

IPO Note

Khyati Global Ventures Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Khyati Global Ventures Limited was originally incorporated as "Khyati Advisory Services Limited" on May 10, 1993. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is an exporter and re-packager of variety of FMCG products which include sub-categories of Food stuff, Non-food FMCG products, Household Products, Festive handicraft items and Pharmaceutical products.
- **Revenue Stream:** The company's majority revenue is generated from export sales (Rs. 9,195.95 lakhs) for FY2024.
- **Human Resource:** The company has 16 permanent employees and 20 contract-basis employees as on June 30, 2024.

Objects of the Issue -

- Funding Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Ramesh Rughani, Chandrika Rughani, Khyati Rughani, Aditi Raithatha and Hiren Raithatha

Rationale for recommendation -

- ✓ The PE ratio post issue is 18.36 which makes it slightly highly priced.
- ✓ The company had negative cash flow from operations for FY2023, 2024 and Jun-2024.
- ✓ The company has high concentration of customers.
- ✓ The company is raising only Rs. 7.45 Cr for their working capital needs.
- ✓ The industry is highly competitive and fragmented.

IPO Details

Opening Date	Oct 04, 2024
Closing Date	Oct 08, 2024
Allotment Date	Oct 09, 2024
Listing Date	Oct 11, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹99
Issue Size	18.30 Cr.
Fresh Issue	10.38 Cr.
Offer for Sale	7.92 Cr.
Application Amt	₹ 1,18,800 (1,200 shares)

INDUSTRY - Trading

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Jun-24
Revenue	9,189.5	9,388.7	10,346.3	2,679.2
EBITDA	210.80	206.31	441.99	352.17
Net Profit	149.66	205.65	253.19	94.66
RoCE	17.27%	14.93%	31.69%	17.97%
ROE	20.52%	21.99%	21.31%	5.34%
P/E	33.90	24.94	20.25	15.60*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post
87.46%	62.86%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.89	5.39
BVPS	22.96	44.31
P/E	20.25	18.36
P/BV	4.31	2.23
Mkt Cap (In Cr)	58.71	69.08

*Annualized

Lead Managers -

Aryaman Financial Services Limited

Registrar -

Bigshare Service Private Limited

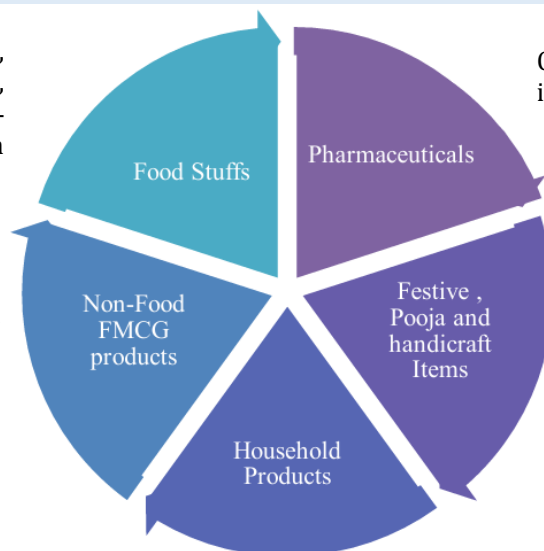
Business Overview -

Khyati Global Ventures Limited is an Exporter and Re-packager of variety of FMCG products which include sub-categories of Food stuff, Non-food FMCG products, Household Products, Festive handicraft items and they also deal in the Pharmaceutical products. Their major customers are wholesalers and super market importers who runs a chain of supermarkets located in foreign countries.

Product Portfolio:

Ready to cook packets, Rice, Pulses, Biscuits, Spices, Grains, Flours, Oil, Ghee, Pickles, Sauces, Jams, Snacks-Namkeen and Sweet, Beverages, Mouth fresheners etc.

