

IPO Details	
Opening Date	June 23, 2023
Closing Date	June 27, 2023
Stock Exchange	NSE SME
Lot Size	2000 shares
Issue Price	₹ 65 per share
Issue Size	21,14,000 Equity Shares
Application Amount	₹ 1,30,000
Amount Raised (Issue Type)	₹13.74 Cr (Fresh Issue)

IPO Objective	
1.	For opening new stores under franchise model.
2.	Working capital requirement.
3.	General Corporate Purposes.

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	55,00,000	95.89 %	
Public	2,36,000	4.11 %	

Promoter of the Company	
1.	Mr. Rajesh E. Francis
2.	Mr. Manish S. Pancholi
3.	Mrs. Jennifer Rajesh Francis

Competitive Strengths	
1.	Unique Shopping Experience.
2.	Wide Product Mix.
3.	Strong Distribution Network.
4.	Investment in Software/ technology/ Mobile App for online shopping.
5.	Strong Marketing Strategy.

Company Background	
○	Magson Retail & Distribution Limited was incorporated in the year 2018 and is headquartered in Ahmedabad -Gujarat.
○	The company is engaged in the retail and distribution business of gourmet, frozen food and speciality foods.
○	The Company operates the retail stores through its own stores, jointly own stores and franchise model under its brand name "MagSon".
○	The Company also runs a separate chocolate store which is operated under brand name "My Chocolate World".
○	As on date of filing of Red Herring Prospectus, company have 149 employees on their payroll.

Financial Summary (INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	1,283.84	1,494.69	1,999.87
Net Assets	350.80	574.06	926.25
Total Borrowings	386.60	344.72	321.95
Total Revenue	5,358.92	5,566.78	6,301.50
Profit After Tax	181.75	223.36	251.88

Tentative Timeline	
Opening Date	June 23, 2023
Closing Date	June 27, 2023
Basis of Allotment	July 03, 2023
Initiation of Refunds	July 04, 2023
Credit of Shares to Demat	July 05, 2023
Listing Date	July 06, 2023

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Company Overview

Magson Retail & Distribution Limited was incorporated in the year 2018 and is headquartered in Ahmedabad -Gujarat. The Company is in the retail business of selling frozen food, gourmet food products and imported food products. Currently company operates 26 retail stores/outlets of which 16 are operated by the company and 7 are operated by franchise owners and 3 stores are operated under 2 joint ventures, MRDL operates all its stores under the registered brand name “MagSon”. The company also has distribution business verticle of food products to various other vendors. Further, the Company also runs a separate chocolate store which is operated under brand name “My Chocolate World”. Company has wide range of product offerings with over 3000 SKU count.

Analysis

Being in operations since 2018, the company is relatively new to the business, whereas the promoters of the company have a decent experience in the industry. The company have segregated its business in retail and distribution. Following is the detail about the company’s retail and distribution business.

1. **Retail Business:** - Currently company operates 26 retail stores/outlets of which 16 are operated by the company and 7 are operated by franchise owners and 3 stores are operated under 2 joint ventures, MRDL operates all its stores under the registered brand name “MagSon”. The said stores/outlets are located across Western India with 26 outlets in prominent cities which includes one each in Thane, Maharashtra, Udaipur, Rajasthan, Gandhinagar, Gujarat, Anand, Gujarat, Rajkot, Gujarat, Jamnagar, Gujarat and Gandhi Dham, Gujarat. Three store each in Surat, Gujarat, Vadodara, Gujarat and thirteen stores/outlets in Ahmedabad (including one chocolate store). The total retail space of 26 outlets/stores is more than 30,000 sq. Ft. with total stock (SKU) count in store being more than 3000 units.

