

IPO Details		Company Background					
Opening Date	Nov 30, 2023	<ul style="list-style-type: none"> Net Avenue Technologies Ltd was originally incorporated in the year 2001 and has its registered office in Chennai, India. The Company is engaged in online digital direct-to-consumer business for Indian Ethnic wear and accessories. The company started out as a gifting portal named chennaibazaar.com, one of the first Indian gifting portals, offering gifting solutions to Indians living abroad. The company's product range includes Indian ethnic wear and accessories for women, men, teens and kids. As of 31st August 2023, the Company had 85 employees on its payroll. 					
Closing Date	Dec 04, 2023						
Stock Exchange	NSE SME						
Lot Size	8,000 Shares						
Issue Price	₹ 16 to ₹ 18 per share						
Issue Size	Aggregating up to 10.25 Cr.						
Fresh Issue	Aggregating up to 10.25 Cr.						
Offer for Sale Application	-						
Amount	₹ 1,44,000						
IPO Objective							
Customer Acquisition - Marketing and Awareness.							
Funding Working Capital Requirement.							
General Corporate Purpose.							
To Meet the Issue Expenses.							
Pre-Issue Shareholding			Market Capitalization (In Cr.)				
Category	No. of Shares	% of Total Shares	Pre-Issue	Post-Issue			
Promoter & Promoter Group	71,40,000	45.31%	₹ 28	₹ 39			
Public	80,20,278	50.90%					
Promoter of the Company			Financial Summary (In Lacs)				
1	Rajesh Nahar		For the Period Ended	Mar-21	Mar-22	Mar-23	Jun-23
2	Ritesh Katariya		Total Assets	769.84	1,295.26	1,419.91	1,317.93
			Net Assets	-228.37	42.57	233.54	328.70
			Total Borrowings	191.07	84.24	276.06	292.69
			Total Revenue	1,447.54	3,276.16	3,451.26	783.89
			Profit After Tax	23.12	261.51	176.40	94.40
Competitive Strengths			Tentative Timeline				
1	Diverse Product Range.		Opening Date	Nov 30, 2023			
2	Customer-Centric Growth Approaches:		Closing Date	Dec 04, 2023			
3	Technology-Driven:		Basis of Allotment	Dec 07, 2023			
4	Sustainable Fashion Advocate (Just-In-Time)		Initiation of Refunds	Dec 08, 2023			
5	Data-Driven Body Sizing for Optimal Fit		Credit of Shares to Demat	Dec 11, 2023			
6	Experienced Promoters		Listing Date	Dec 12, 2023			

Company Background and Analysis

The Company was originally incorporated on June 07, 2001. The company is engaged in online digital direct-to-consumer business for Indian Ethnic wear and accessories. Initially, the company started out as a gifting portal named chennaibazaar.com, one of the first Indian gifting portals, offering gifting solutions to Indians living abroad. The company subsequently diversified its offerings and launched cbazaar.com and ethnovog.com providing Indian ethnic clothes and jewellery. The company has its registered office at Chennai, India.

The company's product portfolio includes-

- Women - Lehenga, Saree, Salwar Kameez, Indo Western Wear, Kurta Sets, Kurtis, Jewellery, and more.
- Men - Sherwani, Kurta Pyjama, Formal and Informal Suits, and various accessories.
- Teens & Kids - Offers a wide selection of categories, similar to those for men and women, tailored for teens and kids.

The companies Raw Materials include:

Vendor Products: Upon receiving an order, we procure materials from the vendors in either semi-stitched or fully-stitched form.

Private Label: The raw materials primarily consist of fabrics procured from various fabric manufacturers. Additionally, we source essential garment stitching accessories, such as zippers, lining, tulle net, and trims, from non-fabric manufacturers.

The company's primary markets include the South Asian countries, the United States, the UK, and Canada. The company's distributing partners include Myntra, Nykaa, Ajio, and so on. In 2008 the company launched its own luxury brand - RaiR, a high-end designer Indian clothing.

