

IPO Details

Opening Date	Dec 15, 2022
Closing Date	Dec 20, 2022
Stock Exchange	NSE SME
Lot Size	4000 Shares
Issue Price	₹ 35 per share
Issue Size	69,68,000 Equity Shares
Application Amount	₹ 1,40,000

IPO Objective

To meet out the Working Capital requirements of the Company

To meet out the Issue Expenses

To meet out the General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,99,00,000	99.50%
Public	1,00,000	0.50%

Promoter of the Company

- Mr. Mehmood Khan
- Mrs. Munnii Bee

Competitive Strengths

- Availability of Raw Material
- Low Wage Labour Availability
- Good Transportation System
- Experience of Promoters

Company Background

- Company was incorporated in the year 2013 and has its registered office in Indore, Madhya Pradesh.
- Company is engaged into the business of manufacturing & trading of sugar with captive power cogeneration capabilities.
- It started its operation of manufacturing sugar in the year 2018.
- Company's plant is situated at Datia, Madhya Pradesh having crushing capacity of 2500 TCD (Tonnes Crushed Per day).
- In addition to sugar, they also produce and sell its by-products such as molasses, press mud and bagasse.
- Company is planning to step into the business of Ethanol production under EBP Program.
- As on the date of filing the prospectus Company had 48 Employees.

Financial Summary

	(In Lacs)		
For the Period Ended	Jun-22	Mar-22	Mar-21
Total Assets	11,093.62	11,355.87	10,499.28
Net Assets	2,800.93	2,649.67	2,322.77
Total Borrowings	4,560.10	4,447.31	5,025.41
Total Revenue	840.81	7,962.58	7,748.42
Profit After Tax	151.26	326.90	167.43

Tentative Timeline

Event	Tentative Date
Opening Date	Dec 15, 2022
Closing Date	Dec 21, 2022
Basis of Allotment	Dec 26, 2022
Initiation of Refund	Dec 27, 2022
Credit of Shares to Demat	Dec 28, 2022
Listing Date	Dec 29, 2022

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

Being Incorporated in 2013, Dollex Agrotech Limited is engaged into the business of manufacturing & trading of Sugar with captive power co-generation capabilities. The company started its cane development process since Incorporation. In the year 2018, the Company then started its operations of Sugar manufacturing, from sugarcane along with co-generation capabilities in Indore, Madhya Pradesh. They have received in-principle approval from department of Food & public distribution from Government of India for establishing distilleries of 200 KLPD capacity. In addition to sugar, they also produce and sell its by-products such as molasses, press mud and bagasse. The bagasse is used to generate power. Further, the company is into captive power generation with a capacity of 3 MW for its own use and not in commercial power generation and distribution as on date. The power is generated from bagasse to run their plant at Datia.

Analysis

The company is based in Indore, Madhya Pradesh and its plant is located in Datia, Madhya Pradesh therefore majority of their revenue comes from Madhya Pradesh followed by Odisha. They generate revenue from Manufacturing and Trading business activities.

The following are the products the company deals in-

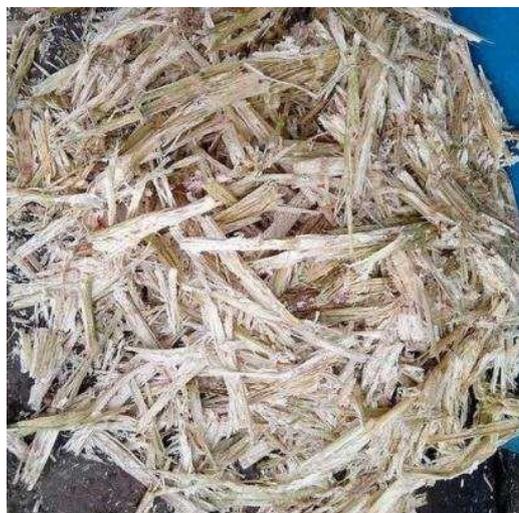
Jaggery Powder



Sugar



By-Products (Molasses & Bagasse)



