

**IPO Details**

<b>Opening Date</b>	Aug 07, 2023
<b>Closing Date</b>	Aug 09, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 40 - 42 per share
<b>Issue Size</b>	Aggregating up to 9 Cr.
<b>Fresh Issue</b>	21,42,000 Shares
<b>Application Amount (@ upper Band)</b>	₹1,26,000

**IPO Objective**

Funding the working capital requirements of Company.

General corporate purposes.

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	49,95,000	99.90%
Public	5,000	0.10%

**Promoter of the Company**

- Mr. Rathi Narayan Das
- Mr. Neihaa Rathi

**Competitive Strengths**

- Unique and sustainable business model.
- Strong and stable management team with proven ability.
- Well Established Brand name and goodwill amongst market players.
- Existing client and supplier relationships.
- Quality Assurance and Quality Control of products.

**Company Background**

- Company was incorporated in the year 2019 and has its registered office in Telangana.
- Company is engaged in the business of manufacturing spices and flour (chakki atta) and market & sell it in and around Telangana and Andhra Pradesh.
- The company has two models first is direct to customer ("D2C"), Second one is business to business ("B2B").
- Company operates from two manufacturing units located in Telangana namely, Unit - I Jalpally Village and Unit - II Raikal Village.
- As on March 31, 2023, Company has 94 fulltime employees as on payroll.

**Market Capitalization**

(In Cr.)

Pre-Issue	Post-Issue
₹21	₹30

**Financial Summary**

(In Lacs)

For the Period Ended	Mar-23	Mar-22	Mar-21
<b>Total Assets</b>	2,568.13	1,067.62	627.38
<b>Net Assets</b>	910.02	499.74	426.90
<b>Total Borrowings</b>	1,283.15	277.40	-
<b>Total Revenue</b>	3,582.01	1,764.21	1,139.90
<b>Profit After Tax</b>	312.61	72.84	35.26

**Tentative Timeline**

<b>Opening Date</b>	Aug 07, 2023
<b>Closing Date</b>	Aug 09, 2023
<b>Basis of Allotment</b>	Aug 14, 2023
<b>Initiation of Refunds</b>	Aug 16, 2023
<b>Credit of Shares to Demat</b>	Aug 17, 2023
<b>Listing Date</b>	Aug 18, 2023



## Company Background and Analysis

Company is engaged in the business of manufacturing spices and flour (chakki atta) and market & sell it in and around Telangana and Andhra Pradesh. Company handpicks raw materials from various parts of the country and process products with utmost care without the use of artificial preservatives or chemicals, thereby creating a product portfolio of organic spices and flour, which carry the freshness and goodness of each ingredient. Unique business model has helped them to penetrate the niche segment of market and establish a customer base in and around Telangana and Andhra Pradesh. Goal since incorporation was to manufacture quality spices and other food products which are organic and do not contain any artificial preservatives or chemicals, and in order to achieve goals company have created a unique business model, wherein manufacture and package products in quantities which can sustain a customer until the shelf life of product, in order to avoid wastage and deliver a wide range of products which carry the freshness and goodness of each ingredient.

Business has two model:

1. **Direct to customer (“D2C”)** in nature, wherein Company delivers products directly at the doorstep of customers using approximately 15,000 retail stores.
2. Company also work in **business to business (“B2B”)**, wherein company delivers products to the suppliers.

Business model has helped create a strong customer base as the quantity of products packed and delivered in directly proportional to the shelf life of products, therefore, once the product is consumed by customers, they place an order for the product and this helps maintain a cyclic and continuous relationship with customers.

Company sources raw materials directly from farmers to ensure use of absolutely natural ingredients in products. Since, source raw materials is directly from the farmers, company is able to offer products at a lower range than competitors, thereby having a unique pricing model. Sourcing raw materials from across the country to ensure that the products manufactured have an authentic taste without artificially disturbing the natural taste of the spices or other food products. For instance, chilli powder source is from the farms of Guntur, Khammam, Warangal, Raichur, Byadgi, Malakpet, Hyderabad and ‘Srivari Whole Wheat Atta’ and ‘Sharbati Atta’ is made from wheat grains which are sourced from Sehore, Vidisha and Sironj in Madhya Pradesh.

Nutritional value: Sharbati wheat boasts a higher nutritional value, serving as a good source of essential vitamins and minerals like iron, calcium, and potassium. This aspect contributes to its reputation as a healthier alternative to regular wheat. In summary, Sharbati wheat represents a specific variety of wheat with distinct characteristics. Its higher protein content, sweeter flavor, lower gluten content, and enhanced nutritional value make it an ideal choice for making traditional Indian breads such as chapatis or rotis. However, its lower yield and relatively higher cost limit its widespread availability.



