



IPO Note

Leo Dryfruits and Spices Trading Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Leo Dryfruits and Spices Limited was originally incorporated on Nov 16, 2019. The registered office is located at Thane, Maharashtra.
- **Business Activity:** The company is engaged in the business of trading and manufacturing wide range of spices, dry fruits and other grocery products.
- **Revenue Stream:** The company derives majority of its revenue from the sale of whole spices.
- **Human Resource:** The company has 46 full-time employees as on Sep 30, 2024.

Objects of the Issue -

- Funding working capital requirements of the company
- Branding, Advertisement and Marketing activities
- General Corporate Purposes

Promoters Name -

Kaushik Sobhagchand Shah, Ketan Sobhagchand Shah and Parth Ashish Mehta

Rationale for recommendation -

- ✓ The company's top line, bottom line and profitability margins have seen a sudden increase in FY2023 which raises concern over its sustainability.
- ✓ The company had negative cash flow from operations for FY2022, FY2023, FY2024 and Sep-24
- ✓ The DE ratio of the company was very high for FY2022 and FY2023.
- ✓ The company is highly concentrated in Maharashtra.
- ✓ The company has high concentration for customers.
- ✓ The post issue promoters shareholding is low.
- ✓ The industry is highly fragmented and competitive.

IPO Details

Opening Date	Jan 01, 2025
Closing Date	Jan 03, 2025
Allotment Date	Jan 06, 2025
Listing Date	Jan 08, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹51 to ₹52
Issue Size	25.12 Cr.
Fresh Issue	25.12 Cr.
Offer for Sale	-
Application Amt	₹ 1,04,000 (2,000 shares)

INDUSTRY - Spices

Avg. P/E ratio of peers - 71.10

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	526.54	3,643.96	6,216.59	1,788.12
EBITDA	11.02	620.09	1,113.16	353.76
Net Profit	7.90	363.47	663.69	187.17
RoCE	1.49%	48.98%	31.07%	10.20%*
ROE	5.79%	72.71%	19.58%	5.96%*
P/E	520.00	12.97	9.98	24.85*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
52.21%	38.11%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.88	2.09
BVPS	25.96	35.08
P/E	13.40	24.85
P/BV	2.00	1.48
Mkt Cap (In Cr)	67.92	93.04

*Annualized

Lead Managers -

Shreni Shares Limited

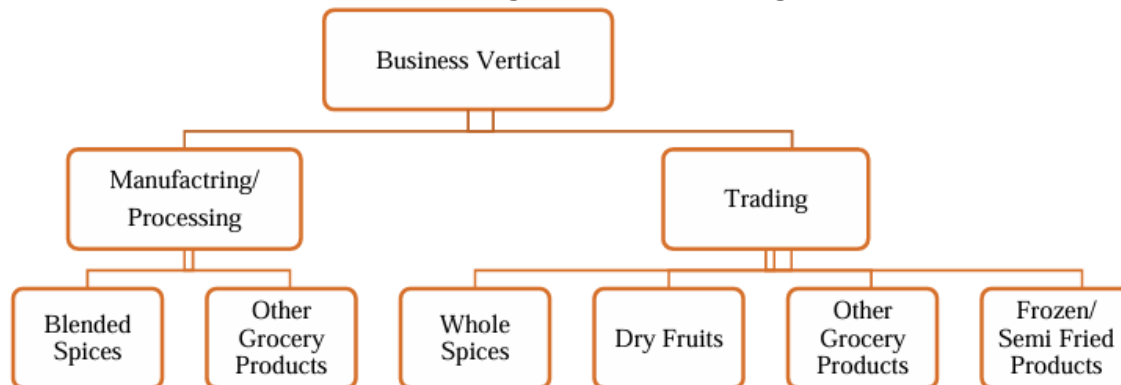
Registrar -

Bigshare Services Private Limited

Business Overview -

Leo Dryfruits & Spices Trading Limited is engaged in manufacturing/processing, trading and marketing of wide range of spices, dry fruits and other grocery products under the brand name “VANDU” and frozen/semi fried products under the brand name of “FRYD”. They are also engaged in supplying of various whole spices and blended spices under spices category, plain, roasted and flavoured dry fruits under dry fruits category and ghee, various type of seasoning, chiz bites, poppy seeds, sesame seeds and many under other grocery products category in different packaging sizes. The company caters to the needs of B2B, B2C, and D2C segment.



