52.25
4.	Anuroop Packaging Limited	2.64	13.00	November 21, 2019	25.20
5.	Billwin Industries Limited	2.46	37.00	June 30, 2020	29.40
6.	G M Polyplast Limited	8.09	159.00	October 14, 2020	441.00
7.	Niks Technology Limited	2.01	201.00	March 31, 2021	200.00
8.	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	213.40
9.	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	137.00
10.	Clara Industries Limited	3.02	43.00	December 29, 2021	89.30
11.	Goel Food Products Limited	3.61	72.00	June 28, 2022	172.00
12.	B Right Realstate Limited	44.36	153	July 13, 2022	132.00
13.	Shantidoot Infra Services Limited	4.02	81	September 19, 2022	104.25

**#CMP is taken as on 28<sup>th</sup> September 2022**

Out of the last 10 listings, 1 opened at discount and rest all at premium.



## Recommendation

The company was established in the year 2008 but was in different field. The company got itself into the current business only in the year 2020 and has 2 years of experience in this field.

The revenue from operations of the company had been started generating from FY 21 and in FY 22, the revenue has multi-folded 5 times than that of 2021. The reason for same has been explained as opening up of economy after pandemic by the management, the same reason is not explanatory up to the mark.

The company has not mentioned about the education background of the Managing Director. The roles and responsibilities of the directors have also been explained in a much generalised form. The director's experience in the current line of business is lacking in the prospectus.

The company is getting listed at a PE of 11.90 of post IPO basis which is more than the PE of listed peers.

To conclude, the company has not enough experience in the field of trading coal and also the management seems to lack experience in the current business segment which leads to skipping the IPO and so our advice would be to **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.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**