The Company is presently operating 26 retail stores at following locations:

Sr. No.	Area / Location of the Store	No. of Stores
1	Ahmedabad	12
2	Vadodara	4
3	Surat	3
4	Gandhinagar	1
5	Rajkot	1
6	Jamnagar	1
7	Gandhi Dham	1
8	Anand	1
9	Udaipur	1
10	Thane, Mumbai	1
	Total	26

2. Distribution Business: - With regard to distribution business of MRDL, company has on rent a warehouse of more than 14,000 sq. Ft. in Ahmedabad, Gujarat from where it manages its inventory. MRDL procures 75% of the products directly from the manufacturers thereby eliminating the middle men which enable the company to earn higher margins. Other 25% is supplied directly from other distributors/wholesalers.

Business under their own Brand RF Gourmet - In December 2021 company launched Rf Gourmet as its own brand having a range of premium products such as French Fries, Fiery Fries, Chilli Garlic Potato Shots, Delhi Aloo Tikki, Veggie Burger Tikki, Chunky Fries, Eggs and a range of Chicken Seekh Kababs. All their products in this brand are sourced from top vendors ensuring premium quality and then are packed marketed by Magson under this Brand. All the products under this brand are introduced after analysing the prevailing market gap and increasing demand for the products. Under expansion plan company will be doing packing of RF Gourmet product in their godown as part of backward integration.

Product Offerings

Company has wide range of product offerings with over 3000 SKU count. MRDL product offerings can be divided in to following categories

- Frozen food Vegetarian and Non vegetarian
- Premium Cheese and Dairy products
- Exotic Vegetables and fruits
- Ambient Products
- Imported/ luxury Chocolates
- Imported packed products

To conclude, the market for business segment company deals in is highly competitive, historically this business segment has been dominated by major entities. The said strategy of Backward Integration will help them in increasing their margins from distribution business and in long run it will help them to develop core competence, whereas company have not given any breakup or bifurcation of its revenue.

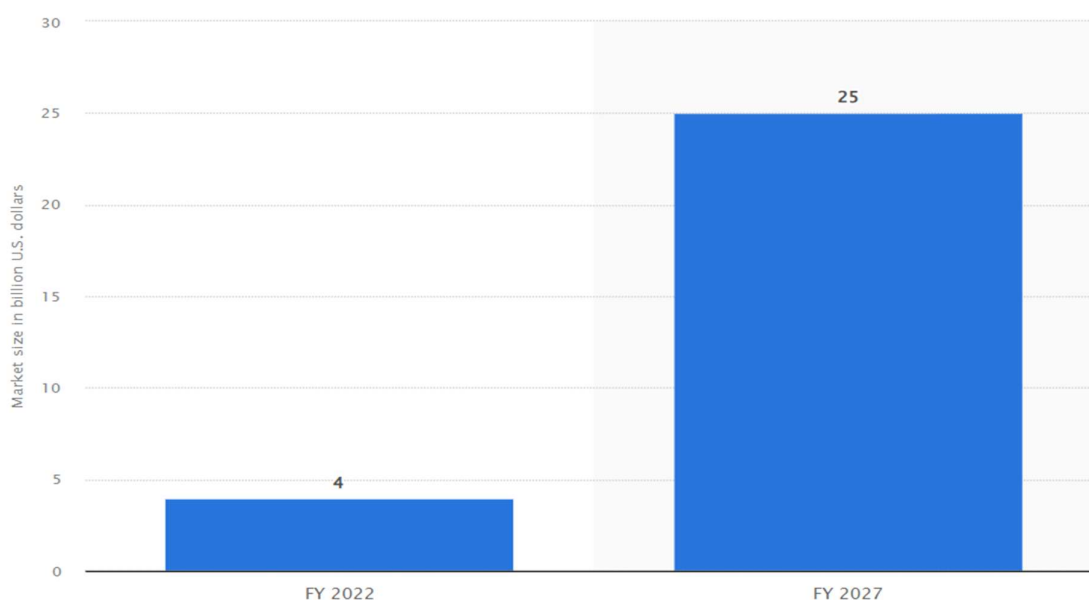
Industry Charts

Exhibit 1: Global Frozen Food Market



(Source- www.alliedmarketresearch.com)

Exhibit 2: Grocery and gourmet in direct-to-consumer sector in India in financial year 2022 and 2027



(Source- www.statista.com)

Investment Overview

INDIAN GOURMET/ SPECILITY & FOOD RETAIL STORES MARKET

Food and grocery are the most significant segments in the Indian retail sector, with an opportunity worth \$570 bn and accounting for 66 per cent of the country's total retail spend, as per a report done by Invest India forum Organised food and grocery retail market to reach \$60 bn by 2025.

