

IPO Details	
Opening Date	Aug 10, 2023
Closing Date	Aug 14, 2023
Stock Exchange	BSE SME
Lot Size	3000 Shares
Issue Price	₹ 42 per share
Issue Size	Aggregating up to 16.03 Cr.
Fresh Issue	Aggregating up to 16.03 Cr.
Offer for Sale	-
Application Amount	₹ 1,26,000

IPO Objective	
Working capital requirements.	
General corporate purposes.	

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	65,76,000	84.92 %	
Public	11,67,792	15.08%	

Promoter of the Company	
1	Mustaqim Nisar Ahmed Sabugar
2	Shakil Nisar Ahmed Sabugar

Competitive Strengths	
1	Experienced Promoters and Management Team
2	Scalable Business Model
3	Wide and diverse range of products offerings
4	Marketing & Branding Efforts

Company Background	
○	Company was incorporated in the year 2007 and has its registered office in Gujarat.
○	Company focuses in manufacturing herbal products with well-built presence in Human Pharma as well as Veterinary space.
○	The company has added products to its portfolio through its in-house R & D efforts backed by sound knowledge of Ayurveda.
○	The company has product portfolio of OTC products as well Ethical pharma products
○	As on March 31, 2023, Company has 18 employees on its payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 33	₹ 49

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	1,020.25	1,283.94	2,144.90
Net Assets	715.80	892.85	1,451.06
Total Borrowings	0.46	13.13	178.41
Total Revenue	2,248.34	3,005.54	3,615.27
Profit After Tax	-23.87	-16.97	580.31

Tentative Timeline	
Opening Date	Aug 10, 2023
Closing Date	Aug 14, 2023
Basis of Allotment	Aug 18, 2023
Initiation of Refunds	Aug 21, 2023
Credit of Shares to Demat	Aug 22, 2023
Listing Date	Aug 23, 2023

Company Background and Analysis

The Company was originally converted from a partnership firm dated October 12, 2007. The Company primarily focuses in manufacturing herbal products with well-built presence in Human Pharma as well as Veterinary space. The company started with a few products and now it has added products to its portfolio through its in-house R & D efforts backed by sound knowledge of Ayurveda. The company is present in most of non-critical segment of Human as well as Veterinary Pharma through its portfolio. In the Human pharma segment, the company has product portfolio of OTC products as well Ethical pharma products. The company also has OTC and Ethical presence in Veterinary segment. The company's vision is to get recognized nationally as the most innovative, dedicated, and productive marketing communications brand in India and the mission is to provide best Herbal Healthcare products globally and be the No. 1 manufacturer for healthcare products. The company also aim to manufacture products with zero chemicals.

The product profile of the company are as follows-

Human Healthcare –

1. Lemonade Barley Water
2. Sherolax
3. Baldeepak
4. Stonyl Tablet

Veterinary Healthcare –

1. Agrical Powder
2. Lactocal gel
3. Sheldoz Ultra Ointment

The company has a three-tier network to reach out to its customers – Distributors, Retailers, and Consumers. The company also has direct delivery system for certain areas, wherein company vehicle visits villages / small, micro and remote areas and establishes direct communication with consumers.

The following table sets forth capacity and capacity utilization for financial year ended 2021, 2022 and 2023

Category	For the year ended March 31, 2021			For the year ended March 31, 2022			For the year ended March 31, 2023		
	Installed	Production	Utilization %	Installed	Production	Utilization %	Installed	Production	Utilization %
Tablet (Nos.)	1,80,00,000	55,40,000	30.78	1,80,00,000	88,92,000	49.40	1,80,00,000	1,03,55,000	57.53
Liquid (Lit)	87,000	32,490	37.34	87,000	51,230	58.89	87,000	51,230	58.89
Capsule (Nos.)	1,41,00,000	35,90,000	25.46	1,41,00,000	35,90,000	25.46	1,41,00,000	80,50,000	57.09
Ointment (kg.)	42,000	10,200	24.29	42,000	18,300	43.57	42,000	21,500	51.19
Powder (kg.)	1,92,000	55,630	28.97	1,92,000	78,390	40.83	1,92,000	98,500	51.30

To conclude, the company has been in the operation since 2007. The company manufactures herbal products. The company operates only in Gujarat. The company is raising Rs.1,602.72 lakhs out of which Rs. 115.13 lakhs to be utilized for issue related expenses. Remaining amount is to be utilized for working capital requirement, and general corporate purpose.