Skin care such as face wash, soap, body wash, lotion, sunscreen, Hair care such as hair oil, shampoo, conditioners, serum, hair mask, Baby care products, Perfumes such as body mist, deodorants, room fresheners, Oral care such as toothpaste, mouth wash etc.



Ointment, Tablets, Liquid Orals and injections.

Mandir, fibre murtis, poojasamagri, pooja sets, tooran, rakhis etc.

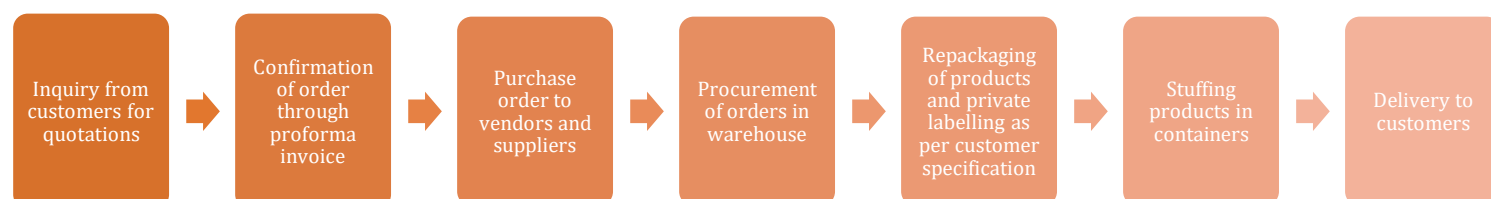
Kitchen ware items such as casserole, roti maker, pan, grater, Copperware items such as plates, glass, water jug, Brassware items such as idol murtis, dinner set, kapoor lamp etc.

Revenue Bifurcation Segement-wise for Export Sales -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Jun-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Food Stuffs	7,070.01	82.53	7,215.25	87.68	8,049.21	87.53	2,267.72	87.94
Pharmaceuticals	668.24	7.80	181.87	2.21	78.17	0.85	6.45	0.25
Festive, Puja and Handicrafts Items	88.41	1.03	94.13	1.14	111.27	1.21	33.52	1.30
Household Products	132.62	1.55	141.22	1.72	187.60	2.04	55.44	2.15
Non-food FMCG Goods	607.83	7.10	596.88	7.25	769.70	8.37	215.58	8.36
Total Export Sales	8,567.12	100.00	8,229.35	100.00	9,195.95	100.00	2,578.71	100.00

Business Process -



Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for funding working capital requirements (Rs. 745 lakhs) and general corporate purposes (Rs. 175.36 lakhs).

Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience.
2. **Geographic Competition:** The company faces competition from local products of the foreign country, retailers, non-branded products, economy brands and products of other established brands.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies -

1. The company seeks to increase their presence in exports markets in developed & emerging countries which are untapped by them.
2. The company intends to invest in their brand building and develop new concepts.
3. The company intends to build a Professional organisation and continue to recruit, retain and train qualified personnel.

Risk Factors -

The company's significant portion of revenue is derived from top 10 customers of agricultural commodity which contributed to 64.49%, 53.47%, 54.38% and 59.91% for FY2022, 2023, 2024 and Jun-2024 respectively.

The company is highly dependent on top 5 countries (UK, USA, New Zealand, South Africa and Australia) for their revenue which contributed to 44.11%, 59.94%, 56.48% and 55.51% for FY2022, 2023, 2024 and Jun-24 respectively.

The promoters and directors of the company have 7 cases against them regarding tax matters amounting to Rs. 44.27 lakhs.

The company had negative cash flow from operations for FY2023, 2024 and Jun-24.

