



IPO Note

Aelea Commodities Limited

Recommendation: **APPLY!**

Company Background -

- Incorporated on November 05, 2018.
- The company is engaged in processing and trading of cashews, and trading of a range of commodities which include sugar, pulses, soybean, rice, wheat flour and other products.
- The cashew processing unit is situated at Surat, Gujarat, India.
- The company has 48 permanent employees as of March 31, 2024.

Objects of the Issue -

- Setting up a new manufacturing unit and installing plant and machinery there.
- Purchasing Plant and Machinery at an existing manufacturing unit.
- General Corporate Purposes.

Promoters Name -

Hozefa S Jawadwala, Satyanarayan Patro, Ashok Patel, Firoz Gulamhusein Hathiyari, Rashida Hozefa Jawadwala, Sonali Malla, Sumita A Patel, and Farida Firoz Hathiyari.

Rationale for recommendation -

- ✓ The company has seen an increasing trend in its top line of its financials.
- ✓ The company's P/E is 15.79 times.
- ✓ The company operates in a growing industry.
- ✓ The management of the company is good.
- ✓ The company plans to set up a manufacturing plant and expand its business.
- ✓ The company with its new proposed plan of processed Cashew Nut Shell Liquid is expected to increase the Margin, and topline over the years.

IPO Details

Opening Date	July 12, 2024
Closing Date	July 16, 2024
Allotment Date	July 18, 2024
Listing Date	July 22, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹91 to ₹95
Issue Size	51.00 Cr.
Fresh Issue	51.00 Cr.
Offer for Sale	-
Application Amt	₹ 1,14,000 (1,200 shares)

KPI's	KPIs			
	FY 22	FY 23	FY 24	May-24
Revenue	10,275.75	10,894.7	14,237.2	2,755.63
EBITDA	856.02	520.65	1,846.89	380.62
Net Profit	1,063.12	191.22	1,222.31	280.33
RoCE	21.73%	9.05%	28.13%	5.63%
ROE	35.03%	5.70%	26.61%	5.75%
P/E	13.40	74.80	11.66	50.80

Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.74%	63.82%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.15	6.02
BVPS	30.72	76.00
P/E	11.66	15.79
P/BV	3.09	1.25
Mkt Cap (In Cr)	142.03	193.03

Lead Managers -

Ekadrisht Capital Private Limited

Registrar -

Maashitla Securities Private Limited

Business Overview -

Originally Incorporated on November 05, 2018, Aelea Commodities Limited has its registered office in Fort, Maharashtra, India.

The company is engaged deeply in the business of processing and trading cashews, while also actively engaged in the trading of a diverse range of commodities such as Sugar, Pulses, Soybean, Rice, Wheat Flour, and more. The company specializes in the comprehensive processing and trading of cashews, catering to both the B2B and B2C markets.

The company engages in importing Raw Cashew Nuts (RCN) from diverse African nations, including Benin, Tanzania, Burkina Faso, Senegal, and Cote d'Ivoire, necessitating substantial quantities and tying up working capital funds

Exports –

The company contracts with Multiple International Raw Cashew Nut Trading Companies based out of Singapore, the United Kingdom UAE and Africa. The contracts are entered during the harvesting season basis the competitive pricing being offered by the multiple vendors. The shipment of import of raw material is done through sea route.

Proposed Plan –

The company has a long-term focus on extracting better value from the value-added products of the Cashew nutshell. The company plans to venture into further processing the Cashew Nutshell into Cashew Nut Shell Liquid (CNSL) presents a lucrative opportunity to extract additional value from the raw materials. CNSL holds immense potential across various industries, including automotive, pharmaceuticals, and chemicals.

PRODUCTS -

CASHEW - The company is engaged in the comprehensive process of Cashew Nut Processing, encompassing the entire spectrum from the reception of Raw Cashew Nuts (RCN) to the final packaging of the derived products. There are two different products such as Plain Cashews and Roasted and Salted Cashews.