Business Strategies

1. Focus on Increase in Volume of Sales

The company intends to increase sales volume through diversification of services offered and spread in geographical outreach. The company believes that the growth in market can fetch new business expansion and opportunities. Emphasis is on scaling of the operations by increasing sales which shall provide with attractive opportunities to grow.

2. Increase the number of Clients

The company is focused on increasing the number of clients and by leveraging the market skill to service the clients. The strategy is to increase the number of clients by building new relationships and then leverage those client relationships into offering in a whole suite of services. The company believe that increased number of client relationships will add stability to the earnings. As a part of this company also plan to strengthen the sales team to bring in new client relationships to leverage the existing offerings.

3. Building-up as a professional organisation

The company intend to run the organisation as a professional organization. The company believe in transparency, commitment and coordination in the work, with all the stakeholders. The company have the right blend of experienced and dynamic team and staff which takes care of the day-to-day operations.

4. Continue to attract and retain talent

The company is focused on attracting and retaining high quality talent as they continue to expand the healthcare business. The company have recruited and retained talented employees from a variety of backgrounds. The company expect to continue to attract talented employees through the retention initiatives. The company intend to invest adequate time and resources for training the employees,

Competitive Scenario and Peer Mapping

Competition

The industry in which the company operates in which is Herbal Remedies market is highly unorganized market. The company does faces competition from certain big players such as Zandu, Dabur, Baidhyanath, Charak etc. The company faces high competition from organized players. The industry is also very fragmented and has less barrier to entry. The customers have the bargaining power.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below –

Particulars	Shelter Pharma Limited	Dabur India Limited	Emami Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	16.05%	14.75%	18.41%
EBITDA Margin	22.15%	18.75%	25.10%
Return on Capital Employed	51.73%	18.43%	25.62%
Return on Equity	39.99%	18.96%	27.23%
EPS (INR)	7.47	9.64	14.50

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below –

Particulars	Shelter Pharma Limited	Dabur India Limited	Emami Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	-0.56%	16.00%	26.26%
EBITDA Margin	2.24%	20.68%	29.43%
Return on Capital Employed	5.51%	22.31%	28.24%
Return on Equity	-1.90%	20.78%	40.32%
EPS (INR)	-0.21	9.84	19.02

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below –

Particulars	Shelter Pharma Limited	Dabur India Limited	Emami Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-1.06%	17.73%	15.79%
EBITDA Margin	-0.56%	20.94%	30.54%
Return on Capital Employed	-3.30%	22.31%	28.19%
Return on Equity	-3.33%	22.12%	25.82%
EPS (INR)	-0.31	9.58	10.23

Industry Overview

Exhibit 1: Indian Pharmaceutical Market (US\$ billion)

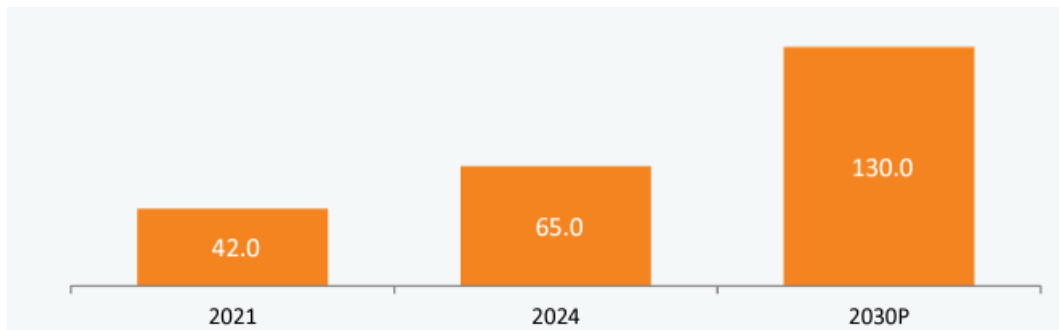


Exhibit 2: Pharmaceutical Export from India (US\$ billion)