Press mud



Product wise revenue breakup is provided below-

Product	For the period ended 30 th June 2022	For the period ended 31 st March, 2022	For the period ended 31 st March, 2021	For the period ended 31 st March, 2020
Manufacturing & Trading				
Jaggery Powder	-	-	-	253.77
Sugar	-	7,345.53	3,652.04	2,008.52
By-Products	176.07	234.32	208.19	164.47
Cane seed to farmers	334.05	105.28	450.55	-
Trading				
Sugar	328.57	254.98	3,408.01	102.69
Total	838.69	7,940.11	7,718.79	2,529.45

As one can see, the company has stopped producing Jaggery Powder and is currently only manufacturing processed sugar. We can say that processed sugar is the major product this company deals in. There has been a decrease in the total revenue which cannot be justified due to the cyclical nature of this industry because others in the same industry have shown healthy revenues. Revenue from trading activities also have been unstable. The company is currently operating at 75% capacity and is planning to expand its production which is likely to increase its revenue from manufacturing activities but quarter one has not been very fruitful for the company either.

The company has also entered into an agreement with Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Limited (HPCL) for Ethanol production under EBP Program.

To conclude, the company is in a highly competitive segment with a lot of players in the market from small players to conglomerates. However, the company is in this business since a long time and knows the ins and out of the business. The company is also trying to pivot into relevant industries such as the Ethanol Industry by getting itself into the Ethanol Based Petrol (EBP) Programme. This can open new doors for the company as the future for EBP looks good because of government policies and plans for the near future. The company also already has collaborations with BPCL, IOC, HPCL etc for the same. If the company is able to turn this opportunity in its favour, it can see good growth.

Industry Charts

Exhibit 1: Agricultural Exports from India (US\$ billion) Exhibit 2: Sector Composition of Indian Consumer Durables Industry

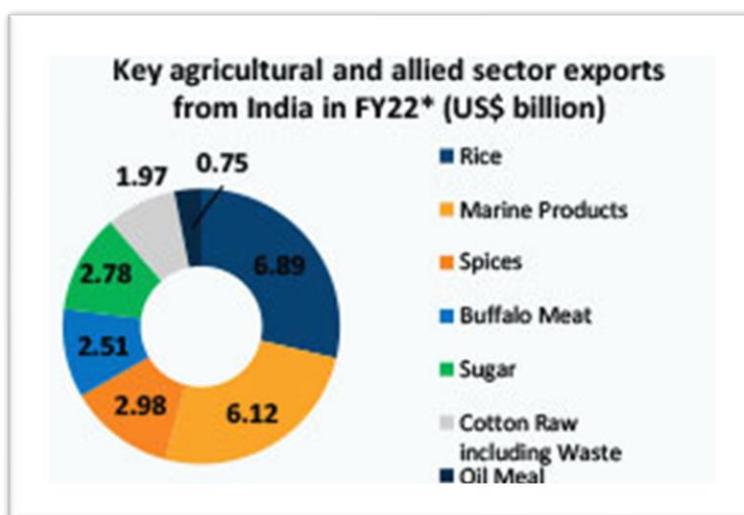
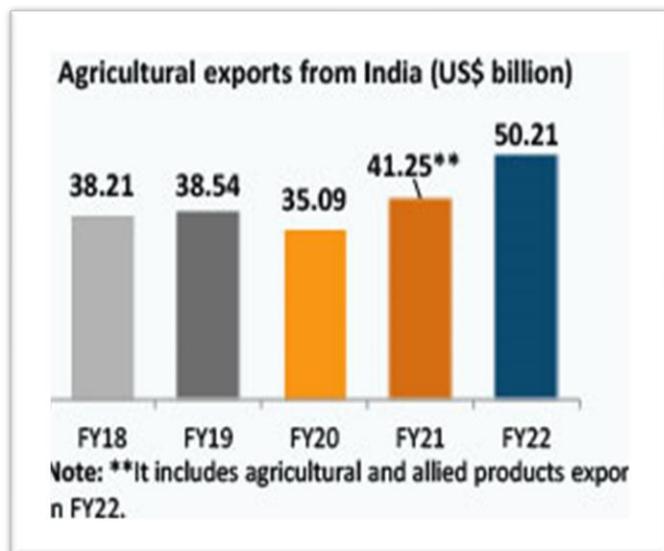


Exhibit 3: Sector Composition of Indian Consumer Durables Industry

Ethanol Supply Year	Projected Petrol Sale (MMT)	Projected Petrol Sale (Cr. Litres)	Blending (in %)	Requirement of Ethanol for Blending in Petrol (Cr. Litres)
A	B	$B1=B \times 141.1$	C	$D=B1 \times C\%$
2019-20	24.1 (Actual)	3413 (Actual)	5	173
2020-21	27.7	3908	8.5	332
2021-22	31	4374	10	437
2022-23	32	4515	12	542
2023-24	33	4656	15	698
2024-25*	35	4939	20	988
2025-26**	36	5080	20	1016

* The petrol projections may undergo revision due various factors like penetration of EVs, etc.