SUGAR – The company is actively engaged in the trading business of sugar, orchestrating a seamless process that commences with the reception of bulk orders for this essential commodity.

PULSES & OTHER PRODUCTS - The company is actively engaged in the trading business, specializing in a diverse range of agricultural commodities such as pulses, soybeans, and rice.

Geography - wise bifurcation



Revenue Bifurcation Product-wise -

(Amt in Lakhs)

Particulars	Mar 31, 2024		Mar 31, 2023		Mar 31, 2022	
	Amt	%	Amt	%	Amt	%
Cashew	6,462.64	57.08	5,864.34	76.1	2,638.40	43.4
Sugar	4,367.33	38.58	1,323.04	17.17	1,010.08	16.61
Rice	304.37	2.69	79.17	1.03	-	-
Other Agro Products	186.79	1.65	440.02	5.7	2,430.94	39.99
Total	11,321.13	100.00	7,706.57	100.00	6,079.42	100.00

Competition -

The Cashew Industry is competitive where the key factors of competition primarily comprise quality, price, and timely delivery.

The company faces competition from both the organised and unorganised sectors at national and international levels

The company has slightly lower barriers to entry.

The bargaining power of customers are slightly high.

The bargaining power of suppliers are slightly high.

Business Strategies -

Expand existing manufacturing capacities: The company by introducing new machinery and establishing an additional processing unit, the company aims to not only enhance productivity but also to optimize operational efficiencies.

Continue to focus on innovation: The company intends to cater to the increasing demand of the existing customers and to increase the existing customer base by enhancing the distribution reach.

Expand Customer Base: The company aims to expand its customer base through entry into new geographies is a strategic endeavour

Procuring Raw Materials in advance to manage price fluctuation and market demands: The company adopts a proactive approach to procuring raw materials, particularly Raw Cashew Nuts (RCN), which serve as the primary ingredient for the products.

Risk Factors -

There is 1 outstanding case against the company for tax liability amounting to Rs. 63.46 lakhs and 1 outstanding case by the company for other litigation.

The company derives majority of its revenue from top 10 customers which accounted for 73.08%, 67.59% and 81.30% for the May 2024, Mar 2023 and Mar 2022 respectively.

The company is dependent on top 10 suppliers for purchase which accounted for 99.16%, 85.77% and 98.33% for the May 2024, Mar 2023 and Mar 2022 respectively.

The company has had negative operating cash flows for the FY ended 2024 and period ended May 2024