A revenue breakup of the revenue earned from the sale of spices and wheat flour for the preceding three fiscals has been provided below:

S. No.	State	Fiscal 2023	Fiscal 2022	Fiscal 2021
1	Spices	2,267.05	1,764.21	1,139.90
2	Wheat flour	1,314.23	-	-
<b>Total</b>		<b>3,581.28</b>	<b>1,764.21</b>	<b>1,139.90</b>

Set forth below is the detail of the installed and utilized capacity of manufacturing unit for the last three years.

**UNIT-1:**

Financial Year	Capacity (in Utilized MTPA)	Capacity	(in Percentage of utilization (%))
2020-2021	2400	480	20%
2021-2022	2400	840	35%
2022-2023	2400	1440	60%

**UNIT-2:**

Financial Year	Capacity (in Utilized MTPA)	Capacity	(in Percentage of utilization (%))
2022-2023	15000	3000	20%

Company operates from two manufacturing units located in Telangana namely, Unit – I situated at 234/5, Jalpally Village, Balapur Mandal, Jalpally Municipality, Ranga Reddy District, Telangana and Unit – II situated at Raikal Village, Farooqnagar Mandal, Ranga Reddy District, Telangana, respectively. Company had commenced its business operations from Unit – I and had set up Unit - II in 2021 to expand its manufacturing operations. Unit-II has been set up to manufacture ‘Srivari Whole Wheat Atta’ and ‘Sharbati Atta’, thereby enabling Company to expand its product portfolio and customer base. Units are well equipped with machineries and other handling equipment to facilitate smooth manufacturing process. Along with this, the units also have an in-house laboratory for testing the quality of products.



## **Business Strategies**

### **1. Improving operational efficiencies**

The company intends to improve efficiencies to achieve cost reductions so that they can be competitive and believes that this can be done through domestic presence and economies of scale. Increasing penetration in existing regions with new range of products, will enable company to penetrate into new catchment areas within these regions and optimize infrastructure. As a result, of these measures, company will be able to increase its market share and profitability.

### **2. Leveraging Market skills and Relationships**

The company aims to enhance the growth by leveraging relationships and further enhancing customer satisfaction and plan to increase customers by meeting orders in hand on time, maintaining customer relationship and renewing relationship with existing buyers.

### **3. Penetration into global markets**

The company is looking forward to enter into global markets and plan to target countries and leverage their track record and experience in India to compete effectively and expand revenue base.

### **4. Improving Efficiency**

The Company intends to improve operating efficiencies to achieve higher operational effectiveness resulting in greater production on volumes, and higher sales, which allowing company to distribute fixed costs to the number of units sold, hence profit margins increased.

## **Competitive Scenario and Peer Mapping**

### **Competition**

The Company is in to FMCG business which has lot of scope in India and also faces high competition with their peers. The bargaining power of the company is low and the threat of new entrants is high. Currently company's business activities are focused only in Telangana and Andhra Pradesh expanding their business to other parts of the country might help them increase sales of the company. Increasing marketing and sales team, which can focus in different regions and also maintain and establish relationship with customers.

## Peer Analysis

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

Particulars	Srivari Spices and Foods Limited	Contil India Limited	Jetmall Spices and Masala Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	9%	3%	8%
EBITDA Margin	16%	3%	3%
Return on Capital Employed	39%	9%	0.80%
Return on Equity	34.35%	9%	4%
EPS (INR)	7.07	2.00	0.48

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

Particulars	Srivari Spices and Foods Limited	Contil India Limited	Jetmall Spices and Masala Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	4%	0%
EBITDA Margin	9%	0%	-5%
Return on Capital Employed	19%	1%	-2%
Return on Equity	15%	10%	0%
EPS (INR)	1.81	2.00	0.02

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

Particulars	Srivari Spices and Foods Limited	Contil India Limited	Jetmall Spices And Masala Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3%	4%	0%
EBITDA Margin	7%	2%	1%
Return on Capital Employed	11%	4%	2%
Return on Equity	8%	13%	2%
EPS (INR)	1.87	2.04	0.14

