



IPO Details	
Opening Date	March 17, 2023
Closing Date	March 21, 2023
Stock Exchange	BSE SME
Lot Size	2000 shares
Issue Price	₹ 51 per share
Issue Size	22,00,000 Equity Shares
Application Amount	₹ 1,02,000
Amount Raised (Issue Type)	₹11.22 Cr (Fresh Issue- ₹11.22 Cr)

IPO Objective	
1.	Capital Expenditure Requirements.
2.	Working Capital Requirements.
3.	General Corporate Purposes.
4.	Issue Expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	56,25,409	92.66%
Public	4,45,730	7.34%

Promoter of the Company	
1.	Mr. Jerambhai Lavjibhai Donda
2.	Mrs. Labhubhen Jerambhai Donda
3.	Mr. Jay Jerambhai Donda

Competitive Strengths	
1.	Wide Varieties of products.
2.	Well established relationship with the suppliers.
3.	Integrated manufacturing facility.
4.	Well Experienced Promoter.

Company Background	
○	Dev Labtech Venture Limited was incorporated in the year 1993 and is headquartered in Bhavnagar.
○	The company is in the business of manufacturing, marketing, and sourcing of diamonds – natural and lab grown having wide application in jewellery.
○	The company has recently started manufacturing of lab grown diamonds before that the company was engaged in processing of natural diamonds only.
○	The sales office is situated at Bhavnagar, Surat, and Mumbai.
○	As on date of filing of Red Herring Prospectus, company have 24 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Sep-22
Total Assets	713.73	888.24	1,166.65
Net Assets	148.45	192.07	717.86
Total Borrowings	177.53	122.58	114.52
Total Revenue	1,228.11	2,698.01	966.43
Profit After Tax	3.65	43.62	64.12

Tentative Timeline	
Opening Date	March 17, 2023
Closing Date	March 21, 2023
Basis of Allotment	March 24, 2023
Initiation of Refunds	March 27, 2023
Credit of Shares to Demat	March 28, 2023
Listing Date	March 29, 2023



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

Dev Labtech Venture Limited is in the business of manufacturing, marketing, and sourcing diamonds. The company include natural and lab-grown diamonds. The company has recently set foot in the manufacturing of lab-grown diamonds. With the use of the technology and the in-house technical & design team the company already possesses, it has an enormous advantage in the production of the lab-grown diamonds to be much cheaper and with more purity and clarity. The company has its own sales team in Bhavnagar, Surat, and Mumbai. They are constantly striving to expand their line of products and are always on the lookout for complementary products that will add to their already diversified product portfolio. The company is in pursuit of product lines that have better scope for value addition and therefore offer them a higher-than-average margins.

Analysis

The company was originally incorporated in the year 1993 and. The company has a good track record of existence and the company recently ventured into the manufacturing of lab-grown diamonds. Lab-grown diamonds are as real as diamonds mined from the earth. The company have no resale value but the demand for the same is high on a bird's eye view, along with a decrease in the overall diamond industry, Lab-grown diamonds are looking forward to being the next big thing. With India being one of the largest producers of lab-grown diamonds and contributing to nearly 25% of global LGD production the future looks undeniable.

The Revenue bifurcation of the company is set below -

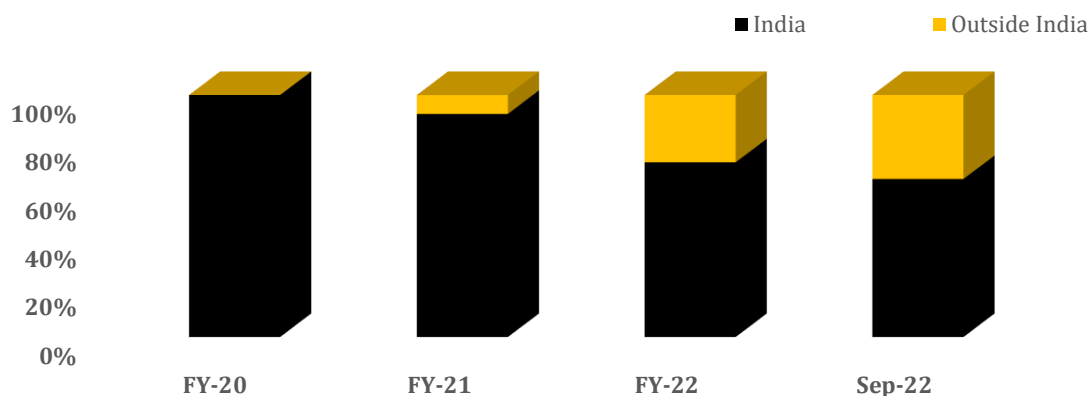
Products	The Half year ended as of 30th Sept, 2022		FY-2021-22		FY-2020-21	
	(In Lakhs)	(In %)	(In Lakhs)	(In %)	(In Lakhs)	(In %)
Lab Grown Diamonds	363.84	38.93	-	-	-	-
Natural Diamonds	570.67	61.07	2685.13	100.00	1220.74	100.00