The company has two business verticals i.e. trading and manufacturing.






Manufacturing Unit and Capacity Utilization: The company has one manufacturing unit located at Thane, Maharashtra. The average capacity utilization in FY2023, FY2024 and Sep-24 remained at 56.44%, 70.93% and 79.35% respectively.



Product Portfolio:

Product	Business Vertical	Packaging Sizes	Varieties
 <p>Whole Spices</p>	Trading under “VANDU”	50gm to 1 kg	Ajwain, cardamom, black pepper, tailed pepper, dal chinni, cloves, black stone flower, sesame seeds white, nutmeg, fennel seeds, white pepper, fenugreek seeds, red chilli, whole sahijeera, sabja, kalonji, dry ginger, star aniseeds, kasturi methi, turmeric powder etc.
 <p>Blended Spices</p>	Manufacturing/processing under “VANDU”	8 gm to 1 kg	Tea Masala, Kitchen King Masala, Chole Masala, Butter Milk Masala, Garam Masala, Shikanji Masala, Sambhar Masala, Pav Bhaji Masala, Curry Masala, Biryani Masala etc.

Recommendation: **AVOID**

<p>Dry Fruits</p> 	<p>Trading under "VANDU"</p>	<p>12 gm to 1kg</p>	<p>Schezwan Almonds, Paneer Tikka Almonds, Peri Peri Cashews, Pudina Cashews, Pistachios, Raisins, Malamal Dry fruit Bhel, Rose Cashews, etc.</p>
<p>Frozen/ Fried</p> 	<p>Trading under "FRYD"</p>	<p>250gm to 1kg</p>	<p>Premium Indian fusion instant food and ready-to-heat semi-fried food</p>
<p>Other Grocery Product</p> 	<p>Trading and Manufacturing under "VANDU"</p>	<p>13gm to 15 kg</p>	<p>Ghee, seasonings, chili flakes, garlic powder, asafoetida (hing), black salt, pulses, nigella seeds, mace, nutmeg, chiz bites etc.</p>

Revenue Bifurcation Product-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Whole Spices	477.84	90.75	2,957.04	81.15	4,850.09	78.02	1,583.90	88.58
Blended Spices	-	-	15.10	0.41	31.11	0.50	21.62	1.21
Dry Fruits	48.70	9.25	652.99	17.92	1,241.04	19.96	155.46	8.69
Frozen/ Semi Fried Products	-	-	-	-	2.47	0.04	2.82	0.16
Other grocery products	-	-	18.83	0.52	91.88	1.48	24.32	1.36
Total	526.54	100.00	3,643.96	100.00	6,216.59	100.00	1,788.12	100.00

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, product range, quality, price etc.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 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 Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

- The company plans to continue the strategy of diversifying and expanding their presence in other states.
- The company intends to expand offline marketing initiatives including display of banners and hoardings, road show marketing, advertisements in theatres, newspapers, TV channels etc to focus on brand building initiatives of the company.
- The company has obtained FSSAI certificate from Food Safety and Standards.

Risk Factors -

The company derives majority of its revenue from Maharashtra which constitutes 99.40%, 96.71%, 92.45% and 93.00% for Sep-24, FY24, FY23 and FY22.

The company is highly dependent on top 10 customers for its revenue contributing to 93.32 %, 44.29%, 42.87 % and 92.21% for Sep-24, FY24, FY23, FY22 respectively.

The company has filed 1 case regarding criminal matter amounting to Rs. 66.09 lakhs.

The company has high related party transaction constituting 17.13% in Sep-24.

The company had negative cash flow from operations for Sep-24, FY24, FY23 and FY22.

