



Mish Designs Limited

IPO Note



IPO Details		Company Background					
Opening Date	Oct 31, 2023	<ul style="list-style-type: none"> Mish Designs Limited was originally incorporated in the year 2017 and has its registered office in Maharashtra, Mumbai The company is engaged in manufacturing garments and selling its products through digital platforms. The company is engaged in the process of fabrication of fabric into garments under the brand name "MISH", and "CURVES BY MISH" in India. The company exports the product currently to the UAE under the brand name "ZOEY". As of 30th June 2023, the Company had 58 employees on its payroll 					
Closing Date	Nov 02, 2023						
Stock Exchange	BSE, SME						
Lot Size	1,000 Shares						
Issue Price	₹ 122 per share						
Issue Size	Aggregating up to 9.76 Cr.						
Fresh Issue	Aggregating up to 9.76 Cr.						
Offer for Sale	-						
Application Amount	₹ 1,22,000						
IPO Objective		Market Capitalization (In Cr.)					
Working Capital Requirements.		Pre-Issue		Post-Issue			
Fund Branding and Marketing Initiatives.		₹ 24		₹ 34			
General Corporate Purpose.							
Pre-Issue Shareholding			Financial Summary (In Lacs)				
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23	Jun-23
Promoter & Promoter Group	19,14,998	95.75%	Total Assets	251.77	423.09	711.44	697.71
Public	85,002	4.25%	Net Assets	51.96	57.33	218.07	229.40
Promoter of the Company			Total Borrowings	108.06	231.36	300.01	264.37
1	Kaushal Goenka		Total Revenue	419.32	730.69	1,111.95	227.17
2	Sajan Bhartia		Profit After Tax	0.31	5.36	60.75	11.33
Competitive Strengths			Tentative Timeline				
1	Online business through prominent E-commerce platforms.		Opening Date	Oct 31, 2023			
2	Scalable business model.		Closing Date	Nov 02, 2023			
3	Cost-effective production and timely fulfilment of orders.		Basis of Allotment	Nov 07, 2023			
4	Experienced Promoters.		Initiation of Refunds	Nov 08, 2023			
			Credit of Shares to Demat	Nov 09, 2023			
			Listing Date	Nov 10, 2023			



Company Background and Analysis

The Company was originally incorporated on November 24, 2017. The company is engaged in the process of fabrication of fabric into garments under the brand name “MISH”, and “CURVES BY MISH” in India. The company exports the product currently to the UAE under the brand name “ZOEY”. The company offers a collection of over 1000 trending designs to cater for the diverse tastes of the customers. The company offers a variety of products in Women’s wear segments such as Dresses, Gowns, Tops, Co-Ords, T-shirts, trousers, and Palazzos.

The company’s product portfolio –

Women’s Wear – The company is primarily engaged in the design and manufacturing of women’s western wear. The product included Dresses, Gowns, Tops, Co-Ords, T-shirts, Trousers and Palazzos. Our products have colour options of more than 35 colours and are available in all sizes.

For the fiscal year ended 2022 – 2023, the company’s revenue model was –

1. Online Mode – 88.49%
2. Offline Mode – 11.51%

The company sells its products on major E-Platforms such as –

1. Myntra
2. Nykaa Fashions
3. Ajio
4. Tata Cliq
5. Namshi

Revenue Bifurcation for the financial year ended 2021, 2022, 2023, and the period ended June 30, 2023, are as follows –

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023		As on August 31, 2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Domestic Sales	399.07	95.25	703.76	96.46	1,032.71	93.02	180.36	79.81
Export Sales	19.92	4.75	25.79	3.54	77.52	6.98	45.63	20.19
Total	418.99	100.00	729.55	100.00	1,110.23	100.00	225.99	100.00

To conclude, the company was incorporated in the year 2017. The company is engaged in manufacturing garments and selling its products through digital platforms. The company generates the majority of its revenue from online sales. The company is raising a total net proceeds of Rs 839 Lakhs out of which Rs. 550.50 lakhs for working capital requirements, Rs. 105.19 lakhs for funding the branding and marketing initiatives, and Rs. 183.31 lakhs for general corporate purposes.



Business Strategies

1. Augment the fund-based capacities in order to scale up the business operations –

The company is part of the growth in terms of products, business deals, and human capital, the company leveraged its past efforts and experience, to expand its presence across several markets in India and overseas. The company is in the process of diversifying the revenue from operations through a number of measures such as Diversification in the product portfolio, Expanding into high-growth international markets, and Efficient inventory management.