** The figures are optimistic, as the E20 fuel will be consumed by new vehicles from April 2023 only. The demand for ethanol will, however, increase due to penetration of E100 two wheelers, which are now being manufactured in the country

(Source: ibef.org, prospectus)

Investment Overview

Indian Sugar and Ethanol Industry

The Sugar industry is an important agro-based industry that impacts rural livelihood of about 50 million sugarcane farmers and around 5 lakh workers directly employed in sugar mills. Employment is also generated in various ancillary activities relating to transport, trade servicing of machinery and supply of agriculture inputs. India is the second largest producer of sugar in the world after Brazil and is also the largest consumer. Sugar exports stood at US\$ 2.78 billion.

India's net import of **petroleum** was 185 Mt at a cost of US \$ 551 billion in 2020-21. Most of the petroleum products are used in transportation. Hence, a successful E20 program can save the country US \$4 billion per annum, i.e., Rs. 30,000 cr. Besides, ethanol is a less polluting fuel, and offers equivalent efficiency at lower cost than petrol. With the recently approved interest subvention incentives for grain-based distilleries, the target of 20% blending of petrol in the country by 2025 thus appears feasible and within reach. Oil Marketing Companies have prepared their plans for phased rollout, and vehicle manufacturers have assured of making a similar plan once the intention of the government with timelines is publicly declared. What is left is smoothing of some regulatory stipulations to provide single window service for setting of new ethanol distilleries and to ease interstate movement of denatured ethanol. The Government of India notified the National Policy on Biofuels –2018 (NPB–2018) on 4.06.2018 wherein, under the Ethanol Blended Petrol (EBP) Program, an indicative target of 20% blending of ethanol in petrol by 2030 was laid out.

(Source: prospectus)

Addressable Market for Dollex Agrotech Limited

Company currently caters its products mainly in Madhya Pradesh but plans to expand business PAN India by increasing sales presence in states other than they are currently operational. Company will open new markets as it enters the Ethanol industry. It will open new gates to a lot of areas PAN India.

Competition

Company operates in the highly competitive industry. India being one of the largest producers of Sugar in the world, there are a lot of players from small players to conglomerates in this industry. The company is also trying to enter the Ethanol Industry which is also a very competitive emerging industry backed with government incentives and support.

Peer Analysis

As Mentioned in the prospectus, the company has several companies as its peers. A summary on the key financial parameters of the company is given in the table below –

Company	Dollex Agrotech Ltd	Shree Renuka Sugars Ltd	Rana Sugars Ltd.
Net Profit (INR Cr)	3.27	113.07	85.22
EBITDA (INR Cr)	8.76	462.03	181.86
Return on Capital Employed	9.39%	7.02%	25.29%
Return on Equity	5.40%	20.67%	20.24%
EPS (INR)#	1.63	0.53	5.55
P/E* (Times)	21.41	110.57	4.31

* PE as on 14/12/2022

#EPS is based on post IPO.

Promoters' Profile and Management Analysis

Mr. Mehmood Khan



- Mr. Mehmood Khan, aged 61 years, is the Promoter and Managing Director of the company.
- He holds a degree in Bachelor of Science.
- He has an experience of 37 years in diversified fields including sugar industry as well as distillation plant.
- He is involved in RS/ENA/Ethanol and Sugar business since last 26 years.

Ms. Munni Bee



- Ms. Munni Bee, aged about 57 years, is the Whole Time Director of the Company.
- Her educational qualification is up to higher secondary.

Analysis on the Company's Promoter and Board of Directors

Mr. Mehmood Khan, aged 61 years, is Promoter cum Managing Director of the Company. Mr. Mehmood Khan is a businessman with wide experience of 37 years in diversified fields including sugar industry as well as distillation plant and many more. He is involved in RS/ Extra Neutral Alcohol/Ethanol and sugar business since last 26 years.