The market is expected to grow at a CAGR of 8 per cent, supported by macro drivers such as increasing per capita income, urbanisation, and rising nuclear families. Conversion from unpackaged to packaged, premiumisation, and demand for convenience are some key drivers at a segment level. Due to evolving lifestyles and purchasing habits, more consumers are shopping at modern retail stores and stocking up on groceries instead of shopping frequently at neighbourhood Kirana's. Convenience stores have also become popular in urban clusters to cater to the increasingly busy lifestyle.

Although conventional categories like Staples and Fresh account for ~80 per cent of the total food retail spend, emerging categories of packaged snacks, confectionery, and beverages are overgrowing at a compounded rate of 15 per cent. Increasing awareness around health and wellness is set to shape consumer preferences across categories increasingly.

The number of modern retail grocery retailers across India amounted to over 22 thousand in 2022. Even though this format has grown consistently since 2013, it was a small portion compared to the number of traditional grocery retailers which was over 12 million in number the same year. Traditional stores include kiranas or corner shops, which account for a significant share of the retail market in the country. Modern Retail grocery store are growing fast in Indian due to various factors influencing the buying behaviour of the consumers.

Highlights of Indian Gourmet and Food Industry:

- Revenue in the Food market amounts to US\$963.60bn in 2023. The market is expected to grow annually by 7.23% (CAGR 2023-2027).

- The market's largest segment is the segment Bread & Cereal Products with a market volume of US\$173.90bn in 2023.
- In global comparison, most revenue is generated in China (US\$1,386.00bn in 2023).
- In relation to total population figures, per person revenues of US\$678.70 are generated in 2023.
- In the Food market, 1.2% of total revenue will be generated through online sales by 2023.
- In the Food market, volume is expected to amount to 663.70bn kg by 2027. The Food market is expected to show a volume growth of 6.0% in 2024.
- The average volume per person in the Food market is expected to amount to 419.30kg in 2023.

Product segments in food and Gourmet Industry

The Food market includes all kinds of fresh and processed foods. The market is divided into following segments: Dairy Products & Eggs, Meat, Fish & Seafood, Vegetables, Fruits, Bread & Cereal Products, Oils & Fats, Spreads & Sweeteners, Sauces & Condiments, Convenience Food, Confectionery & Snacks, Baby Food and Pet Food. Food represents a significant part of household expenditure, but its relative importance compared to other products decreases with increasing income.

The retail food market was most valuable among other segments in the food industry in India. Retail accounted for about 800 billion U.S. dollars in 2021. Food services ranked second that year, at 64 billion dollars.

(Source- Prospectus)

Addressable market for Magson Retail and Distribution

Company currently has 26 stores/outlets located across Western India in prominent cities in Maharashtra, Rajasthan and Gujarat. MRDL has also has a presence on e-commerce and online shopping, they have developed an e-commerce mobile app available for both Apple and Android users. With the help of mobile application customers can order online and get the products delivered. Mobile application also helps sending regular updates to customers and built customer relations. They can increase their revenue by expanding their network in different parts of India.

Competition

The business segment the company operates in is highly competitive, it faces competition from both organised and unorganised players in both the retail and distribution business. There is no barrier to entry in this business segment, with variety of options available customers have bargain power.

PEER ANALYSIS

As per the offer document, the company does not have any listed peers.