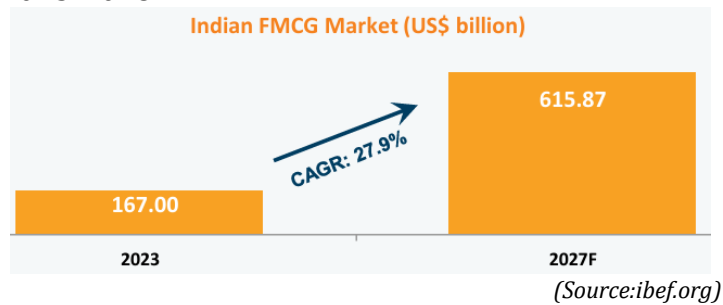
PEER ANALYSIS -

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

INDUSTRY OVERVIEW –

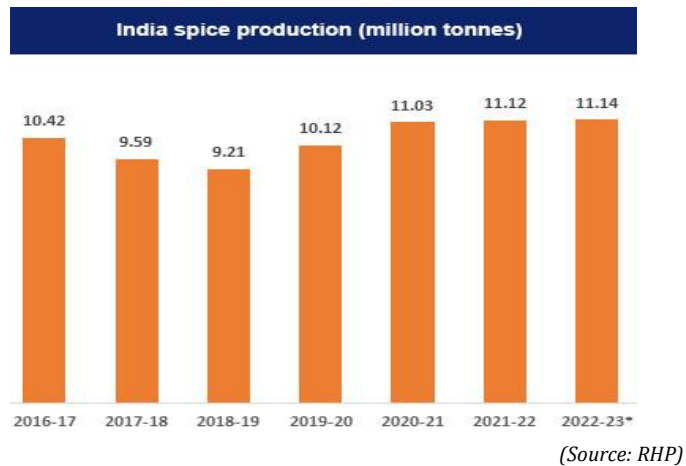
FMCG Sector in India -

FMCG market reached US\$ 167 billion as of 2023. Total revenue of FMCG market is expected to grow at a CAGR of 27.9% through 2021-27, reaching nearly US\$ 615.87 billion. Indian food processing market size reached US\$ 307.2 billion in 2022 and is expected to reach US\$ 547.3 billion by 2028, exhibiting a growth rate (CAGR) of 9.5% during 2023-2028.



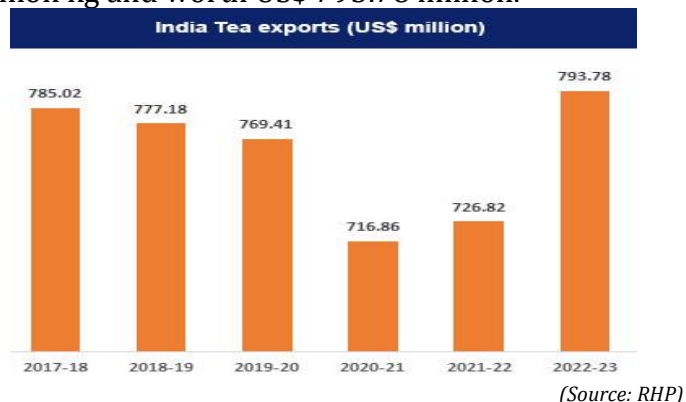
Spice Industry in India -

India is the world's largest spice producer. For FY23, the country exported spices worth US\$ 3.73 billion. In July 2023, the exports of spices from India increased to US\$ 298.77 million from US\$ 293.84 million in June 2023. From 2016-17 to 2022-23, the total exported quantity from India grew at a CAGR of 5.85%.



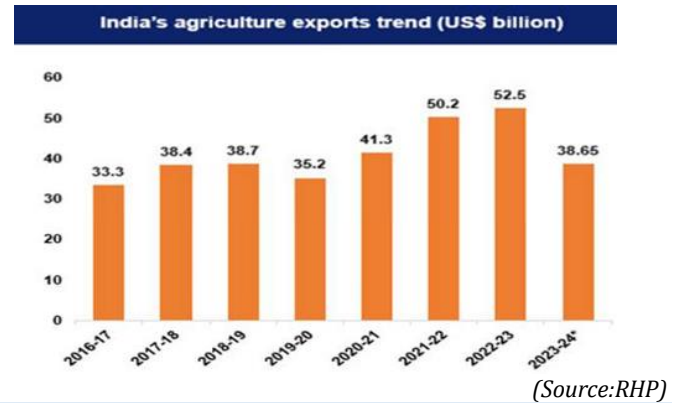
Tea Industry in India -

India is among the top 5 tea exporters in the world making about 10% of the total exports. India's total tea exports during 2022-23 in quantity were 228.40 million kg and worth US\$ 793.78 million.