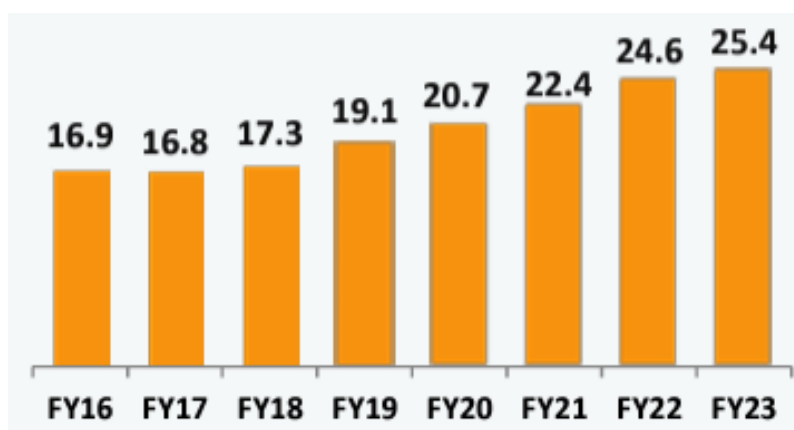
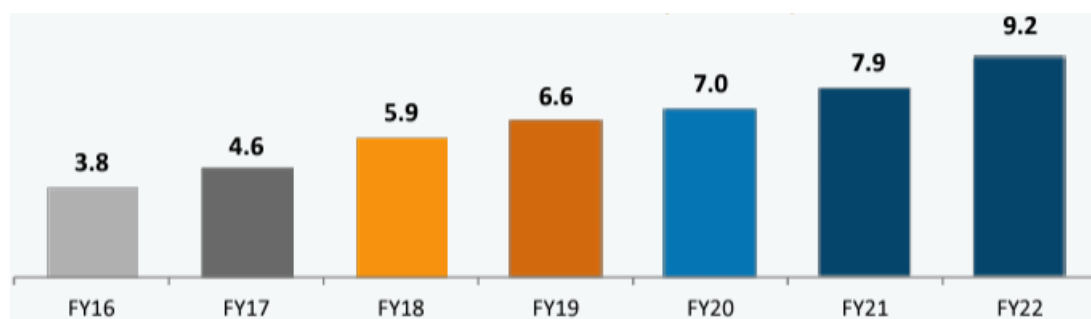


Exhibit 3: Health Insurance Premium Collection (US\$ billion)



(Source: ibef.com)

Pharmaceuticals Industry in India –

Indian pharmaceutical industry is expected to reach ~US\$ 130 billion by 2030. India ranks 3rd worldwide for pharmaceutical production by volume and 14th by value. The country has an established domestic pharmaceutical industry, with a strong network of 3,000 drug companies and ~10,500 manufacturing units. India is the largest producer of vaccines worldwide, accounting for ~60% of the total vaccines, as of 2021. One of the highest producer's Indian drug & pharmaceutical exports stood at US\$ 2,196.32 million in September 2022. Indian drug & pharmaceutical exports stood at US\$ 24.60 billion in FY22 and US\$ 24.44 billion in FY21. Amongst Fastest growing Industries Indian pharmaceutical sector is expected to grow at a CAGR of 22.4% in the near future and medical device market expected to grow US\$ 25 billion by 2025. India is the second-largest contributor of global biotech and pharmaceutical workforce. The Indian pharmaceutical industry generated a trade surplus of US\$ 15.81 billion in FY22.

Healthcare Industry –

India climbed to the 63rd rank among 190 countries in the World Bank's 'Ease of Doing Business' rankings in 2020. As of 2021, the Indian healthcare sector is one of India's largest employers as it employs a total of 4.7 million people. The sector has generated 2.7 million additional jobs in India between 2017-22 -- over 500,000 new jobs per year. The Asian Research and Training Institute for skill Transfer (ARTIST) announced plans to create round one million skilled healthcare providers 2022. The Indian healthcare sector is expected to record a three-fold rise, growing at a CAGR of 22% between 2016–22 to reach US\$ 372 billion in 2022 from US\$ 110 billion in 2016. As of November 24, 2022, more than 219.88 crore COVID19 vaccine doses have been administered across the country. By FY22, Indian healthcare infrastructure is expected to reach US\$ 349.1 billion. Rising income levels, an ageing population, growing health awareness and a changing attitude towards preventive healthcare is expected to boost healthcare services demand in the future.