2. Scaling up the emerging brands through increased marketing initiatives –

The company intends to continue to enhance the brand recall of the products through the use of targeted marketing initiatives including digital marketing campaigns, email communications, social media advertisements and event sponsorships.

3. Engagement with customers through the website –

The company continues to target a dedicated audience of women to bring lots of options to stay stylish in everyday looks. The company plans to increase the focus on growing its existing product ranges covering each type of look for any season for the audience.

4. Competitive Pricing –

To remain aggressive and capitalize on a good market share, the company believes in offering competitive prices to its customers. This helps them to sustain the competition and hold a strong position in the market.

5. To build up a professional organization –

The company will consistently put efforts among its group of experienced employees to transform them into an outstanding team of empowered professionals which helps in further accelerating the wheels of development of the Organization.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company faces competition with other brands on the basis of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience. The company's products compete with local retailers, online retailers, non-branded products, economy brands and products of other established brands. The company has very low entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customers is high in the sector in which the company operates.



Peer Analysis

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

Particulars	Mish Design Limited	Aditya Birla Fashion and Retail Limited	Go Fashion (India) Limited	Kewal Kiran Clothing Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	5.47%	-0.48%	12.48%	15.28%
EBITDA Margin	11.23%	12.54%	32.33%	19.51%
Return on Capital Employed	34.41%	3.40%	15.92%	25.49%
Return on Equity	27.86%	-2.06%	15.96%	21.72%
EPS (INR)	5.61	(0.38)	15.33	19.36

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

Particulars	Mish Design Limited	Aditya Birla Fashion and Retail Limited	Go Fashion (India) Limited	Kewal Kiran Clothing Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.73%	-1.45%	8.98%	13.49%
EBITDA Margin	4.69%	13.99%	30.92%	16.45%
Return on Capital Employed	19.64%	2.20%	8.33%	19.25%
Return on Equity	9.35%	-4.25%	8.22%	17.12%
EPS (INR)	0.50	(1.16)	6.59	13.25

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

Particulars	Mish Design Limited	Aditya Birla Fashion and Retail Limited	Go Fashion (India) Limited	Kewal Kiran Clothing Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.07%	-14.02%	-1.59%	6.27%
EBITDA Margin	2.01%	11.11%	18.73%	6.27%
Return on Capital Employed	1.79%	-6.52%	-2.57%	2.73%
Return on Equity	0.60%	-27.83%	-1.41%	4.39%
EPS (INR)	0.03	(7.93)	(1.18)	3.15

Based on the above analysis, the company has performed better than its peer company for the FY ended 2023 when compared to the peer company Aditya Birla Fashion and Retail Limited in terms of profitability margins, RoCE, ROE, and EPS. The company when compared to the peer companies Go Fashions Limited and Kewal Kiran Clothing Limited in terms of profitability margins, and EPS performed lower and in terms of RoCE, and ROE higher for the FY ended 2023.



Industry Overview

Exhibit 1: Textiles and Apparel Industry (US\$ billion)