The company's vision is to lead the global Indian ethnic wear market for digitally oriented customers, enhancing their beauty and spirits and its Mission is to offer customers a carefully curated selection of Indian ethnic wear that guarantees exceptional fit and comfort.

Bifurcation of Revenue from Operations for the Financial Years ended 2021, 2022, and 2023, are as follows

(Amount in Lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Jun-23	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
Lehanga Choli	279.46	20.25	933.78	29.90	1,102.65	32.98	252.90	33.29
Salwar Kameez	734.50	53.22	1,314.46	42.08	1,119.54	33.48	230.77	30.37
Sarees	61.99	4.49	154.05	4.93	247.01	7.39	56.77	7.47
Kurtas	90.01	6.52	225.22	7.21	244.70	7.32	60.93	8.02
Sherwani	63.60	4.61	180.72	5.79	255.93	7.65	54.20	7.13
Kurta Sets	27.76	2.01	32.46	1.04	33.49	1.00	9.00	1.18
Kids wear	34.39	2.49	50.21	1.61	56.95	1.70	22.57	2.97
Accessories	30.65	2.22	48.39	1.55	49.59	1.48	19.66	2.59
Other Operating Income	57.67	4.18	184.06	5.89	233.69	6.99	52.96	6.97
Total Sale	1,380.03	100.00	3,123.35	100.00	3,343.55	100.00	759.76	100.00

To conclude, the company was incorporated in the year 2001. The company generates majority of its revenue through the sale of Salwar Kameez and it utilizes its revenue towards customer acquisition activities, funding for working capital requirements, general capital purposes and to meet the issue expenses.

Business Strategies

1. Enhancing Personalization-

The company believes that its core growth strategy centers around providing a high level of personalization to consumers by offering distinct 'Looks' for each design launch. These 'Looks' cater to different customer segments based on age groups, including young adults, individuals in their thirties, and those in their forties and above. This approach, combined with the company's "Made to Measure" service by effectively addressing online shoppers' fit concerns.

2. Optimizing Costs and Supply Chain -

The company is committed to enhancing supply chain capabilities to ensure the availability of the right product mix in the right place, at the right time, and at optimal costs. The company believes that this strategic focus will significantly improve its overall customer service levels.

3. Leveraging Expertise and Relationships -

The company plans to expand its product availability to more countries by leveraging its marketing expertise and relationships, thereby enhancing customer satisfaction. This entails a company to fulfill orders promptly, nurture strong customer relationships, and re-establish connections with existing buyers.

4. Global Marketplace Presence -

With the increasing market share of online giants like Amazon, Etsy, Walmart, and others, the company aims to make its products accessible through all these platforms, enabling customers to engage with its brand effortlessly.

5. Swift Shipping -

Recognizing the value of immediate gratification of customers, the company believes that they are committed to investing in faster delivery to customers doorsteps, ensuring a positive experience.

6. Category Expansion-

The company's growth strategy involves significant category expansion like Weddings, Kids and Teens, Men's, Accessories and Wedding gifts. The Company plans to expand their offerings in this category to better serve their market segment.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company faces competition from various organized and Un-organized players operating in the E-commerce industry. The company incurs huge cost in acquiring the customers due to heightened competition for digital traffic. The company has a low barrier to entry, The bargaining power with the customers is moderate 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	Net Avenue Technologies Private Limited	Nandani Creation Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	5%	0%
EBITDA Margin	3%	7%
Return on Capital Employed	29%	6%
Return on Equity	76%	0%
EPS (INR)	1.87	0.10

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

Particulars	Net Avenue Technologies Private Limited	Nandani Creation Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	8%	0%
EBITDA Margin	4%	4%
Return on Capital Employed	162%	8%
Return on Equity	614%	1%
EPS (INR)	2.77	0.10

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

Particulars	Net Avenue Technologies Private Limited	Nandani Creation Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	2%	3%
EBITDA Margin	-4%	9%
Return on Capital Employed	34%	31%
Return on Equity	-10%	10%
EPS (INR)	0.24	1.49

Based on the above analysis, the company has performed good in terms of Profitability margins when compared to its peer company for FY 2023. The company has performed well when compared to its peer company in terms of RoCE, ROE, and EPS for the Financial Year 2023.