Road Ahead-

India's healthcare sector is extremely diversified and is full of opportunities in every segment, which includes providers, payers, and medical technology. With the increase in the competition, businesses are looking to explore the latest dynamics and trends which will have a positive impact on their business. The hospital industry in India is forecast to increase to Rs. 8.6 trillion (US\$ 132.84 billion) by FY22 from Rs. 4 trillion (US\$ 61.79 billion) in FY17 at a CAGR of 16–17%. India is a land full of opportunities for players in the medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of the population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. Rising income levels, an ageing population, growing health awareness and a changing attitude towards preventive healthcare is expected to boost healthcare services demand in the future. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade. The Government aims to develop India as a global healthcare hub, and is planning to increase public health spending to 2.5% of the country's GDP by 2025.

(Source: Prospectus)

Key Managerial Personnel

Mustaqim Nisarahmed Sabugar, aged 46, is one of the Promoters, Founder, and Managing director of the company. He holds a degree in Bachelor of Business Administration. He has more than 15 years of experience. He primarily looks after the overall business operations of the Company. He is also 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.

Shakil Nisarahmed Sabugar, aged 40, is one of the Promoters, and Whole -Time Executive Director of the company. He is a Registered Pharmacist and has more than 15 years of experience. He is operations head and over sees the execution of each service of the company.

Pravezbanu Mohamed Rafiq Idariya, aged 48, is the Non-Executive Director of the Company. He holds a degree in Bachelor of Arts. She over sees whether company's programmes 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.

Mosinkhan Gafarkhan Pathan, aged 35, is the Independent Director of the Company. He has completed his degree of S.S.C and Higher Secondary Education Board. He has experience in the area of keeping the company up-to-date with latest business trends, developing better business techniques and practices.

Rijajahmed Abdulruf Sabugar, aged 46, is the Independent Director of the Company. He has completed his Diploma in Electronics & Communication Engineering.

To conclude, the company has two promoters and both of them have good experience in the industry in which the company operates in. The remaining directors also have good knowledge and experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	2,248.34	3,005.54	3,615.27
Other Income	0.52	0.29	0.24
Total Income	2,248.86	3,005.83	3,615.51
Expenses			
Cost of Materials consumed	2,111.37	2,684.96	2,641.96
Changes in inventories of Finished goods, work-in- Progress	2.58	100.33	5.97
Employee benefits expense	48.42	47.66	55.45
Finance costs	-	0.72	1.39
Depreciation and Amortization expense	11.61	16.88	16.41
Other expenses	98.61	105.39	111.13
Total Expenses	2,272.59	2,955.94	2,832.31
Earnings Before Interest, Taxes, Depreciation & Amortization	-12.64	67.20	800.76
EBITDA Margin	-1%	2%	22%
Profit before Exceptional Items	-23.73	49.89	783.20
CSR Provisions	-	-	6.96
Profit/(Loss) before tax	-23.73	49.89	790.16
Tax Expense			
Current Tax		66.73	207.68
Deferred tax (net)	0.14	0.13	2.17
Total Tax Expense	0.14	66.86	209.85
Profit/(Loss) for the year	-23.87	-16.97	580.31
Net Profit Margin	-1%	-1%	16%