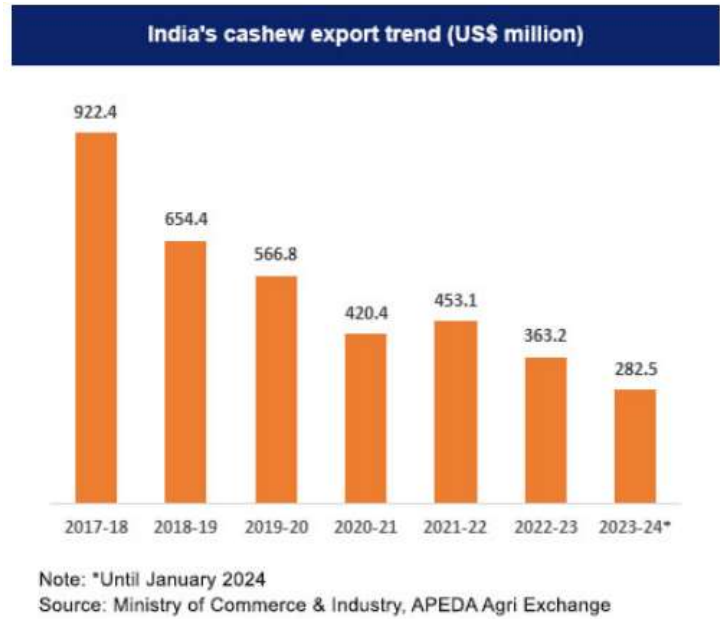
PEER ANALYSIS

Particulars	Aelea Commodities Limited			Krishival Food Limited			Prospect Commodities Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	10.3%	1.8%	8.6%	6.3%	9.4%	9.2%	6.2%	4.3%	7.0%
EBITDA Margin	8%	5%	13%	14%	16%	14%	15%	13%	12%
RoCE	22%	9%	28%	12%	14%	10%	19%	9%	19%
ROE	35%	6%	27%	12%	14%	8%	18%	5%	14%
EPS (INR)	7.09	1.27	8.15	1.93	3.37	4.49	2.16	1.66	4.22
P/E	13.40	74.80	11.66	23.99	80.37	55.90	-	34.93	20.07

Indian Overview -

Indian Cashew Industry -

India is among the largest cashew-producing countries in the world. The cashew industry has large economic significance as it employs more than 10 lakh people on farms and factories in rural areas. The cultivation of cashews in India covers a total of 0.7 million hectares of land, and the country produces over 0.8 million tonnes (MT) annually. Between 2019-20 and 2021-22, India's cashew nut production grew from 0.70 million tonnes (MT) to 0.77 million tonnes (MT). In India, cashew cultivation is spread along the coastal regions of the peninsula. Cashew is mainly grown in states like Maharashtra, Kerala, Karnataka, Tamil Nadu, Andhra Pradesh, Goa, Orissa, West Bengal, and some parts of the North-Eastern region.



Export Trend -

India is the largest cashew exporter, with more than 15% of the world's export share. India primarily exports Cashew Kernels and very small quantities of Cashewnut shell liquid. Between April 2023 to January 2024, the cashew exports by value stood at US\$ 282.54 million as against US\$ 290.95 million in April 2022 to January 2023, registering a decline of 2.89%.

In terms of volume, India's cashew exports increased from 73,823 MT in 2020-21 to 80,366 MT in 2021-22 and then declined to 76,824 MT in 2022-23.

Global Overview -

Asia-Pacific Dominates the Market -

Asia-Pacific has been a consistent importer of cashew kernels despite the presence of large cashew-producing countries, such as India and Vietnam, in the region.

The demand for cashews in Asia has persistently increased as the imports for shelled cashews increased exponentially by over 700% from 4,321 metric tons in 2017 to 30,688 metric tons in 2021 in China, with Vietnam being the major import partner according to the ITC trade map. China leads the region in cashew import, followed by Japan, Thailand, and India, respectively.



Government Initiatives -

The Government of India and the cashew export promotion council have undertaken several initiatives for the ease of exports and growth of the cashew industry. As non-financial assistance to exporters, many trade delegations, buyer-seller meets, fairs, development workshops, and research and development data are provided. Additionally, in 2018, the Basic Customs Duty on raw cashew nut was reduced to 2.5% from the previous 5%, and the Goods and Services Tax (GST) on the same was reduced to 5% from 12%.

- Changes in import policy for cashew kernel (both broken and whole)
- Revision of the standard inputs output norms (SION) for cashew exports
- Allowing duty-free import of raw cashew nuts under Duty-Free Tariff Preference (DFTP) Scheme from least developed countries (LDCs)

Key Management -

Key Management Persons Name -	Hozefa S Jawadwala
Age	43
Designation and No. of years of experience	Promoter, Chairperson and Managing Director, 10+ Years of experience
Qualification	Bachelor of Commerce, Chartered Accountancy, Certified Financial Risk Manager
Roles and Responsibility	Overall business operations of the company and mainly focuses on business expansion, customer acquisition, negotiation with suppliers.
Other Directorships	Rabh Ventures Private Limited

Key Management Persons Name -	Ashok Patel
Age	47
Designation and No. of years of experience	Promoter, Whole-Time Director, and Chief Financial Officer (CFO)
Qualification	Chartered Accountant
Roles and Responsibility	Handles various operations such as Banking Relations, Finance Management, Accounts, Branches Handling and Vendor management.
Other Directorships	-