Industry Overview

Exhibit 1: E-Commerce Retail distribution

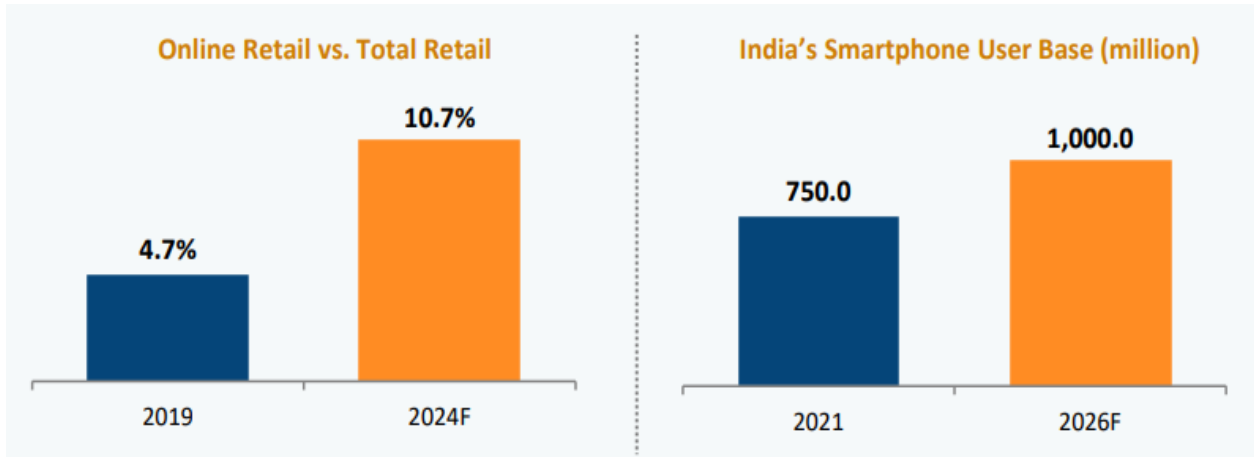


Exhibit 2: Textiles and Apparel sector composition



(Source: ibef.org)

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 business-to-business (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.

TEXTILES AND APPARELS INDUSTRY -

India is the world's second-largest producer of textiles and garments. It is also the fifth-largest exporter of textiles spanning apparel, home and technical products. The textiles and apparel industry contribute 2.3% to the country's GDP, 13% to industrial production and 12% to exports. Around 45 million people are working in the textile business, including 3.5 million people who work on handlooms. The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025- 26. The Indian apparel market stood at US\$ 40 billion in 2020 and is expected to reach US\$ 135 billion by 2025.

The textiles industry (including dyed and printed) foreign direct investment (FDI) worth US\$ 4.2 billion from April 2000-March 2023. 100% FDI (automatic route) is allowed in the Indian textile sector.

Companies involved in home textiles are using technology to optimise the value chain. For example, in October 2021, Welspun India introduced Wel-Trak 2.0—an upgraded, patented end-to-end traceability technology—to track textile raw materials throughout the supply chain.

Export: For the export of handloom products globally, the Handloom Export Promotion Council (HEPC) is participating in various international fairs/events with handloom exporters/weavers to sell their handloom products in the international markets under the National Handloom Development Programme (NHDP). Alongside, the Ministry of Textiles has also been implementing Handloom Marketing Assistance (HMA), a component of the National Handloom Development Programme (NHDP) all across India. HMA provides a marketing platform to the handloom weavers/agencies to sell their products directly to the consumers, and develop and promote the marketing channel through organizing expos/events in domestic as well as export markets

(Source: prospectus)

Key Managerial Personnel

Rajesh Nahar, aged 47, is Chairman cum Managing Director and also the Promoter of the Company. He holds Diploma in Business Administration (Marketing). He has experience of 22 years in the same company. He is responsible for the expansion and overall management of the business. His Vision to do business with ethics & to keep up with latest developments and Management practices has helped him provide an overall growth for the company.