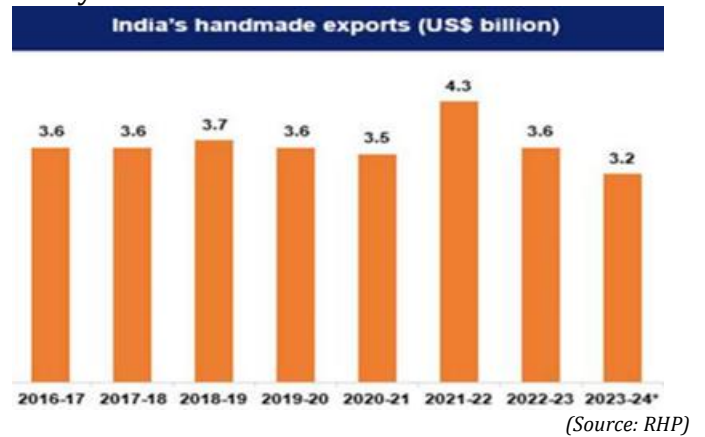
Agricultural and Food Industry in India -

India is one of the largest agricultural product exporters in the world. In April-January 2024, the overall value of export of agricultural products stood at US\$ 38.65 billion. In 2022-23, the agricultural exports from India stood at US\$ 52.50 billion.



Handicraft Industry in India -

In FY23, the total exports of handicrafts stood at Rs. 30,019 Cr. (US\$ 3.60 billion). In 2021-22, the total exports of Indian handicrafts were valued at US\$ 4.35 billion, a 25.7% increase from the previous year. Over the past three years, the export of handmade goods, especially carpets, has grown steadily.



Pharmaceuticals Industry in India -

During FY24 (Until February 2024), the exports of drugs and pharmaceuticals stood at US\$ 25.02 billion. In FY23, the exports of drugs and pharmaceuticals stood at US\$ 25.4 billion.



Key Management -

- The overall management of the company is satisfactory.
- The promoter and management have good experience in the industry.
- There is evidence of dual chairmanship, which is not favourable.
- The CFO has 20+ years of experience in accounting and finance.



Key Management Persons Name -	Ramesh Rughani
Age	73
Designation	Promoter, Chairperson and Managing Director, 30+ years of experience
Qualification	Bachelor of Commerce, Chartered Accountant
Responsibility	Overall functioning and making strategic decisions for the Company.
Other Directorships	Medico Remedies Limited, Soulberry Cosmetics Private Limited, Khyati Healthcare Private Limited etc.

Key Management Persons Name -	Hiren Raithatha
Age	41
Designation and No. of years of experience	Promoter and Jt. Managing Director, 10+ years of experience in International Trade Industry
Qualification	Bachelors in Commerce, Post Graduate Diploma in Foreign Trade
Responsibility	Implementing the overall strategy and growth of the Company and in maintaining cordial relations.
Other Directorship	Phoenix Global Exim Product Limited

Key Management Persons Name -	Aditi Raithatha
Age	41
Designation and No. of years of experience	Promoter and Jt. Managing Director, 5+ years of experience in International Trade Industry
Qualification	Diploma in Foreign Trade
Other Directorship	Phoenix Global Exim Product Limited

Key Management Persons Name -	Khyati Rughani
Age	44
Designation and No. of years of experience	Promoter and Non-Executive Director, 10+ years of experience in Fashion, Pharma, and General Trade sectors.
Qualification	Bachelor Degree of Commerce and Master of Commerce
Other Ventures	Hriyaan Logistics Private Limited, Khyati Healthcare Private Limited and Phoenix Global Exim Product Limited