The export details of the company is set below-

Geographical Areas	The Half year ended as of 30th Sept,2022		For the Year Ended					
			2022		2021		2020	
	(In Lakhs)	(In %)	(In Lakhs)	(In %)	(In Lakhs)	(In %)	(In Lakhs)	(In %)
India	610.22	65.3	1938.48	72.19	1125.73	92.2	1171.42	100
Outside India	324.3	34.7	746.65	27.81	95.01	7.78	-	-

Exports India vs Outside India



The exports of diamonds are only to Hong Kong. The company does also give significant attention to the safety protocols that need to be met. They equip their laborers with safety equipment and material that covers them from the risk of potential health hazards by identifying those hazards and evaluating material risks at the beginning of setting up the unit.

To conclude, the business has a good track record in the industry, and it has a good manufacturing base. Exports to other countries are slightly less but the progress towards exports are made only in recent years and by broadening the boundaries it can be looking at decent growth. There is a consistency in the growth of the top line till FY-22. Awaiting the release of the next FY.



Industry Charts

Exhibit 1: Top export destinations of Polished Diamonds -

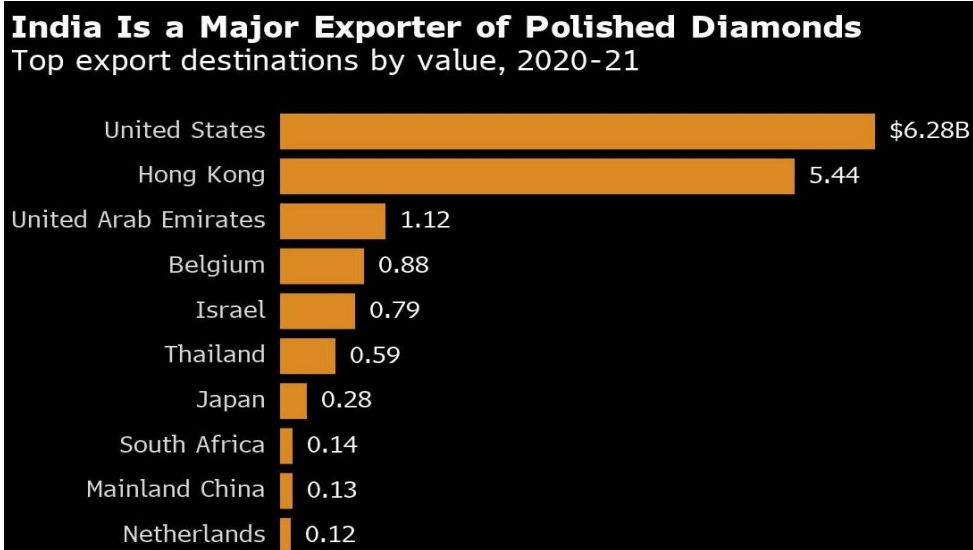
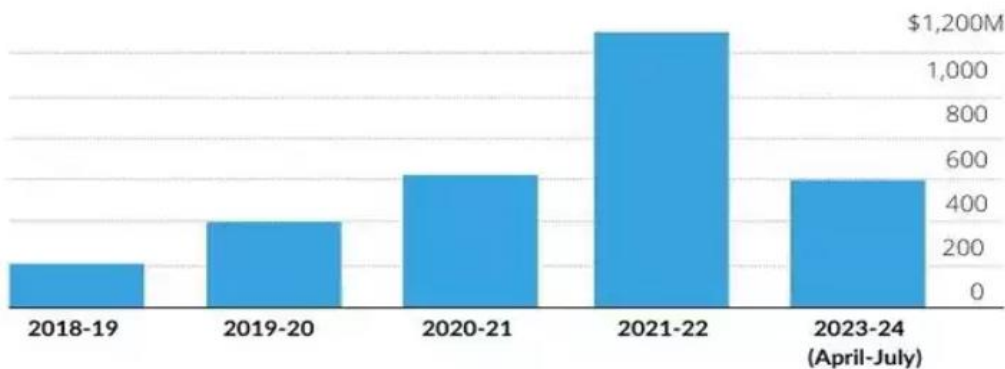