Ritesh Katariya, aged 47, is the Whole-Time Director and also the Promoter of the Company. He holds Certificate Programme in Strategic Retail Management and Diploma in Business Administration. He has experience of 22 years in the same company. He has expertise in the field of Market research, People Management and Team leading which helped for the overall development of the Company.

K Naresh Kumar, aged 54, is Non-Executive Director of the Company. He holds degree in Bachelor of Engineering. He has worked as IT Analyst in TATA Consultancy Services limited and has cumulative experience of 23 Years in the Information Technology and Capital Markets

Rajagopalachari Murali, aged 59, is Independent Director of the Company. He has degree in Masters of Business Administration. He has worked as a Vice President in the field of Corporate Finance with Unifi wealth Management Limited.

Riya Jain, aged 28, is the Independent Director of the Company. She holds degree in Bachelor of Business Administration. She has been the Founder and Promoter of Namu Padmavati. She has experience of 5 years in the Business Process Outsourcing industry.

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

Financial Snapshot

Profit and Loss Statement					(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Jun-23	
Revenue from Operations	1,380.02	3,123.34	3,343.55	759.76	
Other Income	67.52	152.82	107.71	24.13	
Total Income	1,447.54	3,276.16	3,451.26	783.89	
Expenses					
Cost of Materials Consumed	147.1	252.53	558.38	14.28	
Purchase of Stock in Trade	430.1	828.82	702.39	49.26	
Changes in inventories	-36.32	-223.29	-259.45	63.90	
Employee benefits expense	285.86	408.69	487.22	116.50	
Finance costs	8.97	7.18	10.61	5.08	
Depreciation and Amortization expense	4.19	10.30	16.61	3.37	
Other expenses	610.76	1,720.58	1,760.02	488.69	
Total Expenses	1,450.66	3,004.81	3,275.78	741.08	
Earnings Before Interest, Taxes, Depreciation & Amortization	-57.48	136.01	94.99	27.13	
EBITDA Margin	-4%	4%	3%	4%	
Profit/(Loss) before exceptional items and tax	-3.12	271.35	175.48	42.81	
Exceptional Items	-	-	-	51.30	
Profit/(Loss) before tax	-3.12	271.35	175.48	94.11	
Tax Expense					
Current Tax	-	9.77	0.00	0.00	
Deferred tax	-26.26	0.05	-0.94	-0.30	
Total Tax Expense	-26.26	9.82	-0.94	-0.30	
Share of Loss from Associates	-0.02	-0.02	-0.02	-0.01	
Profit/(Loss) for the year	23.12	261.51	176.40	94.40	
Net Profit Margin	1.60%	7.98%	5.11%	12.04%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
(a) Share Capital	22.13	22.13	22.13	22.13	
(b) Reserves and surplus	(250.50)	20.44	211.41	306.57	
Total Equity	(228.37)	42.57	233.54	328.70	
2. Non-current liabilities					
(a) Long-Term Provisions	46.02	35.03	36.20	36.89	
Total Non-current liabilities	46.02	35.03	36.20	36.89	
3. Current liabilities					
(a) Financial Liabilities					
(i) Short-term borrowings	191.07	84.24	276.06	292.69	
(ii) Trade payables					
Due to MSME	5.80	7.63	7.13	6.97	
Due to Others	390.25	534.17	437.40	268.43	
(b) Other Current Liabilities	354.52	534.76	313.56	289.60	
(c) Short-term provisions	10.56	56.86	116.01	94.63	
Total Current liabilities	952.20	1,217.66	1,150.16	952.32	
Total Liabilities	998.22	1,252.69	1,186.36	989.21	
Total Equity and Liabilities	769.85	1,295.26	1,419.90	1,317.91	
ASSETS					
1. Non-current assets					