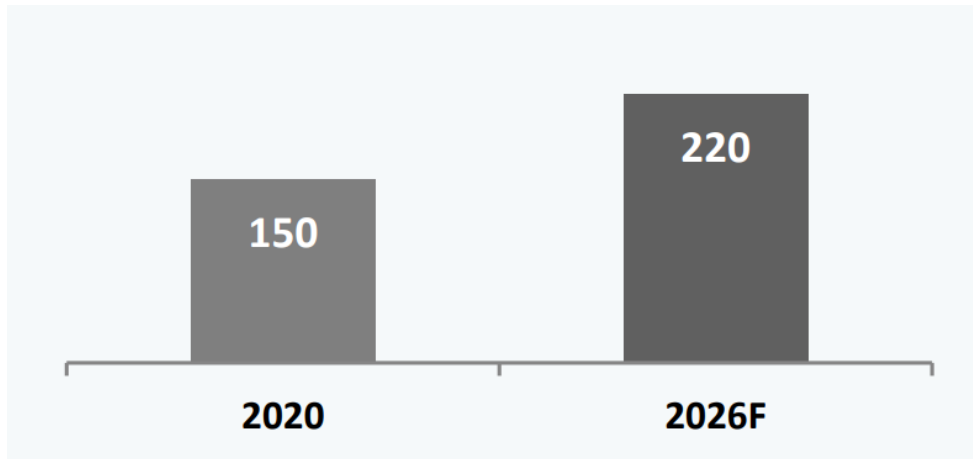
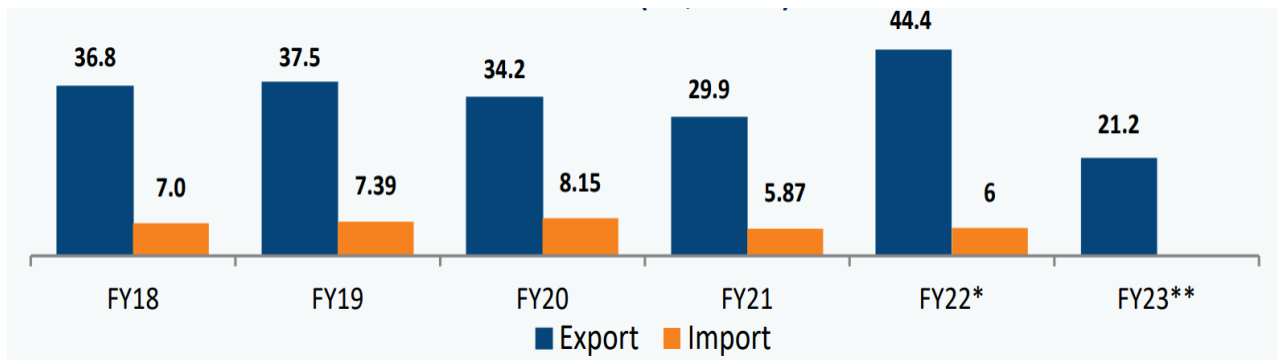


Exhibit 2: Textiles Trade (US\$ billion)



Note: * - (Apr-Dec), ** - (Apr-Oct), Imports include textile yarn fabric and made-up articles; Exports include RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets, jute mfg. including floor coverings

(Source: prospectus)



Apparel Industry in Global Market -

Apparel refers to any clothing made of textiles created by weaving, knitting, or felting, in whole or in part, that is worn on a to build culture and create an aesthetic appearance in the home and on official occasions. The global apparel market grew from \$610.12 billion in 2022 to \$652.94 billion in 2023 at a compound annual growth rate (CAGR) of 7.0%.

Increasing demand for online shopping is expected to help the apparel manufacturing market grow. Manufacturers can now sell their products on a larger platform than before, which will increase their customer base geographically driving the growth of the apparel manufacturing market. In countries such as India, for instance, e-commerce portals have boosted the sales of traditional garments by giving larger exposure to producers who were confined to one geography where the weaving community was located.

Apparel and Garment Industry in India -

India is among the top garment-manufacturing countries in the world. Indian textiles and apparel products have a history of fine craftsmanship across the entire value chain from fibre, yarn, and fabric to apparel with high global appeal. India's cotton, silk, and denim are highly popular in other countries, and Indian apparel too has found success across fashion centres around the world. India is one of the largest consumers and producers of cotton with the highest acreage of 13.5 million hectares which is 38% of the global area under cotton cultivation.

The Indian textile and apparel industry is highly diversified with a wide range of segments ranging from products of traditional handloom, handicrafts, wool, and silk products to the organized textile industry in India. India's textile and apparel market size is growing at a CAGR of 12% from US\$ 152 billion in 2021 to US\$ 225 billion by 2025. The industry is one of the biggest contributors to the economy with a 2% contribution to the gross domestic product (GDP) which is approx. US\$ 70 billion. It is also the second largest employer after agriculture, providing direct employment to 45 million people and 100 million people in the allied sector. Andhra Pradesh, Telangana, Haryana, Jharkhand and Gujarat are the top textile and clothing manufacturing states in India.

E-Commerce Industry -

In recent years India has experienced a boom in internet and smartphone penetration. The number of internet connections in 2021 increased significantly to 830 million, driven by the 'Digital India' programme. Out of the total internet connections, ~55% of connections were in urban areas, of which 97% of connections were wireless. The smartphone base has also increased significantly and is expected to reach 1 billion by 2026. This has helped India's digital sector, and it is expected to reach US\$ 1 trillion by 2030. This rapid rise in internet users and smartphone penetration coupled with rising incomes has assisted the growth of India's e-commerce sector. India's e-commerce sector has transformed the way business is done in India and has opened various segments of commerce ranging from B2B, direct-to-consumer (D2C), consumer-to-consumer (C2C) and consumer-to-business (C2B). Major segments such as D2C and B2B have experienced immense growth in recent years. India's D2C market is expected to reach US\$ 60 billion by FY27. The overall e-commerce market is also expected to reach US\$ 350 billion by 2030 and will experience 21.5% growth in 2022 and reach US\$ 74.8 billion.