Key Management Persons Name -	Farhaad Dastoor
Age	40
Designation and No. of years of experience	Non-Executive Independent Director, 15+ years of experience in Management Consulting and Business Management.
Qualification	Bachelor's and Master degree in Commerce, Master of Business Administration
Other Directorship	Black Sheep Ventures Private Limited

Key Management Persons Name -	Darshan Dashani
Age	52
Designation and No. of years of experience	Non-Executive Independent Director, 20+ years of experience in Technology and Hospitality
Qualification	Bachelor's in Science in Bio Chemistry, Diploma in Pharmacy
Other Directorship	Tea Post Private Limited, D D Polytronics (India) Private Limited and Tea Post Wellwish Foundation

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	9,189.54	9,388.75	10,346.36	2,679.24
Other Income	173.16	228.39	117.73	37.67
Total Income	9,362.70	9,617.14	10,464.09	2716.91
Expenses				
Purchases of stock-in-trade	7,261.14	7,826.90	9,455.62	2,131.83
Changes in Inventories of finished goods, work-in-progress	-40.60	-311.00	-662.27	87.81
Employee Benefit Expenses	194.61	309.93	268.45	59.09
Finance Cost	159.63	127.25	178.13	42.38
Depreciation and Amortization Expense	29.56	32.63	29.62	5.96
Other expenses	1,563.59	1,356.61	842.57	264.83
Total Expenses	9,167.93	9,342.32	10,112.12	2,591.90
EBITDA	210.80	206.31	441.99	352.17
EBITDA Margin	2.29%	2.20%	4.27%	13.14%
Profit/(Loss) before tax	194.77	274.82	351.97	125.01
Tax Expense				
Current tax	47.00	72.05	100.14	31.27
Excess/Short Provision Written back/off	-	0.53	-	-
Deferred Tax	-1.89	-3.41	-1.36	-0.92
Total Tax	45.11	69.17	98.78	30.35
Profit/(Loss) for the year	149.66	205.65	253.19	94.66
Net Profit Margin	1.63%	2.19%	2.45%	3.48%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	129.40	129.40	517.60	593.01
Reserves and surplus	599.95	805.60	670.59	1,180.01
Total Equity	729.35	935.00	1,188.19	1,773.02
2. Non-current liabilities				
Long-term borrowings	314.81	226.80	112.93	153.08
Deferred Tax liability	5.06	1.65	0.30	-
Total Non-current liabilities	319.87	228.45	113.23	153.08
3. Current liabilities				
Short-term Borrowings	1,099.75	1,348.25	1,655.99	1,555.06
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	812.04	638.29	1,896.53	998.12
Other Current Liabilities	509.93	301.49	417.02	415.85
Short-term provisions	-2.80	7.41	5.01	16.49
Total Current liabilities	2,418.92	2,295.44	3,974.55	2,985.52
Total Liabilities	2,738.79	2,523.89	4,087.78	3,138.60
Total Equity and Liabilities	3,468.14	3,458.89	5,275.97	4,911.62
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	217.73	185.24	162.49	156.99
Intangible Assets	-	14.99	9.99	8.74

Particulars	FY 22	FY 23	FY 24	Jun-24
Non-Current Investments	263.43	320.18	380.68	380.68
Deferred Tax Assets (Net)	-	-	-	0.62
Long term loans and advances	49.62	74.18	28.03	28.03
Total Non-Current assets	530.78	594.59	581.19	575.06

2. Current assets

Inventories	144.86	455.86	1,118.13	1,030.32
Trade Receivables	1,873.88	1,642.57	2,640.94	2,421.02
Cash & Cash equivalents	76.26	44.38	54.81	22.67
Short term loans and advances	673.85	625.28	756.04	712.34
Other Current Assets	168.50	96.25	124.87	150.21
Total Current assets	2,937.35	2,864.34	4,694.79	4,336.56
Total Assets	3,468.13	3,458.93	5,275.98	4,911.62