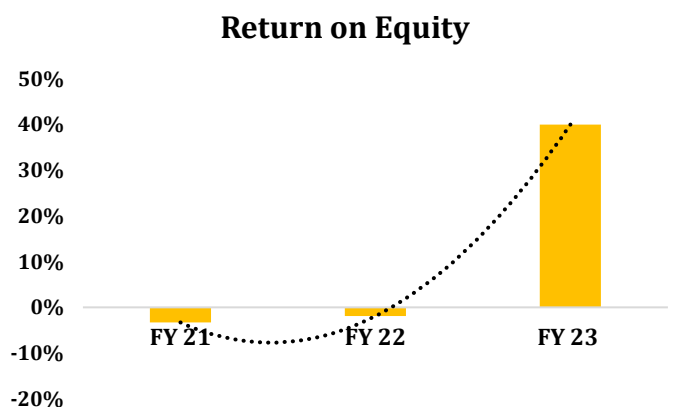
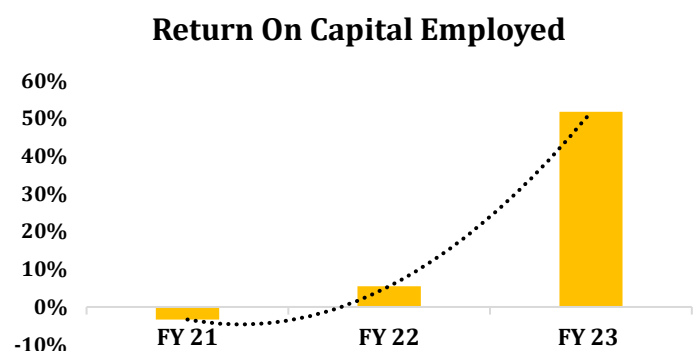
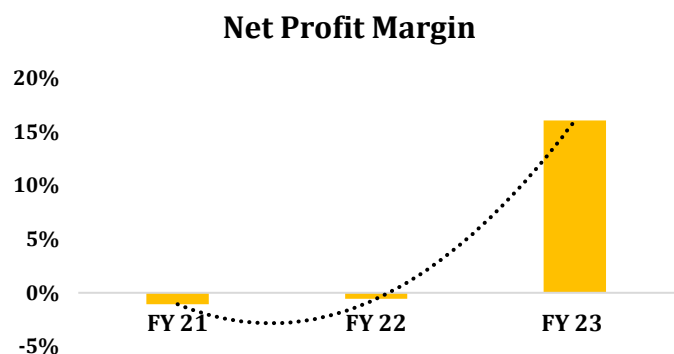
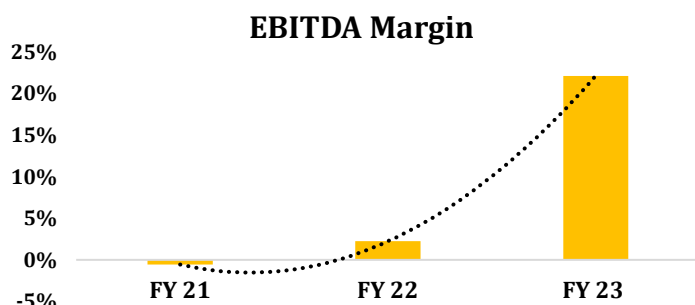
The P/L Statement provided in the RHP does have certain mismatches in its calculations.

Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	156.90	145.05	184.50
Intangible Assets	-	-	-
Capital Work-in-progress	-	55.45	-
Non-Current Investments	67.58	67.63	67.63
Deferred tax assets	-	-	-
Long-term Loans and Advances	7.94	32.64	21.12
Total Non-Current assets	232.42	300.77	273.25
Current Assets			
Inventories	401.51	567.42	796.45
Trade Receivables	75.95	160.55	819.47
Cash and Cash Equivalents	37.05	10.01	42.85
Short term loans and Advances	-	0.07	0.16
Other Current Assets	273.32	245.12	212.72
Total Current assets	787.83	983.17	1,871.65
Total Assets	1,020.25	1,283.94	2,144.90
EQUITY AND LIABILITIES			
Equity			
Share Capital	48.40	48.40	774.38
Reserves and Surplus	667.40	844.45	676.68
Total Equity	715.80	892.85	1,451.06
Liabilities			
Non-current liabilities			
Long term Liabilities	-	6.48	48.00
Deferred Tax Liabilities (Net)	9.99	10.12	12.29
Long term Provisions	8.84	3.80	4.90
Total Non-current liabilities	18.83	20.40	65.19

Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	0.46	6.65	130.41
(iii) Trade Payables			
i) Total outstanding dues of micro enterprises and small enterprises	0.29	1.06	1.12
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	30.88	31.19	45.63
iv) Other Financial Liabilities	252.95	266.46	262.37
Provisions	1.04	65.33	189.12
Total Current liabilities	285.62	370.69	628.65
Total Liabilities	304.45	391.09	693.84
Total Equity and Liabilities	1,020.25	1,283.94	2,144.90