**Industry Overview**

Exhibit 1: Indian FMCG Market

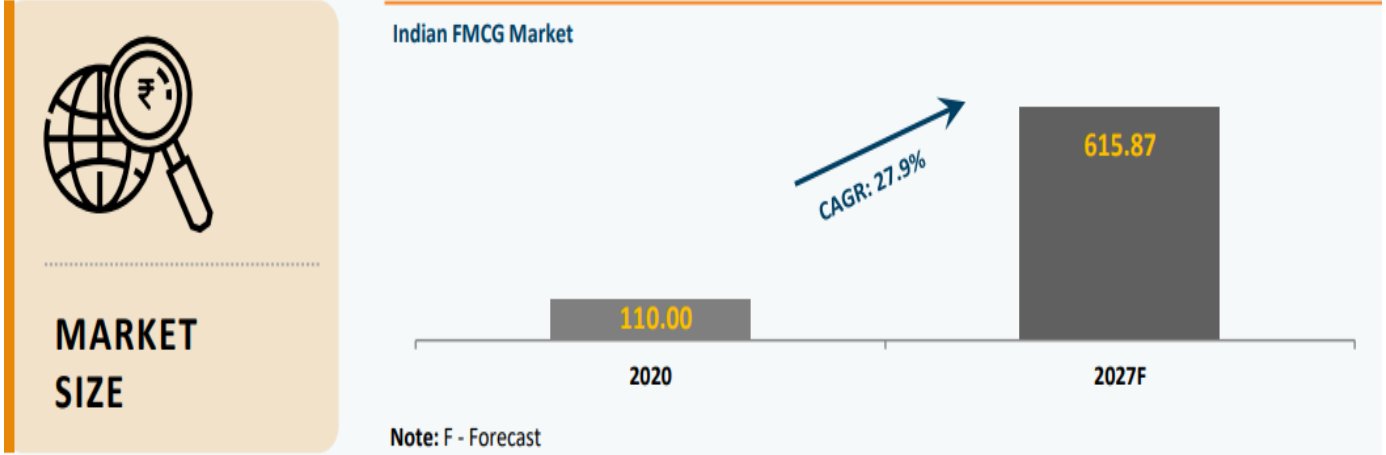


Exhibit 2: Urban – Rural Industry Break-up & Segment Wise Break-up of Revenue

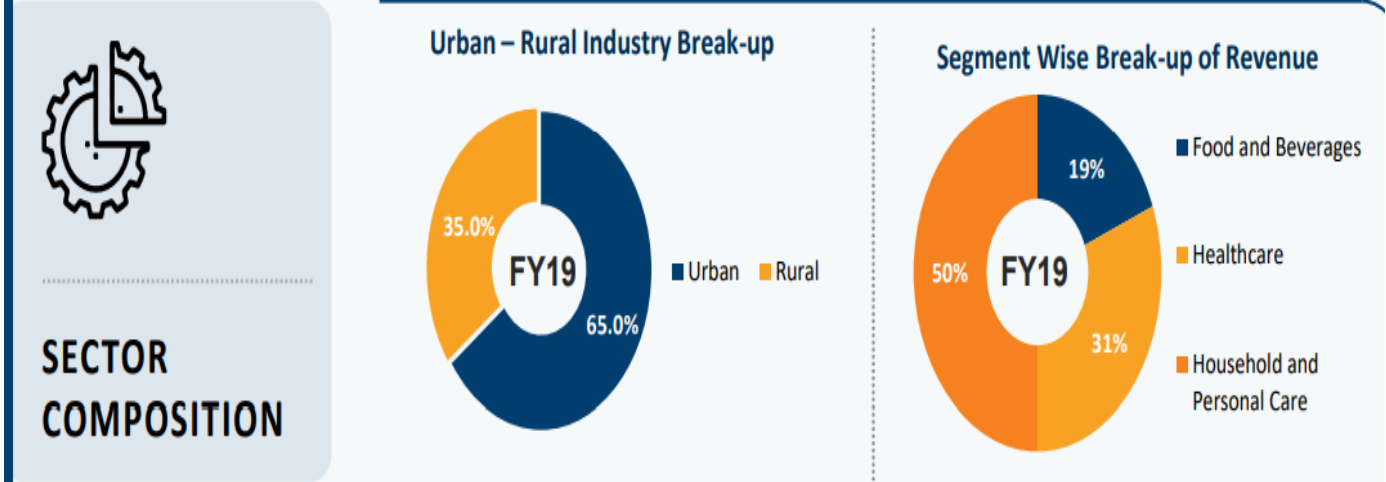
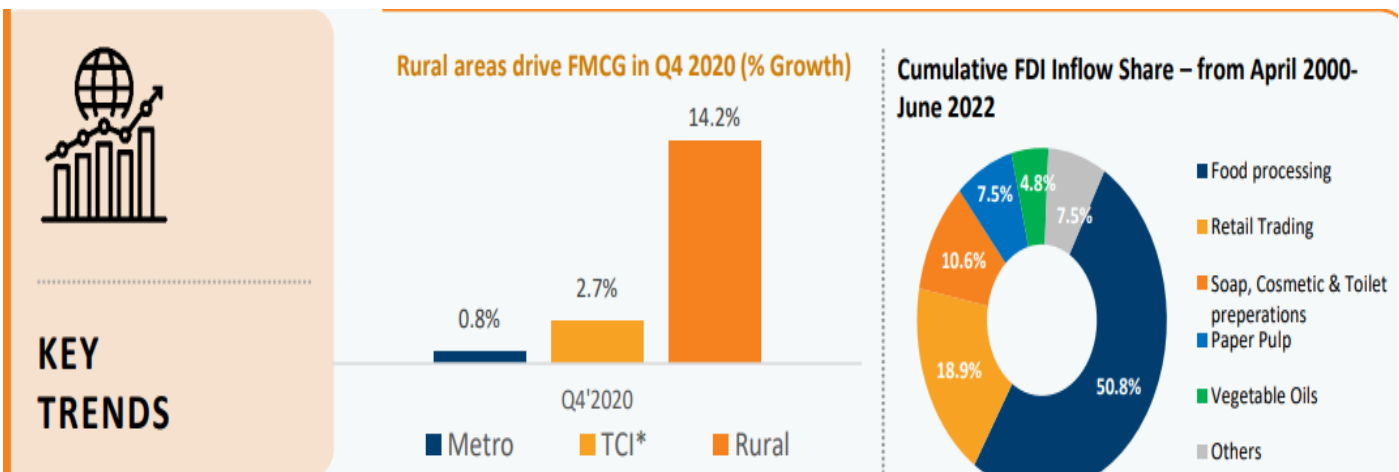