PEER ANALYSIS -

Particulars	Leo Dry Fruits & Spices Trading Limited			Jetmall Spices and Masala Limited			HOAC Foods India Limited*			Madhusudan Masala Limited**		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.50%	9.97%	10.68%	0.31%	7.59%	2.01%	2.56%	4.18%	6.59%	1.2%	4.5%	5.6%
EBITDA Margin	2.09%	17.02%	17.91%	-0.31%	10.89%	7.38%	5.85%	10.57%	11.77%	4.9%	9.2%	10.9%
RoCE	1.49%	48.98%	31.07%	-0.30%	4.11%	0.61%	37.42%	47.44%	40.81%	15.9%	60.5%	30.9%
ROE	5.79%	72.71%	19.58%	0.11%	3.09%	0.31%	28.57%	34.23%	30.75%	261.3%	53.6%	20.0%
EPS (INR)	1.09	2.50	3.88	0.02	0.50	0.05	2.08	2.76	4.54	900.00	12.77	8.39
P/E	520.00	12.97	9.98	987.50	46.00	300.00	-	-	-	-	-	12.28

*The company was listed on May-24 which is why the PE for the all the years is not available.

** The company was listed on Sep-23 which is why the PE for FY22 and FY23 is not available.

Interpretation -

- The market cap of the company is less compared to Madhusudan Masala Ltd.
- The RoE and RoCE of the company is high compared to Jetmall Spices and Masala Ltd.
- The PE ratio of the company is better compared to its peers.
- The company has better cash conversion cycle than Jetmall Spices and Masala Ltd.

INDUSTRY OVERVIEW -

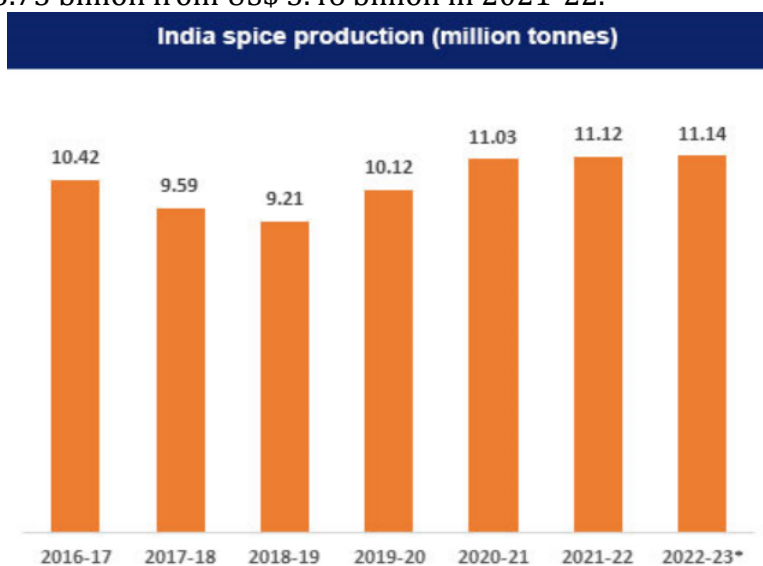
Global Spices Industry –

The global spice market is expected to grow at a compound annual growth rate (CAGR) of 4.7% from 2021 to 2026 indicates that the market for spices is projected to increase steadily at an average annual rate of 4.7% over the specified period. This growth rate suggests a positive trend in the demand for spices on a global scale, potentially driven by factors such as increasing consumer awareness of health benefits, evolving culinary preferences, and expanding food industry applications.

The spices market in the Asia Pacific region is forecasted to experience a Compound Annual Growth Rate (CAGR) of 5.0% between 2018 and 2023.

Indian Spices 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 2022-23 stood at 11.14 million tonnes compared to 11.12 million tonnes in 2021-22. During 2022-23, the export of spices from India stood at US\$ 3.73 billion from US\$ 3.46 billion in 2021-22.



(Source:RHP)

Exports Trend -

India is the largest exporter of spice and spice items. During 2023-24 (until February 2024), the country exported spices worth US\$ 3.67 billion. 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%.

Government Initiatives –

- Export Development and Promotion of Spices:** This initiative by the Spices Board of India aims to support the exporter to adopt high-tech processing technologies and upgrade the existing level of technology for the development of industry and to meet the changing food safety standards of the importing countries.
- Setting up and maintenance of infrastructure for common processing (Spices Parks):** Spices Board has launched eight crop-specific Spices Parks in key production/market centres intending to facilitate the farmers to get an improved price realization and wider reach for their produce. The purpose of the park is to have an integrated operation for cultivation, post-harvesting, processing, value-addition, packaging and storage of spices and spice products.

Key Management -



Key Management Persons Name -	Kaushik Sobhagchand Shah
Age	57
Designation	Promoter, Chairman and Managing Director, 26+ years of experience in dry fruits and spices business
Qualification	Bachelor of Commerce
Responsibility	Looks after financial, compliance and marketing activities of the company
Other Ventures	K. Sobhagchand Co.