He formed his own transportation company, in the name of 'R.R. Khan Tankers Private Limited' in the year 1989. The company was running the business with a fleet of 300 vehicles till the year 2002. He also set up multiple businesses in different industries. He set up a mineral water brand unit, 'Naroli Mineral Water', in the name of 'Daizy Agrotech Private Limited'. He also set up a well-advanced recreational club in Madhya Pradesh Ninth Mile Recreation Private Limited and a Venture of Television Channel (Ninth Mile T.V.). He holds a degree in bachelor of science.

Mrs. Munni Bee, aged 57 years, is the Whole Time Director of the Company. Her Educational qualifications is up to higher secondary. She was a former promoter Director of an entity listed on Bombay Stock Exchange named as a Dollex Industries Ltd. and later on merge with Parvati Sweeteners and Power Ltd. and now trading on BSE main board.

To conclude, core management of the company consists of two persons of which only one person has experience to run the business. Of the two promoters, only one is experienced and capable of running the business. The independent directors are well educated and experienced but the company needs directors in their line of business with relevant educational qualification and experience so that inputs regarding improving core competencies of the company can be given.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Jun, 2022
Profit and Loss			
Revenue from operations	7,718.79	7,940.11	838.69
Other income	29.63	22.47	2.12
Total Revenue	7,748.42	7,962.58	840.81
Expenses	7,049.35	7,063.79	509.80
Depreciation and Amortisation Cost	240.33	225.50	56.59
Finance Cost	218.39	248.34	60.51
Total Expenses	7,508.07	7,537.63	626.90
PBT	240.35	424.95	213.91
PBT Margin	3.11%	5.35%	25.51%
EBITDA	669.44	876.32	328.89
EBITDA Margin	8.67%	11.04%	39.21%
Net Profit	167.43	326.90	151.26
Net Profit Margin	2.17%	4.12%	18.04%
Balance Sheet			
Total Borrowings	5,025.41	4,447.31	4,560.10
Net Worth	2,322.77	2,649.67	2,800.93
Fixed Assets	4,529.65	4,088.41	3,987.23
Net Working Capital	2,689.58	2,585.85	2,972.46
Financial Measures (Annualised)			
Inventory Turnover Ratio	1.92	2.07	0.99
Receivables Turnover Ratio	15.99	3.87	1.32
Payables Turnover Ratio	2.77	1.96	0.00
Fixed Assets Turnover Ratio	1.70	1.94	0.89
Return on Capital Employed	5.66%	9.39%	7.81%
Return on Equity	7.21%	12.34%	12.12%
Debt-Equity Ratio	2.16	1.68	0.89

(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 increased from Rs 669.44 lacs in 2021 to Rs 876.32 lacs in 2022 and Rs. 328.89 lacs up to June 2022 and if we annualise the same it would be around Rs. 1315.56 lacs growing at a CAGR of 40.18%. The EBITDA margin in 2021 was 8.67%, 11.04% in 2022 and 39.21% up to June 2022.

Net Profit

The net profit of the company has grown from Rs. 167.43 lacs in 2021 to Rs. 326.90 lacs in 2022 and Rs. 151.26 lacs up to June 2022 and if we annualise the same it would be around Rs. 605.04 lacs growing at a CAGR of 90.10%. The net profit margin in 2021 was 2.17%, 4.12% in 2022 and 18.04% up to June 2022. The reason for the jump in profit margin can be attributed to the season nature of this industry. Due to the cyclical nature, purchases during the first quarter has decreased substantially resulting in decrease in total expense from 92% of revenue to 75% currently.

Finance Cost.

The company has incurred Rs. 248.34 lacs in the financial year 2022 mainly due to the long term and short-term loan availed from bank.