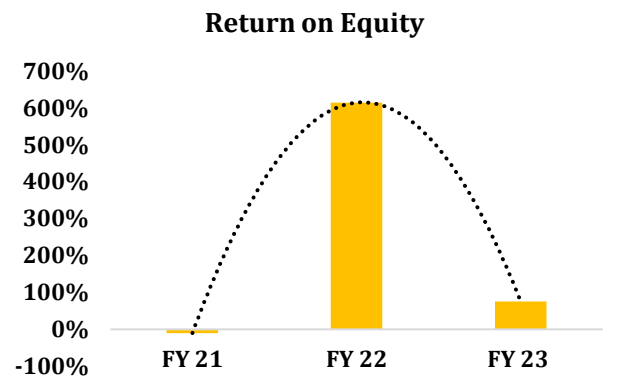
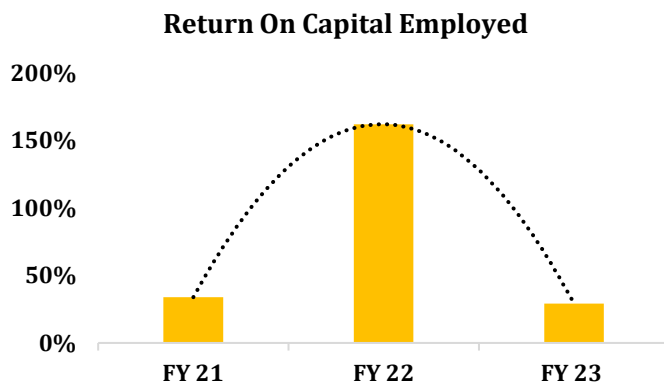
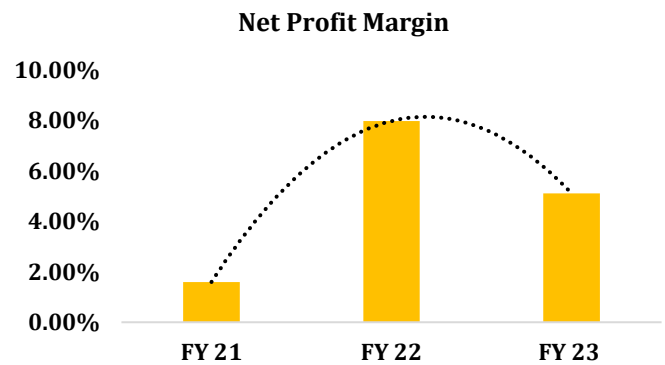
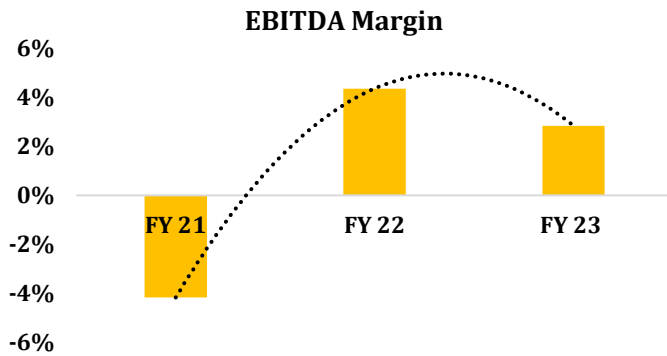
Balance Sheet					(In Lacs)
(a) Property, Plant and Equipment					
(i) Tangible Assets	11.05	27.46	41.01	39.76	
(b) Intangible Assets	5.11	0.32	3.38	3.05	
(i) Non-Current Investments	0.48	0.46	0.44	0.43	
(c) Deferred Tax Assets	26.26	26.22	27.16	27.46	
(d) Amount Recoverable from Net Avenue Welfare Trust	109.60	109.60	109.60	109.60	
(e) Other Non-Current Assets	6.06	10.87	15.56	7.57	
Total Non-Current assets	158.56	174.93	197.15	187.87	
2. Current assets					
(a) Inventories	268.90	568.47	722.71	637.52	
(b) Trade receivables	71.38	58.07	128.43	135.41	
(c) Cash and cash equivalents	138.29	327.90	207.48	204.79	
(d) Short-term loans and advances	51.64	50.22	80.13	58.72	
(e) Other Current Assets	81.07	115.67	84.01	93.62	
Total Current assets	611.28	1,120.33	1,222.76	1,130.06	
Total Assets	769.84	1,295.26	1,419.91	1,317.93	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23	
Net Cash Flow from Operating Activities	-70.33	316.85	-277.48	-25.61	
Net Cash Flow from Investing Activities	3.18	-16.63	-27.67	9.07	
Net Cash Flow from Financing Activities	132.92	-110.62	184.73	13.85	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23
Per Share Data				
Diluted EPS	0.24	2.77	1.87	1.32
BV per share	-1.06	0.20	1.09	7.19
Operating Ratios				
EBITDA Margins	-4.17%	4.35%	2.84%	3.57%
PAT Margins	1.60%	7.98%	5.11%	12.04%
Inventory days	71.12	66.43	78.89	76.36
Debtor days	18.88	6.79	14.02	16.22
Creditor days	143.05	91.68	87.11	198.60
Return Ratios				
RoCE	34%	162%	29%	16%
RoE	-	614%	76%	18%
Valuation Ratios (x)				
EV/EBITDA	3.05	-1.48	3.18	5.33
Market Cap / Sales	2.80	1.24	1.15	1.27
P/E	75.00	6.50	9.63	13.68
Price to Book Value	-	90.71	16.54	2.50
Solvency Ratios				
Debt / Equity	-0.84	1.98	1.18	0.89
Current Ratio	0.64	0.92	1.06	1.19
Quick Ratio	0.36	0.45	0.43	0.52
Asset Turnover	1.79	2.41	2.35	2.31
Interest Coverage Ratio	-	17.51	7.39	57.50