Exhibit 2: India's export of lab-grown diamonds -

India's exports of lab-grown diamonds are surging



(Source- Gem & Jewellery Export Promotion Council via Bloomberg)



Investment Overview

Diamond Market

The largest driver for the diamond market is the increasing demand for lab-grown diamonds for jewellery. This is attributed to the significant reduction in their production cost. In 2017, the cost of lab-grown diamonds that were created using Chemical Vapor Deposition technology was between USD 300 and USD 500 per carat since the introduction of synthetic diamond jewellery called Lightbox by De Beers Group. The same product cost was USD 4,000 in 2008.

As the cost of production reduced, the retail prices of lab-grown diamonds also witnessed a significant decline. In fact, the retail price of lab-grown gem-quality diamond nearly halved since 2016. The prices are anticipated to decline further as the production efficiencies improve and more competitors enter the market. According to the International Grown Diamond Association (IGDA), the potential for lab-grown diamonds in jewellery application is vast.

(Source- grandviewresearch.com)

Gems and Jewellery Industry in India

As of February 2021, India's gold and diamond trade contributed ~7.5% to India's Gross Domestic Product (GDP) and 14% to India's total merchandise exports. The gems and jewellery sector are likely to employ ~8.23 million persons by 2022, from ~5 million in 2020. Based on its potential for growth and value addition, the Government declared gems and jewellery sector as a focus area for export promotion. The Government has undertaken various measures recently to promote investment and upgrade technology and skills to promote 'Brand India' in the international market. The Government has permitted 100% FDI in the sector under the automatic route, wherein the foreign investor or the Indian company do not require any prior approval from the Reserve Bank or the Government of India.

(Source- Prospectus)



Addressable market for Dev Labtech Venture

The company has started exporting to other countries and as of now it is only exporting to Hong Kong. With the increase in the demand for the lab-grown diamond industry in and outside India, the company can increase its revenue growth by expanding to other different countries and as well as the states which are not covered by the company yet.

Competition

The diamond industry in general is in a very highly competitive market with Russia and China being one of their main competitors outside India. Inside India there is not only the competition but there are too many players entering and exiting the market. The barrier to entry is effortless.

PEER ANALYSIS

As per the offer document there are no listed peers for Dev Labtech Venture Limited.



Promoters' Profile and Management Analysis

Mr. Jerambhai Lavjibhai Donda



- Mr. Jerambhai Lavjibhai Donda is the Chairman, Managing Director, and the Promoter of the Company.
- He has completed his higher secondary education.
- He has an experience of 41 years in the diamond industry.

Mr. Jay Jerambhai Donda



- Mr. Jay Jerambhai Donda is the Whole Time Director, CFO, and the Promoter of the Company.
- He holds a degree in Bachelor of Commerce
- He has an experience of 9 years in the Diamond Industry

Mrs. Labhubhen Jerambhai Donda



- Mrs. Labhubhen Jerambhai Donda is one of the promoters of the company.



Analysis on the Company's Promoter and Board of Directors

Mr. Jerambhai Lavjibhai Donda, aged 60, is the Chairman, Managing Director, and the Promoter of the Company. He has completed his higher secondary education. He has an experience of 41 years in the diamond industry and has been instrumental in taking major policy decisions for the Company. He is responsible for the expansion and overall management of the business.

Mr. Jay Jerambhai Donda, aged 30, is the Whole Time Director, CFO, and the Promoter of the Company. He holds a degree in Bachelor of Commerce. He has an experience of 9 years in the Diamond Industry and looks after the financial related matters for the company.

Mrs. Labhubhen Jerambhai Donda, aged 57 is one of the promoters of the company.