Exhibit 3: Rural areas drive FMCG and Cumulative FDI Inflow Share.

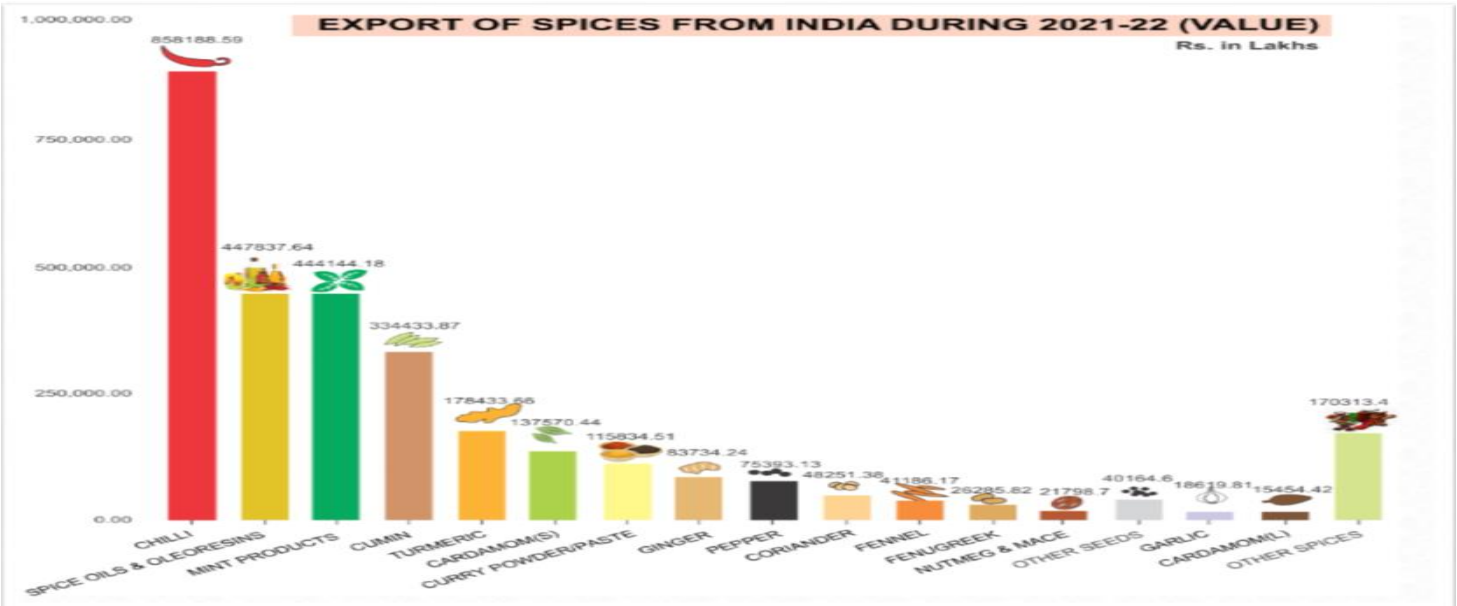


(Source: IBEF)