Promoters' Profile and Management Analysis

Mr. Rajesh E. Francis



- Mr. Rajesh E. Francis, aged 49 years is one of the founding members of Magson Retail and Distribution Limited.
- Since 2018, he is appointed as Managing Director in Magson Retail.
- He has completed Bachelor of Commerce.

Mr. Manish S. Pancholi



- Mr. Manish S. Pancholi, aged 53 years, is one of the founding members of Magson Retail and Distribution Limited.
- Since 2018 he is Whole time Director in Magson Retail and Distribution Limited.
- He has completed his Secondary School (9th pass).

Mrs. Jennifer Rajesh Francis



- Mrs. Jennifer Francis, aged 46 years, is one of the promoters of the company.
- She is having 1 years of experience in retail of food.
- She has completed Bachelor of Commerce.

Analysis on the Company's Promoter and Board of Directors

Mr. Rajesh Emmanuel Francis, aged 49, is the managing director and one of the promoters of the company. He has an experience of more than 2 decades in the Advertising, Banking, Restaurant and Retail sector.

Mrs. Jennifer Rajesh Francis, aged 46, is one of the promoters of the company. She has a year experience in the general admin and human resources. She is the women director of the company.

Mr. Manish S. Pancholi, aged 53, is the co-founder and one of the promoters of the company. He is a finance partner for the company and is the whole-time director of the company

Mr. Kavın Dineshkumar Dave, is a member of The Institute of Chartered Accountants of India. He is handling the business advisory, management consultancy, audit and another commercial advisory for the company. He is the Independent Director of the company.

Mr. Nishat Brahmbhatt, aged 47, is an Independent Director of the Company. He holds a degree in BA and MBA in Finance.

To conclude, the company has three promoters and one of the promoters has vast experience in the industry and remaining promoters have decent experience. The roles and the designation of the promoters and the directors are not mentioned accurately in the offer document.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, March 2023
<u>Profit and Loss</u>			
Revenue from operations	5,356.12	5,554.38	6,281.92
Other income	2.80	12.40	19.58
Total Revenue	5,358.92	5,566.78	6,301.50
Expenses	4,987.30	5,177.04	5,833.37
Depreciation and Amortisation Cost	68.04	63.64	70.18
Finance Cost	60.03	70.84	61.56
Total Expenses	5,115.37	5,311.52	5,965.11
PBT	243.55	255.26	336.39
PBT Margin	4.55%	4.60%	5.35%
EBITDA	368.82	377.34	448.55
EBITDA Margin	6.89%	6.79%	7.14%
Net Profit	181.75	223.36	251.88
Net Profit Margin	3.39%	4.02%	4.01%
<u>Balance Sheet</u>			
Total Borrowings	386.60	344.72	321.95
Net Worth	350.80	574.06	926.25
Fixed Assets	241.00	475.99	477.18
Net Working Capital	293.46	221.43	522.45
<u>Financial Measures</u>			
Inventory Turnover Ratio	8.36	9.08	6.50
Receivables Turnover Ratio	49.18	40.67	44.65
Payables Turnover Ratio	12.18	14.33	13.91
Fixed Assets Turnover Ratio	22.22	11.67	13.16
Return on Capital Employed	44.86%	40.10%	34.62%
Return on Equity	51.81%	38.91%	27.19%
Debt-Equity Ratio	1.10	0.60	0.35

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

Earnings Before Interest, Taxes, Depreciation, and Amortization

The EBITDA of the company has increased from Rs. 368.82 lacs in 2021 to Rs. 377.34 lacs in 2022 and in 2023 it was at Rs. 448.55 lacs, growing at a CAGR of 8.30%. The EBITDA margin in 2021 was at 6.89%, 6.79% in 2022 and 7.14% in 2023. The increase in the EBITDA margin in 2023 is due to a percentage increase in revenue from operations when compared to the percentage increase in the employee benefit expense.