*Ratio sheet for June-23 is annualized.

Financial Charts



Key Risk Factors

1. The company has outstanding legal proceedings involving the Company and Group Company amounting to Rs.56.60 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
2. The business is subject to seasonality (as it sees higher demand for products from its customers during the festive seasons), which may contribute to fluctuations in its periodical results of operations and financial condition.
3. The company's top ten suppliers contribute majority of its purchases. Any loss of business with one or more of them may adversely affect company's business operations and profitability.
4. The company has negative cash flows in the past for the period ended June 2023 and for the FY 2023 and 2021. Any such negative cash flows in the future could affect the business, results of operations and prospects.

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares 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 –

Shreni Shares Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	83.00
2.	Marco Cables & Conductors Limited	18.73	36.00	September 28, 2023	60.95
3.	Meson Valves India Limited	31.09	102.00	September 21, 2023	313.00
4.	C P S Shapers Limited	11.10	185.00	September 07, 2023	410.00
5.	AccelerateBS India Limited	5.69	90.00	July 19, 2023	222.00
6.	Global Pet Industries Limited	13.23	49.00	July 10, 2023	100.00
7.	Veefin Solutions Limited	46.73	82.00	July 05, 2023	239.00
8.	Sancode Technologies Limited	5.15	47.00	April 18, 2023	85.50
9.	Bright Outdoor Media Limited	55.48	146.00	March 24, 2023	448.00
10.	Srivasavi Adhesive Tapes Limited	15.50	41.00	March 09, 2023	143.00

The company has had 23 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 25th November 2023.

As per the offer document, from the above- mentioned mandates all have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2001 and has good experience in the industry. The company has seen an increase in the top line but it's not sustained in future and bottom line has seen a fluctuating surge over the years. The company faces intense competition from its industry competitors. The management outlook of the company is good.

The P/E on a post-IPO basis is 21.89 times which seems to be fully priced by looking at the performance of the company. The Sector P/E is 27.00 times.

The company has seen huge decrease in the financials which is not a good indicate and might affect the results of the operations. The company also had a negative operating cash flows for FY 21 and FY 23 as well as for the period ended June 2023. The financial outlook of the company is not satisfactory. The company's ratios are not satisfactory. And also the services and product sold by the company is not unique, as well as it does not have any competitive edge or a differentiating factor. Overall, we recommend **AVOID** applying to this IPO.

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