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	31.51	-30.54	-128.42	-480.31
Net Cash Flow from Investing Activities	29.39	-57.33	-49.20	24.67
Net Cash Flow from Financing Activities	-212.50	50.54	182.78	425.76

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	2.92	3.97	4.89	6.34	EV/EBITDA	9.81	11.95	6.57	3.36
BV per share	56.36	72.26	22.96	52.14	Market Cap / Sales	0.75	0.74	0.67	0.64
Operating Ratios					P/E	33.90	24.94	20.25	15.60
EBITDA Margins	2.29%	2.20%	4.27%	8.48%	Price to Book Value	1.76	1.37	4.31	1.90
PAT Margins	1.63%	2.19%	2.45%	3.44%	Solvency Ratios				
Inventory days	5.75	17.72	39.45	23.84	Debt / Equity	1.94	1.68	1.49	0.54
Debtor days	74.43	63.86	93.17	56.02	Current Ratio	1.21	1.25	1.18	1.45
Creditor days	40.82	29.77	73.21	29.03	Quick Ratio	1.15	1.05	0.90	0.64
Return Ratios					Asset Turnover	2.65	2.71	1.96	0.55
RoCE	17.27%	14.93%	31.69%	28.62%	Interest Coverage Ratio	1.14	1.36	2.31	0.86
RoE	20.52%	21.99%	21.31%	12.17%					

*Annualized

INTERPRETATION –

1. The top line had seen an increase in FY2023 by 2% which was due to disruption in the supply and order book during Covid period and a sudden increase can be seen in FY2024 by 10% which was due to increase in the delivery of products.
2. The net profit has increased over the years by 37.41% in FY2023 and 23.12% in FY2024 and looks sustainable in the long run.
3. The PAT margin has increased consistently over the years and the EBITDA margin has seen a very slight dip in FY2023 which should not be a major concern.
4. The RoCE and ROE have increased over the years.
5. The PE ratio has improved over the years.
6. The company had negative cash flow from operations for FY2023, 2024 and Jun-24.

LEAD MANAGER TRACK RECORD –

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 last 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.	Vraj Iron and Steel Limited	171.00	207.00	Oct 10, 2023	268.50
2.	Shivam Chemicals Limited	20.18	44.00	Apr 30, 2024	53.00
3.	Arrowhead Separation Engineering Limited	13.00	233.00	Nov 28, 2023	178.80
4.	Mish Designs Limited	9.76	122.00	Nov 07, 2023	202.60
5.	Sunita Tools Limited	22.04	145.00	Oct 11, 2023	575.60
6.	Master Components Limited	15.43	140.00	Sep 29, 2023	310.00
7.	HMA Agro Industries Limited	480.00	585.00	July 04, 2023	47.63
8.	CFF Fluid Control Limited	85.80	165.00	June 12, 2023	635.10
9.	Command Polymers Limited	7.09	28.00	Mar 29, 2023	28.98
10.	Rex Sealing and Packing Industries Limited	8.09	135.00	Jan 12, 2023	221.85

The company has handled 14 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 3rd Oct 2024.

As per the offer document, the above-mentioned mandates 2 have opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Khyati Global Ventures Limited has been in the industry since 1993 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 18.36 times which makes it slightly highly priced.

The company's top line, bottom line and profitability margins has increased consistently over the years and looks sustainable. But the company had negative cash flow from operations for FY2023, 2024 and Jun-2024.

The company is raising only Rs. 7.45 Cr for their working capital needs which raises concern.

The company is into export of FMCG products and there is no distinguishing factor. Also, the industry is highly competitive and fragmented and there are many established players in this industry.

Thus, investors can **AVOID** this IPO.

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