Financial Measures/Ratios

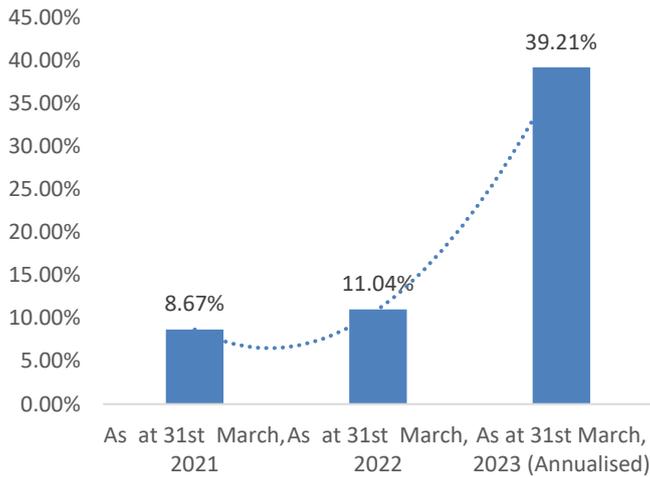
RoCE of the company in 2021 was 5.66% vs 9.39% in 2022 and 3.75% up to June 2022. The RoCE has decreased due to substantial decrease in profits in absolute terms and increase of capital employed. Infusion of Equity Capital is likely to reduce the RoCE in coming times. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 7.81%

ROE of the company in 2021 was 7.21%, 12.34% in 2022 and 5.40% up to June 2022. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE to be around 12.12%.

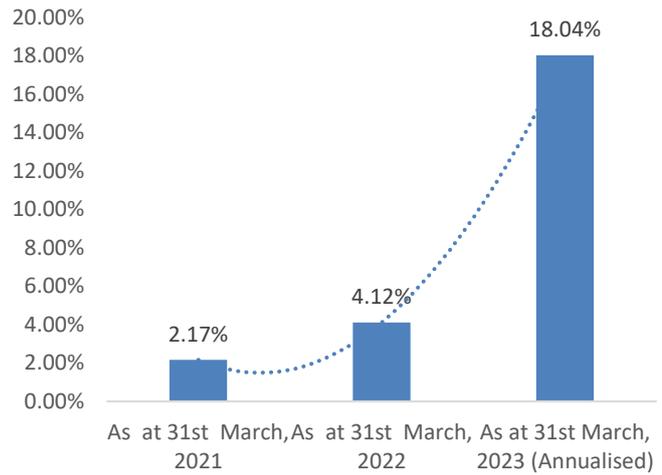
The company has a debt-equity ratio of 1.63 times up to June 2022. Debt-equity is expected to fall more with the infusion of new capital and is estimated to be around 0.89 times.