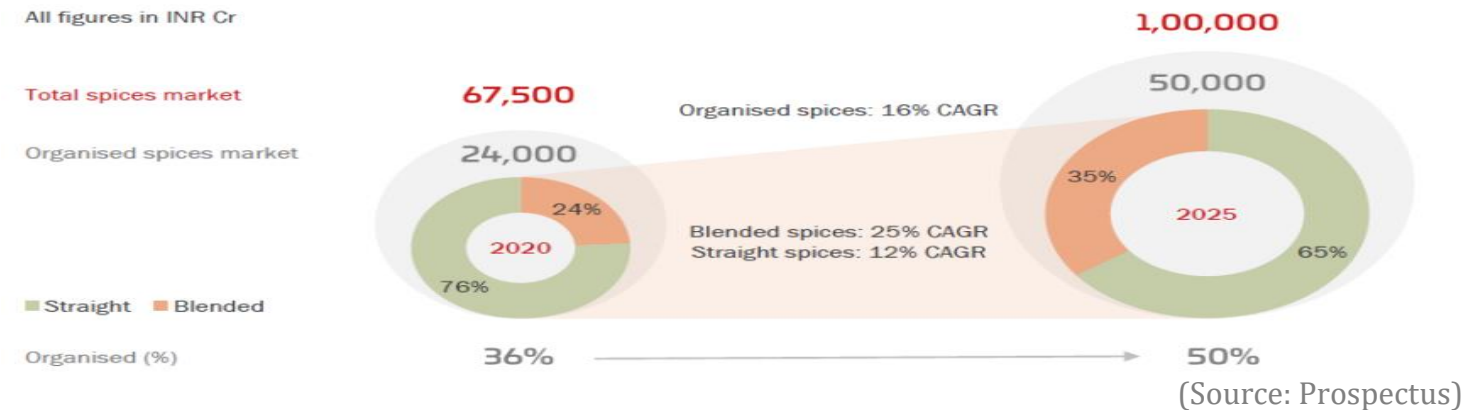
**INDIAN SPICE INDUSTRY**

India is the world’s largest spice producer. It is also the largest consumer and exporter of spices. The production of different spices has been growing rapidly over the last few years. Production in 2021-22 stood at 10.88 million tonnes. During 2020-21, the export of spices reached an all-time high both in terms of value and volume by registering a growth of 17% in US\$ value terms and 30% in volume terms. During 2021-22, the single largest spice exported from India was chili followed by spice oils and oleoresins, mint products, cumin, and turmeric. India produces about 75 of the 109 varieties listed by the International Organization for Standardization (ISO). The most produced and exported spices are pepper, cardamom, chili, ginger, turmeric, coriander, cumin, celery, fennel, fenugreek, garlic, nutmeg & mace, curry powder, spice oils, and oleoresins. Out of these spices, chili, cumin, turmeric, ginger, and coriander makeup about 76% of the total production.

**India is the largest exporter of spice and spice items. For the year 2021-22, the country exported spices worth US\$4,102.29**



**The Indian blended spices market is growing faster than straight spices. It is expected to reach a 35% share of the total organized spices pie by 2025.**





**Key Managerial Personnel**

**Rathi Narayan Das**, aged 45 years, is the Promoter, Chairman and Whole-time Director of Company. He holds bachelor's degree in commerce from Osmania University. He has experience of more than two decades in the food industry. Prior to joining the Company, he pursued his family business of trading of grains and spices and subsequently was appointed as the Marketing Head of Company in 2019. He heads the production, sales and marketing and quality divisions of Company.

**Neihaa Rathi**, aged 41 years, is the Whole-time Director and Promoter of Company. She holds bachelor's degree in science from Stella Mary Residential Degree College. She has experience of five years in the education industry and was previously associated with Arya Vidhya Vihar. She has been associated with Company since incorporation and heads the human resource department of Company.