(Source: prospectus)



Key Managerial Personnel

Kaushal Goenka, aged 41, is one of the Founding Promoters, Chairman and Managing Director of the company. He has completed his Bachelor of Commerce. He has more than 2 decades of experience in the fashion and design industry. He is currently responsible for the overall working of the Company.

Sajan Bhartia, aged 52, is one of the Founding Promoters, Whole-Time Director, and Chief Financial Officer of the company. He has completed his Graduation. He has over 3 decades of varied business experience including over 24 years in the cotton and fabrics industries. He plays the role of devising and implementing the overall strategy and growth of the Company.

Anita Bhartia, aged 49, is the Non-Executive Director of the company. She has obtained her degree in Bachelor of Arts. She has been part of the Board since May 02, 2023. She has over 8 years of experience in the Apparel and Fabrics Industry. She provides intermittent guidance to the Company with respect to the business development activities in the Company.

Tapan Shah, aged 42, is the Non-Executive Independent Director of the company. He has been part of the Board since July 24, 2023. He is an associate member of the Institute of Chartered Accountants of India. He has over a decade of experience in the field of Business and Finance.

Diksha Maheshwari, aged 30, is the Non-Executive and Independent Director of the company. She was appointed to the Board of the Company w.e.f. June 07, 2023. She has completed a bachelor's and master's degree in commerce. She has been a member of the Institute of Company Secretaries of India since 2017. She has an experience of over 5 Years in the field of compliance and secretarial.

To conclude, the company has 2 promoters, and they have vast experience in the industry. Directors of the company have good knowledge and experience in their respective fields which helps in the overall growth of the company.



Financial Snapshot

Profit and Loss Statements				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Revenue from Operations	418.99	729.55	1,110.24	225.99
Other Income	0.33	1.14	1.71	1.18
Total Income	419.32	730.69	1,111.95	227.17
Expenses				
Cost of materials consumed	219.44	456.54	618.92	115.50
Changes in Inventories	(13.51)	(88.09)	(130.71)	(11.49)
Employee benefits expense	60.62	89.25	61.04	14.32
Finance costs	3.97	16.92	36.06	9.38
Depreciation and Amortization expense	7.43	9.70	11.40	1.71
Other expenses	139.00	237.64	436.29	82.49
Total Expenses	416.95	721.96	1,033.00	211.91
Earnings Before Interest, Taxes, Depreciation & Amortization	8.44	34.21	124.70	209.45
EBITDA Margin	2.01%	4.69%	11.23%	92.68%
Profit/(Loss) before tax	2.37	8.73	78.95	15.26
Tax Expense				
Current Tax	1.84	3.37	18.97	3.97
Short/ Excess provision	0.18	0.45	-	-
Deferred Tax	(0.04)	0.45	0.77	0.04
Total Tax Expense	2.06	3.37	18.20	3.93
Profit/(Loss) for the period	0.31	5.36	60.75	11.33
Net Profit Margin	0.07%	0.73%	5.46%	4.99%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
EQUITY AND LIABILITIES				
Equity				
Share Capital	25.00	25.00	200.00	200.00
Reserves and Surplus	26.96	32.33	18.07	29.40
Total Equity	51.96	57.33	218.07	229.40
Liabilities				
Non-current liabilities				
Long Term Borrowings	-	58.51	101.41	78.19
Long Term Provisions	4.56	8.93	9.76	10.15
Total Non-current liabilities	4.56	67.44	111.17	88.34
Current liabilities				
Short Term Borrowings	108.06	172.85	198.60	186.18
Trade Payables	-	-	-	-
i) Due to micro and small enterprises	-	-	-	-
ii) Due to other than micro and small enterprises	85.00	122.70	172.80	173.59
Other Current Liabilities	0.25	0.50	1.11	5.60
Short-term provisions	1.95	2.27	9.69	14.61
Total Current liabilities	195.26	298.32	382.20	379.98
Total Liabilities	199.82	365.76	493.37	468.32
Total Equity and Liabilities	251.78	423.09	711.44	697.72
ASSETS				
Non-Current Assets				
Tangible Assets	14.35	20.28	21.46	20.11
Intangible Assets	10.93	7.53	5.14	4.78
Deferred Tax Assets	5.37	5.81	6.58	6.62
Total Non-Current assets	30.65	33.62	33.18	31.51
Current Assets				
Inventories	97.91	184.66	358.92	369.33