Financial Charts

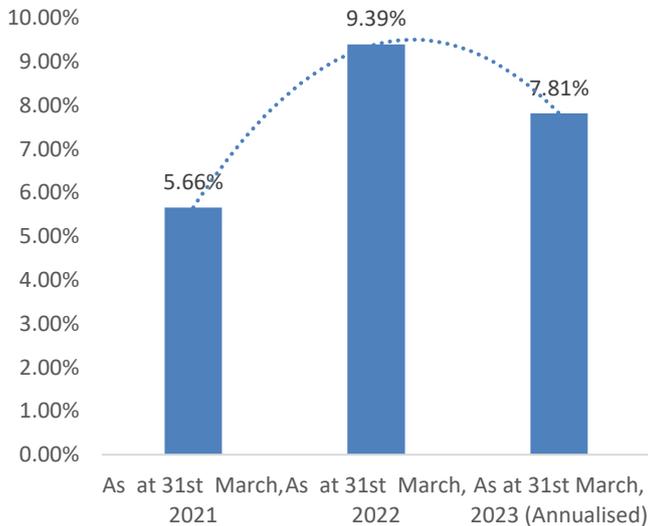
EBITDA Margin



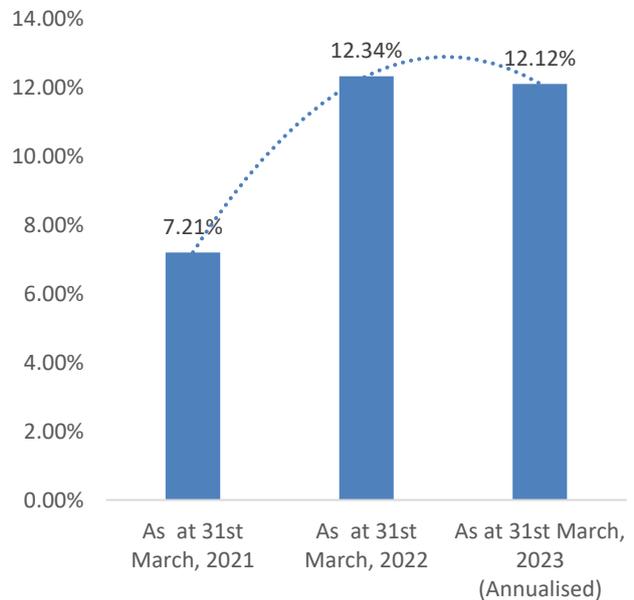
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. The Ethanol Industry is currently majorly backed by the government in terms of its policies and future plans. Therefore, the company is highly dependent on these. A change in these can have a drastic effect on the company.
2. The company is facing Criminal Suits the details of which are provided below-
 - Case 1:** The Criminal suit, having case no. RCT/0000132/2022, Madhya Pradesh Pollution Control Board V. Dollex Agrotech Private Limited, is pending before Chief Judicial Magistrate, District Court, Datia. The summon has been issued by court dated 13.06.2022 for the violation of section 24, 25, 43, 44 and 47 of the Water (Prevention and Control of Pollution) Act 1947 and the next date hearing is 03.11.2022.
 - Case 2:** The Criminal suit has been filed against our company date 13.05.2021, having case no. GJSR002-052347-2021, Kanak Ratan Woven Sack Private Limited V. Dollex Agrotech Private Limited, involving amount of Rs. 11,09,200/- is pending before Criminal Court, Surat. The summon has been issued by court for the violation of section 138 and 141 of the Negotiable Instruments Act, 1881, The first hearing was on date June 26, 2022 and the next date hearing is 14.09.2022.
3. Litigations are also pending against promoters/directors the details of which are provided below: -
 - Litigation involving Criminal Matters:** Mr. Vijai Singh Bharaktiya has received a summon being director of Parag Fans And Cooling Systems Limited (CIN: U51102MP1991PLC006760), havin case no. 156/1 under Section 58 A of the Companies Act, 1956 for the Violation of Section 71 (1) of the Companies Act, 2013. Final order has not been received and the case is pending.
 - Litigation involving Civil Matters:** Mr. Vijai Singh Bharaktiya as a Non- Executive Director of M/s Alfa Vision Oversea (India) Limited has received a notice of Authorization of Inspection of search under Rule139 (1) of GST Rules, 2017. Final order has not been received and the case is pending.
4. Since ethanol is a newer product and industry for them, not being able to cater to the requirements of the customer may lead to them losing contracts and might have a drastic effect on the state of the company.
5. The Company had negative cash flow from operating activity in quarter ending June 2022.

Track Record of Lead Manager

The lead manager to the issue is Expert Global Consultants Private Limited. 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.	Rite Zone Chemcon India Limited	8.96	75/-	11/11/2022	78.80

#CMP is taken as on 14th December 2022

This is the 2nd mandate from Expert Global in the ongoing fiscal. The only listing that took place so far opened with a premium of 15.93 % of the date of listing.

Recommendation

The Managing Director cum Promoter of the company has vast experience in the Sugar Industry. The company is also entering the new Ethanol Industry which shows promising growth.

The revenue of the company has however shown a decrease with a CAGR of -34.07%. The reason for this can be attributed to the cyclical nature of the industry but its peers are still showing better and healthier revenues in the first quarter. The company proposes to use the proceeds for working capital for expansion purposes but with already 75% of the capacity being used, there isn't a lot of room for expansion. There has been an increase in the Net Profit Margin from 2.17% to 18.04%. This jump is due to decreased cost due to drastic decrease in purchases due to cyclical nature of this industry.

The existence of litigations against the company and its promoters/directors also raises some concerns in the long run.

The management outlook of the company is neutral because, of the two promoters, only one seems to have the relevant qualification and experience required to run and grow this business.

The company is getting listed at a PE of around 21.41 times on Post IPO basis making it a fairly priced IPO.

To conclude, with the growing Sugar and Ethanol Industry the company has a lot of opportunities on its way but at the same time there are large number of competitors in the market which might affect the success of the company to a large extent if the same is not mitigated. Company has a lot of work to do since it is yet to start manufacturing ethanol for EBP programme. So, **risk averse investors should wait and risk seekers may apply.**

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.