**Uday Kiran Reddy Sama**, aged 28 years, is an Independent Director of Company. He holds bachelor's degree in commerce from Acharya Nagarjuna University, Andhra Pradesh. He is an associate member of the Institute of Chartered Accountants of India. He has experience in the financial and accounts industry and is the proprietor of Uday Reddy & Co., Chartered Accountants. He was previously associated with Trinamix Systems Private Limited in the capacity of Associate Business Analyst.

**Rashida Younus Ahmedabadwala**, aged 28 years, is an Independent Director of Company. She holds a bachelor's degree in science (home science, clinical nutrition and dietetics) from University of Madras. She has also completed the on-job training course (basic and advanced levels) in bakery and confectionary from Institute of Baking Technology, Chennai. She has 2 years' experience in the nutrition and dietetics industry and was previously associated with HealthifyMe Wellness Private Limited, Sports Performance Assessment Rehabilitation Research Counselling Institute, Swabodhini (school for special children) and Sri Ramachandra Medical College & Research Institute.

**Hari Prasad Puttumurthi**, aged 28 years, is an Independent Director of Company. He holds bachelor's degree in commerce from Acharya Nagarjuna University, Andhra Pradesh. He has experience of more than a decade in sub-broking and was earlier associated with Motilal Oswal Financial Services in the capacity of a sub-broker.

To conclude, the company has 2 promoters and one of the promoters is whole time director of the company and 3 independent directors. Only one promoter has knowledge and experience and other directors and promoter doesn't have much knowledge or experience in the business which the company operates in.





**Financial Snapshot**

<b>Profit and Loss Statement</b>				<b>(In Lacs.)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	1,139.90	1,764.21	3,581.29	
Other Income	-	-	0.72	
<b>Total Income</b>	<b>1,139.90</b>	<b>1,764.21</b>	<b>3,582.01</b>	
<b>Expenses</b>				
Cost of material consumed	976.10	1,501.86	2,694.72	
Purchase of stock-in-trade	-	-	-	
Changes in inventories of Finished goods, work-in-Progress	-58.18	-56.95	-172.97	
Employee benefits expense	54.37	113.30	229.29	
Finance costs	0.48	11.11	85.75	
Depreciation and Amortization expense	33.68	51.67	70.20	
Other expenses	85.79	42.09	242.18	
<b>Total Expenses</b>	<b>1,092.24</b>	<b>1,663.08</b>	<b>3,149.17</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>81.82</b>	<b>163.91</b>	<b>588.07</b>	
<b>EBITDA Margin</b>	<b>7%</b>	<b>9%</b>	<b>16%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>47.66</b>	<b>101.13</b>	<b>432.84</b>	
Less: Exceptional Items	-	-	-	
<b>Profit/(Loss) before tax</b>	<b>47.66</b>	<b>101.13</b>	<b>432.84</b>	
Tax Expense				
Current Tax	7.70	30.01	122.99	
Current Year	-	-	-	
Allocated to Minority Interest	-	-	-	
Deferred tax	4.70	-1.72	-2.76	
<b>Total Tax Expense</b>	<b>12.40</b>	<b>28.29</b>	<b>120.23</b>	
<b>Profit/(Loss) for the year</b>	<b>35.26</b>	<b>72.84</b>	<b>312.61</b>	
<b>Net Profit Margin</b>	<b>3%</b>	<b>4%</b>	<b>9%</b>	

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
(a) Share Capital	402.33	402.33	500.00	
(b) Reserves and surplus	24.57	97.41	410.02	
<b>Total Equity</b>	<b>426.90</b>	<b>499.74</b>	<b>910.02</b>	
<b>2. Non-current liabilities</b>				
(a) Long-term borrowings	-	88.12	402.55	
(b) Other Non-current Liabilities	-	-	-	
(c) Deferred Tax liability	0.94	-	-	
(d) Long-term provisions	0.07	0.34	0.36	
<b>Total Non-current liabilities</b>	<b>1.01</b>	<b>88.46</b>	<b>402.91</b>	