Key Management Persons Name -	Ketan Sobhagchand Shah
Age	57
Designation and No. of years of experience	Promoter, CFO and Whole-time Director, 9+ years of experience in dryfruits and spices business
Qualification	Bachelor of Commerce
Responsibility	Responsible for the entire management and administration of the Company.
Other Directorships	Bombay Mudibazar Kariana Merchants Association and Navi Mumbai Merchants Chamber

Key Management Persons Name -	Parth Ashish Mehta
Age	26
Designation and No. of years of experience	Promoter and Non-Executive Director, 2+ years of experience in branding and related services
Qualification	Bachelor of Science in Animation with a concentration in Visual Effects
Other Ventures	Evolve Brand Development Solutions

Key Management Persons Name -	Ankit Kumar
Age	34
Designation and No. of years of experience	Non-Executive Independent Director, 4+ years of experience
Qualification	B. Tech (Applied Petroleum Engineering) and post graduate programme in securities market
Other Ventures	Quality operations support manager in Schlumberger Asia Services Limited

Key Management Persons Name -	Purvi Mahesh Gupta
Age	34
Designation and No. of years of experience	Non-Executive Independent Director, 4+ years of experience
Qualification	Master's Degree in Commerce, master's degree in Management Studies Commerce
Other Ventures	VSS & Associates, Chartered Accountants

Key Management Persons Name -	Satinder Kaur Sehra
Age	47
Designation	Non-Executive Independent Director
Qualification	Bachelor's Degree in Arts and post graduate diploma in marketing and sales management
Other Directorships	-

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- The senior management includes Sales Head, Packaging and Marketing Head and Production Head. They have decent experience in the industry.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	526.54	3,643.96	6,216.59	1,788.12
Other Income	-	2.87	9.92	0.12
Total Income	526.54	3,646.83	6,226.51	1,788.24
Expenses				
Cost of Material Consumed	-	344.51	958.94	601.36
Purchase if stock-in-trade	886.63	3,276.59	4,575.23	879.94
Changes in inventories of finished goods and WIP	-377.29	-763.44	-750.25	-278.47
Employee Benefit Expenses	-	58.33	122.59	118.00
Finance Cost	-	44.24	114.27	60.91
Depreciation and Amortization Expense	0.03	43.46	50.13	25.37
Other expenses	6.18	107.88	196.92	113.53
Total Expenses	515.55	3,111.57	5,267.83	1,520.64
EBITDA	11.02	620.09	1,113.16	353.76
EBITDA Margin	2.09%	17.02%	17.91%	19.78%
Profit/(Loss) before tax	10.99	535.26	958.68	267.60
Tax Expense				
Current tax	3.07	168.18	294.66	80.10
Deferred Tax	0.02	3.61	0.33	0.33
Total Tax	3.09	171.79	294.99	80.43
Profit/(Loss) for the year	7.90	363.47	663.69	187.17
Net Profit Margin	1.50%	9.97%	10.68%	10.47%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	129.50	129.50	1,306.14	1,306.14
Reserves and surplus	6.95	370.41	2,084.12	2,271.29
Total Equity	136.45	499.91	3,390.26	3,577.43
2. Non-current liabilities				
Long-term borrowings	601.00	673.81	25.45	165.37
Deferred Tax Liabilities	0.02	3.64	3.95	0.66
Long-term provisions	-	-	2.28	12.15
Total Non-current liabilities	601.02	677.45	31.68	178.18
3. Current liabilities				
Short-term Borrowings	-	863.32	889.19	1,504.69
Trade Payables				
(i) Total outstanding dues of MSME	-	259.19	421.54	1,366.62
(ii) Total outstanding dues of creditors other than MSME	439.22	129.77	174.36	108.29
Other Current Liabilities	18.88	66.19	32.91	38.41
Short-term provisions	3.07	168.18	295.01	215.16
Total Current liabilities	461.17	1,486.65	1,813.01	3,233.17
Total Liabilities	1,062.19	2,164.10	1,844.69	3,411.35
Total Equity and Liabilities	1,198.64	2,664.01	5,234.95	6,988.78
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	382.19	425.49	401.88	390.75