Key Management Persons Name -	Firoz Gulamhusein Hathiyari
Age	59
Designation and No. of years of experience	Promoter, Non-Executive Director, 20+ years of experience
Qualification	Chartered Accountant
Roles and Responsibility	Contributes to the vision and growth of the company.
Other Directorships	Bhavya Projects Private Limited

Key Management Persons Name -	Vaishali Dipen Tarsariya
Age	32
Designation and No. of years of experience	Non-Executive Independent Director
Qualification	Bachelor of Commerce (Financial Accounting & Auditing)
Roles and Responsibility	In the field of finance to guide the Company
Previous Associations	Indian Emulsifiers Limited, J M Mehta & Co.

Key Management Persons Name -	Kanabar Nikunj Mahendrabhai
Age	31
Designation and No. of years of experience	Non-Executive Independent Director
Qualification	Company Secretary, B. Com Degree
Roles and Responsibility	Brings to the Company his work experience in the field of corporate laws, securities laws & capital market
Previous Associations	Peshwa Wheat Limited, Pantomath Capital Advisors Ltd., Victoria Mills Limited and Shreni Shares Private Limited

Key Management Persons Name -	Chandresh M Unagar
Age	31
Designation and No. of years of experience	Non-Executive Independent Director,
Qualification	Bachelor of Accounting and Finance, CA Inter
Roles and Responsibility	Brings to the Company his work experience in the field of finance
Previous Associations	Speciality Medicines Limited, V V Bhatte & Co., CA Firm and Trigyn Technologies Limited.

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	May-24
Revenue from Operations	10,275.75	10,894.74	14,237.26	2,755.63
Other Income	275.10	119.70	213.50	2.83
Total Income	10,550.85	11,014.44	14,450.76	2,758.46
Expenses				
Cost of Materials and components consumed	1,725.45	6,099.43	5,322.88	835.58
Purchase if stock-in-trade	5,753.10	4,246.10	5,808.32	1,199.44
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	901.23	-1,855.33	-685.06	102.53
Employee Benefit Expenses	237.89	226.96	244.05	42.10
Finance Cost	134.14	301.80	451.24	58.17
Depreciation and Amortisation	22.37	41.36	153.45	29.84
Other expenses	802.06	1,656.93	1,700.18	195.36
Total Expenses	9,576.24	10,717.25	12,995.06	2,463.02
EBITDA	856.02	520.65	1,846.89	380.62
EBITDA Margin	8.33%	4.78%	12.97%	13.81%
Profit/(Loss) before tax	974.61	297.19	1,455.70	295.44
Tax Expense				
Current tax	18.38	2.15	197.22	11.65
Deferred Tax Expenses/(credit)	106.89	103.82	36.17	3.46
Total Tax	88.51	105.97	233.39	15.11
Profit/(Loss) for the year	1,063.12	191.22	1,222.31	280.33
Net Profit Margin	10.35%	1.76%	8.59%	10.17%

Statement of Equity, Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	May-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	5.00	5.00	1,500.00	1,500.00
Reserves and surplus	3,029.53	3,351.46	3,092.89	3,375.32
Total Shareholder's Fund	3,034.53	3,356.46	4,592.89	4,875.32
2. Non-current liabilities				
Long-term borrowings	800.00	1,926.79	1,377.67	1,304.91
Deferred Tax Liabilities (Net)	-	4.45	40.62	44.08
Long-term provisions	2.45	5.98	8.00	8.63
Total Non-current liabilities	802.45	1,937.22	1,426.29	1,357.62
3. Current liabilities				
Short-term borrowings	1,330.76	1,400.61	2,699.66	2,815.45
Trade Payables				
Total outstanding dues of micro enterprises & small enterprises	20.76	14.34	42.71	39.58
Total outstanding dues of creditors other than micro enterprises & small enterprises	945.12	2,101.84	639.08	1,352.26
Other Current Liabilities	884.88	1,020.43	1,033.10	959.86
Short-term provisions	9.52	45.95	219.76	241.21
Total Current liabilities	3,191.04	4,583.17	4,634.31	5,408.36
Total Liabilities	3,993.49	6,520.39	6,060.60	6,765.98
Total Equity and Liabilities	7,028.02	9,876.85	10,653.49	11,641.30