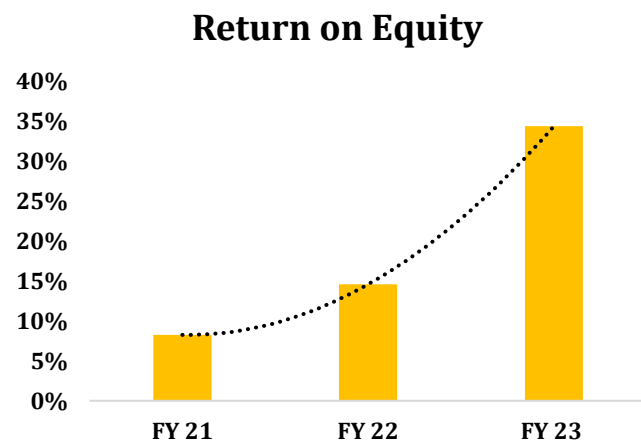
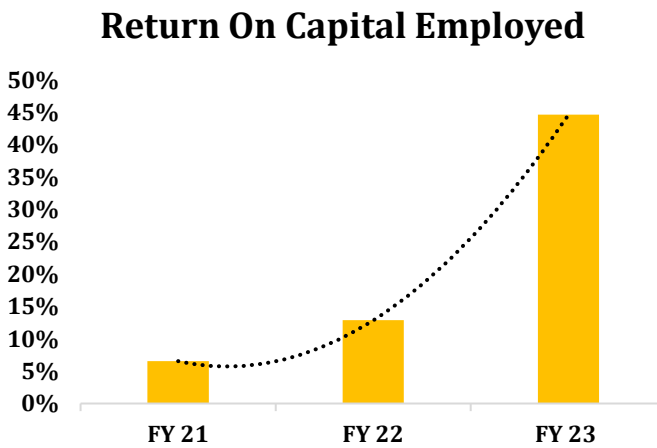
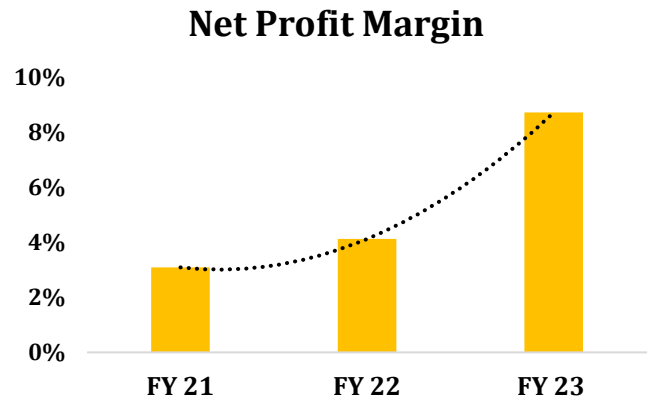
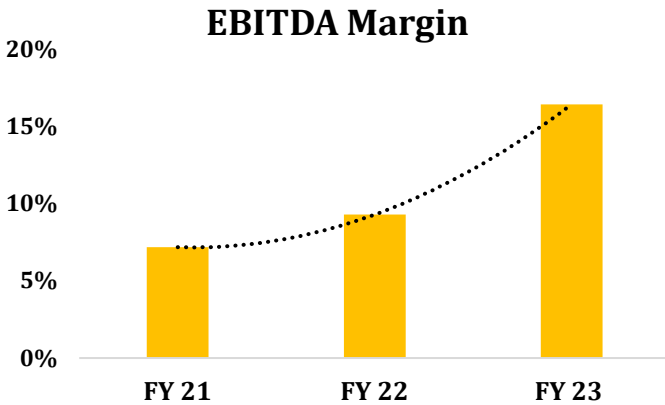


<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>3. Current liabilities</b>				
(a) Short-term borrowings	-	189.28	880.60	
(b) Trade payables	-	-	-	
(i) Due to MSME	9.93	43.53	148.40	
(ii) Due to Others	186.44	183.59	101.69	
(c) Other current liabilities	3.04	42.30	20.29	
(d) Short-term provisions	0.06	20.72	104.22	
<b>Total Current liabilities</b>	<b>199.47</b>	<b>479.42</b>	<b>1,255.20</b>	
<b>Total Liabilities</b>	<b>200.48</b>	<b>567.88</b>	<b>1,658.11</b>	
<b>Total Equity and Liabilities</b>	<b>627.38</b>	<b>1,067.62</b>	<b>2,568.13</b>	
<b>ASSETS</b>				
<b>1. Non-Current assets</b>				
(a) Property Plant & Equipment's	319.46	446.08	485.60	
(i) Tangible Assets	-	-	-	
(ii) Intangible Assets	0.36	0.27	0.22	
(iii) Intangible Assets Under Development	-	-	-	
Goodwill	-	-	-	
(b) Non-current investments	-	-	-	
(c) Deferred Tax Assets	-	0.78	3.55	
(d) Other Non-Current Assets	7.45	7.45	16.51	
<b>Total Non-Current assets</b>	<b>327.27</b>	<b>454.58</b>	<b>505.88</b>	
<b>2. Current assets</b>				
(a) Inventories	101.68	195.34	833.56	
(b) Trade receivables	169.61	412.76	1,150.78	
(c) Cash and cash equivalents	25.70	4.94	1.27	
(d) Short-term loans and advances	3.12	-	73.00	
(e) Other Current Assets	-	-	3.64	
<b>Total Current assets</b>	<b>300.11</b>	<b>613.04</b>	<b>2,062.25</b>	
<b>Total Assets</b>	<b>627.38</b>	<b>1,067.62</b>	<b>2,568.13</b>	