Mrs. Dimple Jay Donda, aged 29, is the Non-Executive Director of the Company. She holds a degree in Bachelor of Science. She is having experience of 2 years in the diamond industry.

Mr. Brijeshkumar Maheshbhai Pathak, aged 31, is the Independent Director of the Company. He has a degree in Bachelor of Arts and has an experience of 1 Years in the general administration.

Mr. Vivekbhai Tulsibhai Mavani, aged 31, is the Independent Director of the Company. He holds a degree in Bachelor of Commerce and has an experience of 6 Years in the diamond industry.

To conclude, the company has three promoters. Two promoters have good experience in the diamond industry. Complete information regarding the third promoter is not provided in the offer document. Remaining directors of the company have less experience in the field which the company operates in.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
<u>Profit and Loss</u>			
Revenue from operations	1,223.85	2,685.13	940.12
Other income	4.26	12.88	26.31
Total Revenue	1,228.11	2,698.01	966.43
Expenses	1,196.06	2,629.81	863.52
Depreciation and Amortisation Cost	10.69	8.63	26.67
Finance Cost	15.90	13.94	5.02
Total Expenses	1,222.65	2,652.38	895.21
PBT	5.46	45.63	71.22
PBT Margin	0.45%	1.70%	7.58%
EBITDA	27.79	55.32	76.60
EBITDA Margin	2.27%	2.06%	8.15%
Net Profit	3.65	43.62	64.12
Net Profit Margin	0.30%	1.62%	6.82%
<u>Balance Sheet</u>			
Total Borrowings	177.53	122.58	114.52
Net Worth	148.45	192.07	717.86
Fixed Assets	70.99	37.43	410.89
Net Working Capital	191.83	254.08	409.83
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	4.24	8.73	5.78
Receivables Turnover Ratio	4.10	6.59	7.17
Payables Turnover Ratio	2.12	4.29	4.50
Fixed Assets Turnover Ratio	17.24	71.74	5.26
Return on Capital Employed	5.88%	14.96%	4.97%
Return on Equity	2.46%	22.71%	6.74%
Debt-Equity Ratio	1.20	0.64	0.06

(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. 27.79 lacs in 2021 to Rs. 55.32 lacs in 2022 and as on 30th Sep 2022 it was Rs. 76.60 lacs and if we annualize the same it would be around Rs. 153.20 lacs. The EBITDA on annualized basis has grown at a CAGR of 134.79%. The EBITDA margin in 2021 was 2.27%, 2.06% in 2022, and 8.15% up to 30th Sep 2022. The EBITDA margin has decreased in 2022 and it is due to an increase in the total expenses (employee benefit expenses). The substantial increase in the margin for FY-23 is due to the decrease in the percentage contribution towards total expenses (Cost of material consumed).

Net Profit

The Net Profit of the company has increase from Rs. 3.65 lacs in 2021 to Rs. 43.62 lacs in 2022 and as on 30th Sep 2022 it was Rs. 64.12 lacs and if we annualize the same it would be around Rs. 128.24 lacs growing at a CAGR of 492.74%. The Net Profit margin in 2021 was 0.30%, 1.62% in 2022 and as on 30th Sept 2022 it was 6.82%. The increase in Net Profit margin is due to decrease in finance cost.

Finance Cost.

The company's financial cost mainly comprises of Interest on Long Term Borrowings to Banks.

Financial Measures/Ratios

RoCE of the company up to 30th Sept 2022 is 6%, 14.96% in 2022 and 5.88% in 2021. If we annualize the RoCE of FY 2022 – 2023, the RoCE is expected to be around 4.97%. The increase in RoCE from 5.88% to 14.96% is due to a decrease in the long-term borrowing of the company and along with the increase in the equity base of the company through IPO, the RoCE on annualized basis is expected to fall.

ROE of the company in 2021 was 2.46%, 22.71% in 2022 and 8.93% up to 30th Sept 2022. If we annualize the ROE of FY 2022 – 2023 the ROE is expected to be around 6.74%. Along with RoCE, ROE has also decreased in FY-23. With an increase in equity base, the ROE is expected to come further down on post-IPO basis.

Inventory turnover ratio has decreased from 8.73 times to 2.89 times in FY 22 but is expected to increase to 5.78 times when annualized. The decrease in the inventory turnover ratio is indicating an increase in the inventory for the company.