Balance Sheet				(In Lacs)
Trade Receivables	103.36	141.64	217.26	182.94
Cash and Cash Balances	8.60	15.23	19.56	24.90
Short-term loans and advances	6.76	36.52	52.27	53.69
Other Current Assets	4.49	11.42	30.25	35.34
Total Current assets	221.12	389.47	678.26	666.20
Total Assets	251.77	423.09	711.44	697.71

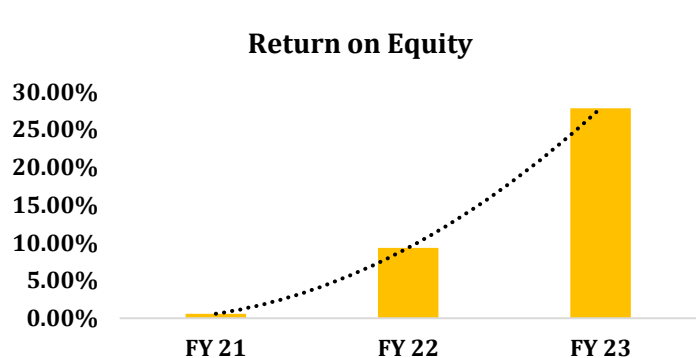
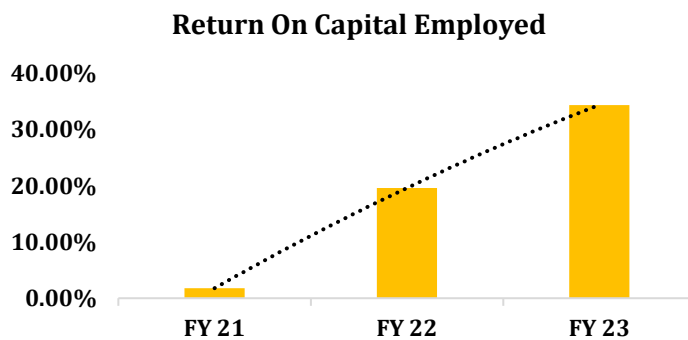
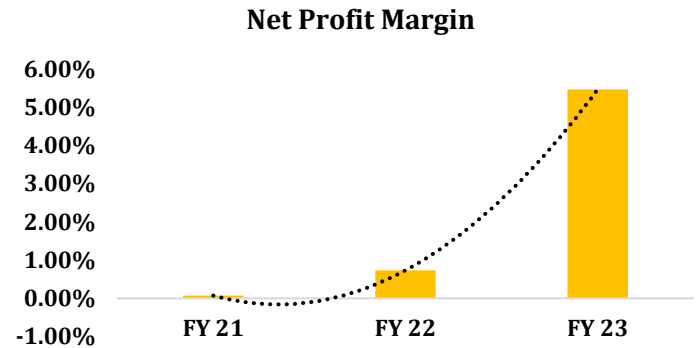
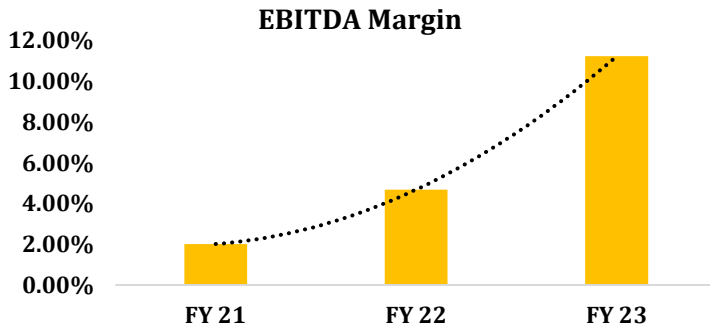
Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Net Cash Flow from Operating Activities	(58.35)	(87.54)	(118.07)	50.35
Net Cash Flow from Investing Activities	(16.97)	(12.22)	(10.19)	-
Net Cash Flow from Financing Activities	71.99	106.39	132.59	(45.02)