<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Per Share Data</b>			
Diluted EPS	1.87	1.81	7.07
BV per share	5.98	7.00	12.74
<b>Operating Ratios</b>			
EBITDA Margins	7%	9%	16%
PAT Margins	3%	4%	9%
Inventory days	32.56	40.41	84.96
Debtor days	54.31	85.40	117.29
Creditor days	70.71	53.88	28.89
<b>Return Ratios</b>			
RoCE	11%	22%	57%
RoE	8%	15%	34%
<b>Valuation Ratios (x)</b>			



<b>Ratio Sheet</b>			
EV/EBITDA	4.90	4.71	3.73
Market Cap / Sales	2.63	1.70	0.84
P/E	22.46	23.20	5.94
Price to Book Value	7.03	6.00	3.30
<b><u>Solvency Ratios</u></b>			
Debt / Equity	0.00	0.56	1.41
Current Ratio	1.50	1.28	1.64
Quick Ratio	0.99	0.87	0.98
Asset Turnover	1.82	1.65	1.39
Interest Coverage Ratio	100.29	10.10	6.04

**Financial Charts**

**Key Risk Factors**

1. The Company depends on a few customers of products, for a significant portion of revenue, and any decrease in revenues or sales from any one of key customers may adversely affect business and results of operations. The percentage of Total Revenue from top 10 customers were 56.70%, 78.78% and 70.24% in FY21, FY22 and FY23 respectively.
2. Company has ventured into manufacturing and trading of spices in 2019 and of whole wheat flour in 2021, and therefore has a very limited operating history of operations with respect to the same, which will make it difficult for the investors to evaluate historical performance or future prospects.
3. Company has availed certain unsecured loans of ₹ 285.33 lakhs which may be recalled at any time.
4. Company has experienced negative cash flow in the past and may continue to do so in the future, which could have a material adverse effect on business, prospects, financial condition, cash flows and results of operations.

**Track Record of Lead Manager**

The lead managers to the issue is Gyr Capital Advisors 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 –

**Gyr Capital Advisors Limited**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Essen Speciality Films Limited	66.33	107.00	Jul 06, 2023	157.95
2.	MCON Rasayan India Limited	6.84	40.00	Mar 20, 2023	144.00
3.	Agarwal Float Glass India Limited	9.20	42.00	Feb 23, 2023	36.00
4.	Anlon Technology Solutions Limited	15.00	100.00	Jan 10, 2023	267.40
5.	Uma Converter Limited	18.41	33.00	Dec 29, 2022	31.00
6.	Pritika Engineering Components Limited	9.42	29.00	Dec 08, 2022	38.50
7.	Mafia Trends Limited	3.60	28.00	Oct 06, 2022	15.10
8.	Sabar Flex India Limited	4.48	11.00	Sep 21, 2022	16.85
9.	JFL Life Sciences Limited	18.17	61.00	Sep 08, 2022	50.05
10.	Veekayem Fashion and Apparels Limited	4.44	28.00	Aug 22, 2022	101.25

\*CMP is taken as on 31<sup>st</sup> July 2023

The Lead Manager associated have handled 10 mandates in the last three fiscals, All 10 issue opened at premiums ranging from 0.45% to 163.65% on the listing date.



### **Recommendation**

The company has been into the industry for four years. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability.

Rathi Narayan Das is promoter and whole-time director of the company has two decades of experience in food industry. Only one promoter has knowledge and experience and other directors and promoter doesn't have much knowledge or experience in the business which the company operates in.

The PE on an annualised and Post IPO basis is around 9.60 times which seems to be fairly priced looking at the performance of peer's companies average PE 42.96 and size of the company.

Over the years, the company on an average has performed better than its peers in terms of profitability margins, ROCE, ROE, EBITDA and EPS. Looking at the financial performance, the business performance and outlook of its management, **Risk Averse Investors should wait and Risk Seekers should apply.**



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