Receivables Turnover Ratio has decreased from 6.59 to 3.59 in FY 22. The company converting its receivables to cash is reduced to 3.59 times and is expected to be at 7.17 times when annualized. The decrease in the ratio is indicating a decrease in the cash inflow for the company.

Payables turnover ratio has decreased from 4.29 times to 2.25 times in FY 22. The turnover ratio has decreased and is expected to be at 4.50 times on an annualized basis.

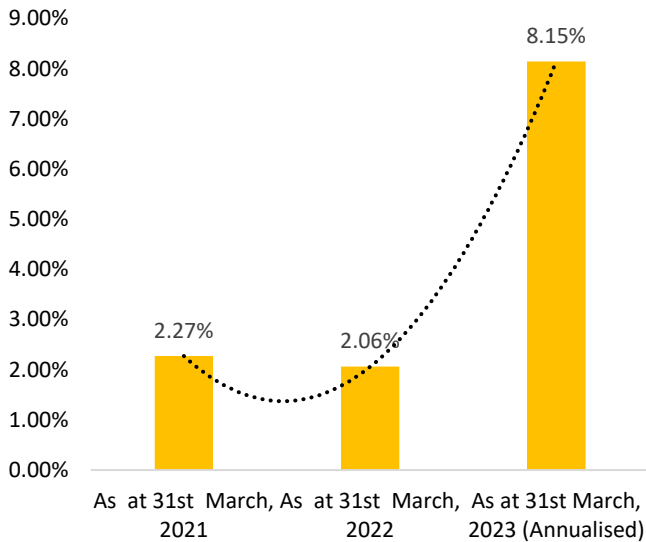
Fixed Assets turnover ratio has decreased from 71.74 times to 2.29 times in FY 22. Due to a substantial increase in fixed assets (plant, property, and equipment), there is a decreased in the turnover ratio in FY 22 and is expected to increase to 5.26 times.

The company has a debt – equity ratio of 0.16 times as of 30th Sept 2022 which shows the company is leveraged. The debt – equity ratio is going to go down to around 0.06 times post-IPO.