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23*
Per Share Data				
Diluted EPS	0.03	0.50	5.61	1.63
BV per share	1.86	2.05	7.79	44.28
Operating Ratios (%)				
EBITDA Margins	2.01%	4.69%	11.23%	92.68%
PAT Margins	0.07%	0.73%	5.46%	4.99%
Inventory days	85.29	92.39	118.00	148.72
Debtor days	90.04	70.86	71.43	73.66
Creditor days	248.86	152.46	145.64	268.56
Return Ratios (%)				
RoCE	1.79%	19.64%	34.41%	6.72%
RoE	0.60%	9.35%	27.86%	3.68%
Valuation Ratios (x)				
EV/EBITDA	17.94	7.99	4.00	13.63
Market Cap / Sales	8.15	4.68	3.08	3.78
P/E	4,066.67	244.00	21.75	74.79
Price to Book Value	65.74	59.58	15.66	2.76
Solvency Ratios				
Debt / Equity	2.08	4.04	1.38	0.13
Current Ratio	1.13	1.31	1.77	1.75
Quick Ratio	0.63	0.69	0.84	0.78
Asset Turnover	1.66	1.72	1.56	1.30
Interest Coverage Ratio	0.25	1.45	3.14	2.50

*Ratio sheet for June-23 is annualized.



Financial Charts



Key Risk Factors

1. The company is partied to certain legal proceedings amounting to Rs. 10.15 Lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
2. The company has had negative operating cashflows for all three fiscal years ended 2021, 2022, and 2023 and may continue in the future.
3. The company is dependent on a few suppliers for supply of raw materials and any major disruption could adversely affect the business, results of operations and financial condition. For the financial year that ended March 31, 2023, the top five suppliers and top ten suppliers accounted for approximately 46.90% and 68.94% respectively.
4. During the period ended June 30, 2023, and Financial Years 2023, 2022 and 2021, sales return from customers contributed to ₹ 269.43 lakhs and ₹ 1,134.99 lakhs, ₹ 744.23 lakhs and ₹ 343.66 lakhs, constituting 54.38%, 50.55%, 50.50% and 45.06% of gross revenue from operations, respectively.



Track Record of Lead Manager

The lead manager to the issue is Aryaman Financial Services Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Aryaman Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sunita Tools Limited	22.04	145.00	October 11, 2023	161.00
2.	Master Components Limited	15.43	140.00	September 29, 2023	141.00
3.	HMA Agro Industries Limited	480.00	585.00	July 04, 2023	693.00
4.	CFF Fluid Control Limited	85.80	165.00	June 12, 2023	402.00
5.	Command Polymers Limited	7.09	28.00	March 29, 2023	25.4
6.	Rex Sealing and Packing Industries Limited	8.09	135.00	January 12, 2023	116.00
7.	Abans Holdings Limited	345.60	270.00	December 23, 2022	300.00
8.	EP Biocomposites Limited	6.35	126.00	September 13, 2022	184.00
9.	Rhetan TMT Limited	56.00	70.00	September 05, 2022	8.20
10.	Modi's Navnirman Limited	22.68	180.00	July 06, 2022	170.00

*CMP for the above-mentioned companies is taken as of 1st November 2023.

As per the offer document, Aryaman Financial Services Limited has had 21 mandates in the last three fiscal years. Aryaman Financial Services Limited's above-mentioned mandates 4 have opened at discount and the remaining all have opened at premiums on the listing day.



Recommendation

The company has been in the industry since 2017 and has good experience in the industry. The company has seen a sudden surge in the top line and bottom line for the FY 2023 which may or may not be sustained going forward. The company faces significant competition, and the management outlook of the company is good.

The P/E on a post-IPO basis is 56.23 times which seems to be highly priced by looking at the performance of the company. The Sector P/E is 31.1 times.

The company operates in the apparel industry and does not have any unique products. The company has seen a sudden surge in the financials for the fiscal year ended 2023 which may not be sustained going forward. The company has had negative operating cash flow for three consecutive years which if sustained will impact negatively on the business of operations. The company is not using its debt opportunity well and the financial outlook of the company is also not satisfactory. The company also has a huge percentage of sales return which clearly highlights the issue in service provided details of which are provided in the risk factor section of this report. Thus, by looking at the above-mentioned points we suggest **AVOID** to this IPO.



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