Particulars	FY 22	FY 23	FY 24	May-24
ASSETS				
4. Non-current assets				
Property, Plant & Equipment	1,018.11	3,605.12	3,482.18	3,461.05
Intangible Assets	8.44	7.60	13.17	12.90
Capital work in progress	1,706.78	-	40.32	46.99
Long term loans and advances	62.71	443.86	137.27	139.31
Other Non Current Assets	69.67	-	1.23	1.23
Deferred Tax Assets	99.37	-	-	-
Total Non-Current assets	2,965.08	4,056.58	3,674.17	3,661.48
5. Current assets				
Inventories	555.34	1,992.47	2,751.42	2,922.57
Trade Receivables	2,823.42	3,107.13	3,627.06	4,436.66
Cash & Cash equivalents	68.57	186.49	35.78	14.34
Short term loans and advances	606.56	513.80	535.13	571.42
Other Current Assets	9.06	20.39	29.91	34.81
Total Current assets	4,062.95	5,820.28	6,979.30	7,979.80
Total Assets	7,028.03	9,876.86	10,653.47	11,641.28

Cash Flow Statement	Amt in Lakhs.			
Particulars	FY 22	FY 23	FY 24	May-24
Net Cash Flow from Operating Activities	485.29	503.05	-658.75	-0.39
Net Cash Flow from Investing Activities	-1,323.6	-886.49	-109.38	-5.89
Net Cash Flow from Financing Activities	871.97	501.37	617.42	-15.15

Key Ratios

Particulars	FY 22	FY 23	FY 24	May-24 *
Per Share Data				
Diluted EPS	7.09	1.27	8.15	8.87
BV per share	20.30	22.45	30.72	103.30
Operating Ratios				
EBITDA Margins	8.33%	4.78%	12.97%	13.81%
PAT Margins	10.35%	1.76%	8.59%	8.01%
Inventory days	19.73	66.75	70.54	32.88
Debtor days	100.29	104.10	92.99	49.91
Creditor days	46.25	75.71	22.21	18.69
Return Ratios				
RoCE	21.73%	9.05%	28.13%	13.64%
RoE	35.03%	5.70%	26.61%	8.59%
Valuation Ratios (x)				
EV/EBITDA	5.95	12.48	4.68	6.76
Market Cap / Sales	1.88	1.77	1.36	1.17
P/E	13.40	74.80	11.66	10.71
Price to Book Value	4.68	4.23	3.09	0.92
Solvency Ratios				
Debt / Equity	0.70	0.99	0.89	0.27
Current Ratio	1.27	1.27	1.51	1.48
Quick Ratio	1.10	0.84	0.91	0.66
Asset Turnover	1.46	1.10	1.34	0.24
Interest Coverage Ratio	6.21	1.59	3.75	1.95

*Annualised

LEAD MANAGER TRACK RECORD -

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

Ekadrisht Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TBI Corn Limited	44.94	94.00	June 07, 2024	342.50
2.	Indian Emulsifier Limited	42.39	132.00	May 22, 2024	402.35

The company has handled 2 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 10th July 2024.
As per the offer document, from the above-mentioned mandates all have opened at premium on the listing day.

Recommendation -

The company has been in the industry since 2018 and does not have enough experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO is around 15.79 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 39.6 times.

The company has seen an increase in the top line. The company operates in a growing industry. The company is planning to increase its production by installing a new manufacturing unit. The company is getting into a new venture which is processing of Cashew Nut Shell into Cashew Nut Shell Liquids which will increase the company's margin and topline over the years. The proposed CNSL has its applications in various industries including pharmaceutical's, automotive, polymers, rubber and chemical industries. The CNSL market is expected to grow at a rate of 7.5% by 2027. Keeping in mind the prospect of this new value adding product we recommend **APPLY** to this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