Net Profit

The Net Profit of the company in 2021 was at Rs. 181.75 lacs, Rs. 223.36 lacs in 2022, and Rs. 251.88 lacs in 2023. The Net Profit of the company in 2021 was at 3.39%, 4.02% in 2022 and 4.01% in 2023, growing at a CAGR of 17.72%. The decrease in the margin is due to an increase in the expenses (ex. Depreciation).

Finance Cost

The company's finance costs mainly comprise Bank Interest Expenses.

Financial Measures/Ratios

The RoCE of the company as of 31st March 2023 is at 34.62%, vs 40.10% in 2022, and 44.86% in 2021. The decrease in RoCE of the company in FY-23 is due to an increase in the capital employed of the company. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

The ROE of the company in 2021 is at 51.81%, 38.91% in 2022, and 27.19% in 2023. The ROE in FY-23 has decreased due to an increase in the Net Worth. ROE on post-IPO basis is expected to fall.

Inventory turnover ratio has increased from 8.36 times in 2021 to 9.08 times in 2022 and has decreased to 6.50 times in 2023, indicating that the inventory in hand for the company has increased in FY-23.

Receivables turnover ratio has decreased from 49.18 times in 2021 to 40.67 times in 2022 and has increased to 44.65 times in 2023. The increase in the ratio is indicating that the company converting its receivables to cash has increased to 44.65 times but does not indicate a proper trend, showing not so effective management.

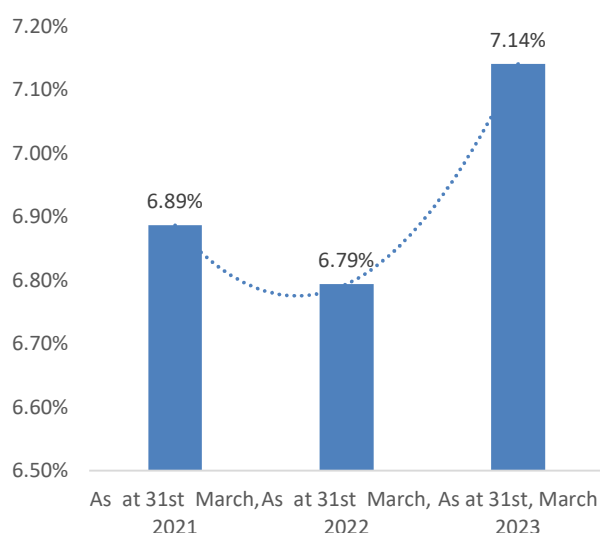
Payables turnover ratio has increased from 12.18 times in 2021 to 14.33 times in 2022 and has decreased to 13.91 times in 2023. The decrease in the ratio is indicating that the company paying back to its customers has reduced in FY-23

Fixed Asset Turnover ratio has decreased from 22.22 times in 2021 to 11.67 times in 2022 and has increased to 13.16 times in 2023, indicating a slight increase in the fixed assets for the company during FY-23.

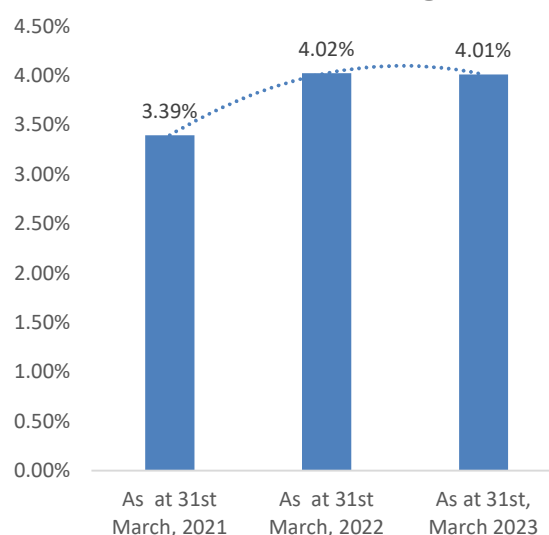
The Debt-Equity ratio as on 31st March 2023 is at 0.35 and is expected to decrease to 0.07 times on a post-IPO basis. The company is not highly leveraged.