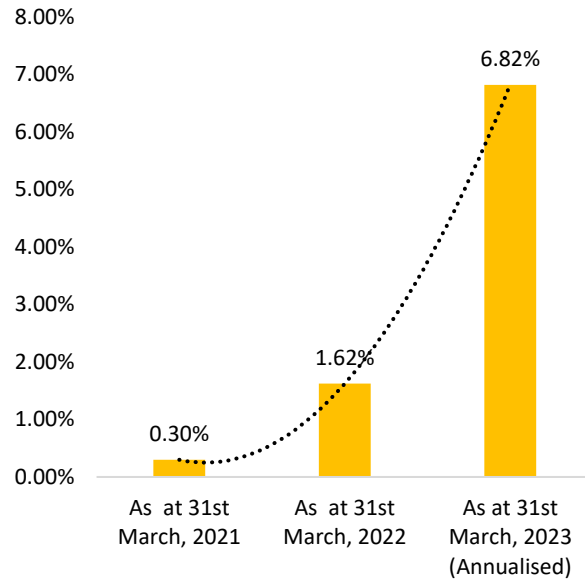


Financial Charts

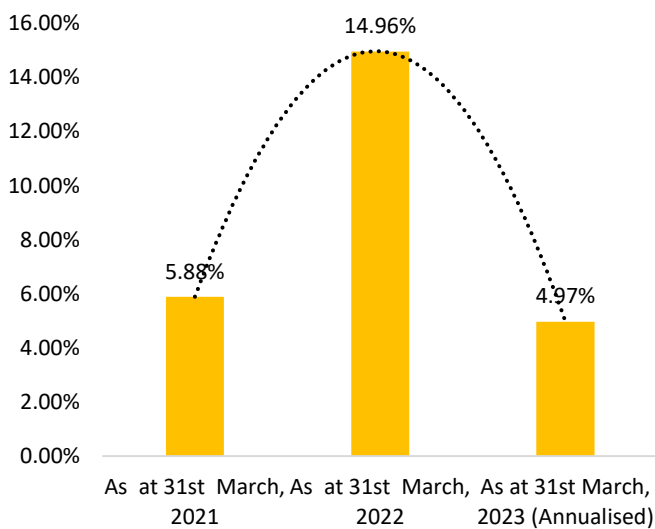
EBITDA Margin



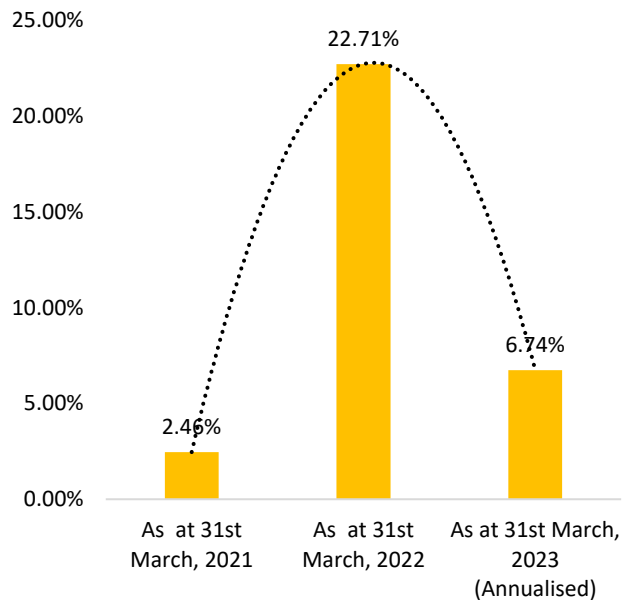
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. The top ten customers contribute majority of the revenues from operations of natural diamond business. Any loss of business from one or more of them may adversely affect the revenues and profitability. The top ten customers have contributed 72.64%, 50.70%, 58.19% and 54.63% of revenues for the period ended September 30, 2022, March 31, 2022, March 31, 2021, and March 31, 2020.
2. The top ten suppliers contribute majority of the purchases for natural diamond business. Any loss of business with one or more of them may adversely affect the business operations and profitability. The top ten suppliers contributed to respect of the natural diamond business is approximately 97.88%, 47.54%, 82.11% and 100.00% of the total purchases for the period ended September 30, 2022, March 31, 2022, March 31, 2021, and March 31, 2020.
3. The company has a negative cash flow from operating activity for the period ended as of Sept 30th, 2022, amounting to Rs. (69.31) lacs and could affect the business.



Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 8 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.	Transvoy Logistics India Limited	5.11	71.00	February 02, 2023	76.53
2.	Aristo Bio-Tech and Lifescience Limited	13.05	72.00	January 30, 2023	58.10
3.	RBM Infracon Limited	8.37	36.00	January 04, 2023	62.65
4.	Vital Chemtech Limited	64.64	101.00	November 14, 2022	109.05
5.	Trident Lifeline Limited	35.34	101.00	October 10, 2022	141
6.	Kandarp Digi Smart BPO Ltd	8.10	30.00	September 28, 2022	19
7.	Viviana Power Tech Limited	8.80	55.00	September 16, 2022	148
8.	Jay Jalaram Technologies Ltd	10.80	36.00	September 08, 2022	176**

*CMP is taken as on 9th June 2023

** Jay Jalaram Technologies Ltd CMP mentioned as on 8th June 2023.

As per the offer document Beeline Capital Advisors Private Limited have had 9 mandates in the last four fiscals (including the ongoing one). For Beeline Capital Advisors Private Limited out of the last 8 that are mentioned above, 2 opened at par and rest all opened at premiums ranging from 3.160% to 62.376% on listing date.



Recommendation

The company was incorporated in the year 1993 and has a good track record. The company has increased its revenue consistently in the previous years. The company is in a very highly competitive market with the big players operating globally as well as domestically.

The company's management is not well-versed in the industry but one of the promoters of the company has almost 4 decades of experience in this. The responsibilities of the management are not disclosed adequately.

The company is getting listed with a leading P/E of around 32.89 times which makes the stock highly priced, looking at the performance of the company over the past years.

In conclusion, the company has a good track record in the industry and the promoter has vast experience in the industry which can be looked at as a strength. The EBIT Margins and the Net profit margins don't look that consistent and could be unpredictable in the future. The industry does not have many barriers to entry making it very easily accessible. With the outlook, the company could be a good buy, yet it is operating in a very risky market with unpredictable changes in the demand of the consumers to the new developments making this stock risky therefore one should **AVOID** applying to this 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.