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	-0.31	-0.22	7.47
BV per share	6.19	7.72	12.55
Operating Ratios (%)			
EBITDA Margins	-1%	2%	22%
PAT Margins	-1%	-1%	16%
Inventory days	65.18	68.91	80.41
Debtor days	12.33	19.50	82.73
Creditor days	5.48	4.30	5.98
Return Ratios (%)			
RoCE	-3%	6%	52%
RoE	-3%	-2%	40%
Valuation Ratios (x)			
EV/EBITDA	-53.73	13.33	1.98
Market Cap / Sales	2.16	1.62	1.34
P/E	-135.48	-190.91	5.62
Price to Book Value	6.78	5.44	3.35
Solvency Ratios			
Debt / Equity	0.00	0.01	0.12
Current Ratio	2.76	2.65	2.98
Quick Ratio	1.35	1.12	1.71
Asset Turnover	2.20	2.34	1.69
Interest Coverage Ratio	-	69.89	564.28

Financial Charts



Key Risk Factors

1. The company has certain outstanding legal proceedings involving the Company, the Group Entity, Promoters and Directors. Any adverse decision in such proceeding may have a material adverse effect on the business, results of operations and financial condition. There are 10 cases of E-Proceedings amount not ascertainable, 7 cases of Outstanding Demand amounting to Rs. 430.55 lakhs, 4 cases of TDS amounting to Rs. 2.13 Lakhs against the company. There are 2 cases of E-Proceedings against the promoters amount not ascertainable.
2. The Company was classified as a 'Defaulter' by CIBIL and 'Wilful Defaulter' by Watchout Investors for the default committed in the year 2016 due to default in payment amounting ₹1.87 Crores for the borrowings which were obtained from Axis Bank Limited (the "Bank"), Himmatnagar Branch, Gujarat. To address such default, the Company furnished Cash Credit facility of ₹2 Crores against the said dues.
3. The business is substantially dependent on the key customers from whom the company derive a significant portion of the revenues. The loss of any significant clients may have a material and adverse effect on the business and results of operations of the company.
4. The Company has a negative cash flow in its Operating Activities in the year 2021 and from Investing Activities in the year 2022. Sustained negative cash flow could impact the growth and business.

Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate Services Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

Gretex Corporate Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Comrade Appliances Limited	12.30	54.00	June 13, 2023	112.00
2.	Innokaiz India Limited	21.17	78.00	May 11, 2023	145.00
3.	Retina Paints Limited	11.10	30.00	May 03, 2023	51.5
4.	Sudarshan Pharma Industries Limited	50.10	73.00	March 2, 2023	71.3
5.	ResGen Limited	28.20	47.00	March 13, 2023	68.5
6.	Reetech International Cargo and Courier Limited	11.71	105.00	October 10, 2022	61.5
7.	Steelman Telecom Limited	26.02	96.00	October 10, 2022	160.00
8.	Shantidoot Infra Services Limited	4.02	81.00	September 19, 2022	83.00
9.	B-Right Real Estate Limited	44.36	153.00	July 13, 2022	184**
10.	Jayant Infratech Limited	6.19	67.00	July 13, 2022	106.00

*CMP for all the above-mentioned company is taken as on 9th August 2023.

** B-Right Real Estate Limited CMP is taken as on 1st August 2023.

As per the offer document Gretex Corporate Services have had 15 mandates in the last three fiscal years. For Gretex Corporate Services Limited out of the 10 mentioned above, 1 opened at par, 2 opened at discount and the remaining all opened at premiums ranging from 1.307% to 67.70% on the listing day.

Recommendation

The company has been into the industry since 2007. The profitability margins do not look good for the company. The company has negative bottom line for 2 consecutive years and has seen a sudden surge in its bottom line which does not look sustainable going forward. The financials provided in the RHP also have mismatches which does not look good.

The PE on an annualised and Post IPO basis is around 8.37 times which seems to be fairly priced looking at the performance peers.

The company faces competition from various players in the industry both from organized and unorganized market. As mentioned in the risk factor of this report the company has loss for two years and has seen a sudden surge and also the company once defaulted payment which does not at all look good for the business. Thus, one should **AVOID** applying to this IPO.

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