Financial Charts

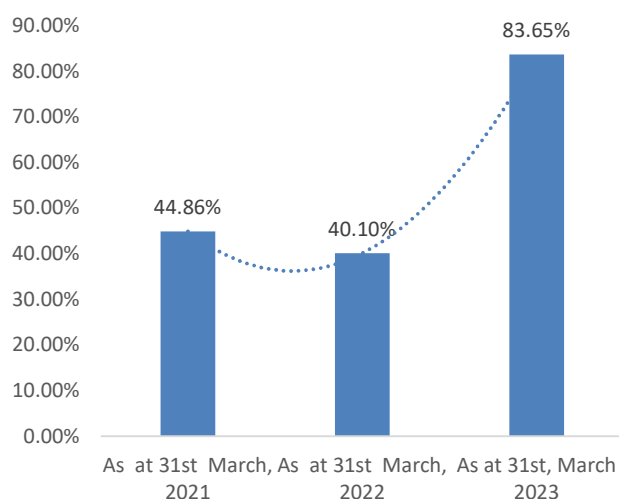
EBITDA Margin



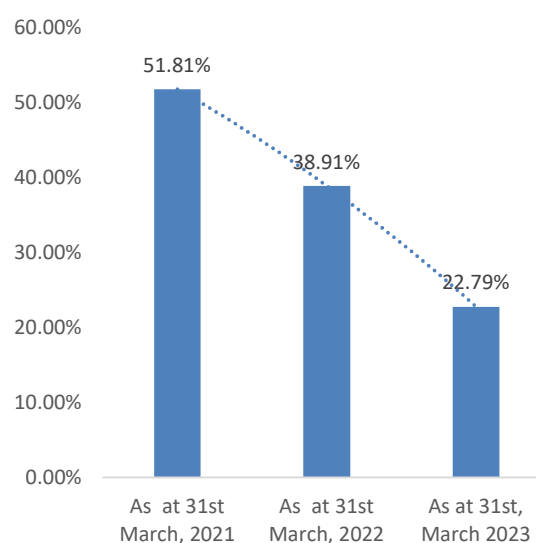
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company is party to 3 legal proceedings under Civil Laws and other Act/s. Any adverse decision in such proceedings may have effect on the business, results of operations and financial condition.
2. The business segment the company operates in is highly competitive, it faces competition from both organised and unorganised players in both the retail and distribution business.

Track Record of Lead Manager

The lead manager to the issue is Isk Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 3 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.	Technopack Polymers Limited	7.87	55.00	November 16, 2022	84.6
2.	Maruti Interior Products Limited	11.00	55.00	February 16, 2022	151
3.	Advait Infratech Limited	6.89	51.00	September 28, 2020	280

*CMP is mentioned as on 16th June 2023

As per the offer document Isk Advisors Private Limited have had 5 mandates in the last three fiscal years (including the on-going one). For Isk Advisors Private Limited out of the last 3 that are mentioned above, all have opened at premiums ranging from 1.07% to 41.27%. Thus, it has a decent track record.

Recommendation

The company has been into this industry since 2018 and is relatively new in the business. However, the company has managed to increase its revenue at a good growth rate, along with a decent growth in EBIT margins and net profit margins.

The business segment the company operates in is highly competitive, it faces competition from both organised and unorganised players in both the retail and distribution business.

The management outlook of the company is decent, as the company has three promoters and only one of the promoters has vast experience and the remaining promoters have decent experience relating to the company operates in.

The company is getting listed with a P/E of around 20.26 times which makes the stock fairly priced, looking at the performance of the company over the past years.

In conclusion, the company has shown a good growth in revenue, along with decent growth in EBIT margins and net profit margins, which can be sustained going forward. The company have also performed well over the years; however, they operate in a very highly competitive atmosphere, the service base is good but not unique and also, they are relatively new to the business and **therefore Risk Averse Investors should wait and Risk Seekers should apply.**

Disclaimer

our 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.