Particulars	FY 22	FY 23	FY 24	Sep-24
Intangible Assets	-	-	0.74	0.58
Non-Current Investments	-	0.25	0.25	0.25
Long term loans and advances	-	-	-	41.87
Other Non- current Assets	0.03	52.14	54.68	56.84
Total Non-Current assets	382.22	477.88	457.55	490.29
2. Current assets				
Inventories	377.29	1,302.20	2,363.84	2,940.95
Trade Receivables	277.88	739.68	2,240.47	3,291.06
Cash & Cash equivalents	77.35	12.22	15.72	9.61
Short term loans and advances	65.18	80.21	97.80	179.05
Other Current Assets	18.72	51.82	59.57	77.82
Total Current assets	816.42	2,186.13	4,777.40	6,498.49
Total Assets	1,198.64	2,664.01	5,234.95	6,988.78

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-270.40	-818.00	-1,457.04	-642.62
Net Cash Flow from Investing Activities	-382.25	-139.02	29.34	58.03
Net Cash Flow from Financing Activities	729.50	891.89	1,489.89	694..51

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.10	4.01	5.21	2.09	EV/EBITDA	59.90	3.27	3.85	11.22
BV per share	10.54	38.60	25.96	48.05	Market Cap / Sales	17.67	2.55	1.50	2.60
<u>Operating Ratios</u>					P/E	520.00	12.97	9.98	24.85
EBITDA Margins	2.09%	17.02%	17.91%	19.78%	Price to Book Value	4.94	1.35	2.00	1.08
PAT Margins	1.50%	9.97%	10.68%	10.47%	<u>Solvency Ratios</u>				
Inventory days	262.26	130.79	139.17	300.98	Debt / Equity	4.40	3.07	0.27	0.27
Debtor days	192.63	74.09	131.55	336.81	Current Ratio	1.77	1.47	2.64	2.01
Creditor days	180.81	37.53	37.21	151.64	Quick Ratio	0.95	0.59	1.33	0.99
<u>Return Ratios</u>					Asset Turnover	0.44	1.37	1.19	0.26
RoCE	1.49%	48.98%	31.07%	10.20%	Interest Coverage Ratio	-	13.03	9.30	5.39
RoE	5.79%	72.71%	19.58%	5.96%					

*Annualized

INTERPRETATION –

- The top line had seen a sudden increase by 592% in FY2023. The reason for this sudden surge is because the company started its manufacturing and processing operation. It has its own facility for blending Masala and coating of Dry fruits. It also expanded its distribution network by appointing super stockist and entering retail business for the manufactured goods. In FY2024 it increased by 70.6% which was due to diversification of product portfolio (frozen/semi fried food) and increase in volume of business operations.
- The net profit had also seen a huge increase by 4503% in FY2023 and by 82% in FY2024.
- The EBITDA margin and PAT margin have also seen a sudden increase in FY2023.
- The DE ratio of the company was very high for FY2023 and FY2024.
- The PE ratio has improved over the years.
- The RoCE and RoE had seen a huge surge in FY2023 and the annualized figures for FY25 is quite low.
- The company had negative cash flow from operations for Sep-24, FY2024, FY2023 and FY2022.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Shreni Shares 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 –

Shreni Shares Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rappid Valves (India) Limited	30.41	222.00	Sep 30, 2024	325.00
2.	Picture Post Studios Limited	18.72	24.00	Aug 09, 2024	31.00
3.	Dhariwalcorp Limited	25.25	106.00	Aug 08 2024	130.00
4.	Prizor Viztech Limited	25.15	87.00	July 22, 2024	181.55
5.	Effwa Infra & Research Limited	51.27	82.00	July 12, 2024	246.00
6.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	42.95
7.	GSM Foils Limited	11.01	32.00	May 31, 2024	116.25
8.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	104.95
9.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	85.95
10.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	96.70

The company has handled 34 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 30th Dec 2024.

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

Recommendation -

Leo Dryfruits & Spices Trading Limited has been in the industry since 2019 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 24.85 times which makes it fairly priced.

The company's top line has seen a sudden increase in FY2023. The bottom line and profitability margins have also seen a sudden increase in FY2023. These sudden increase raises concern over its sustainability in future. The company's DE ratio was very high for FY2022 and FY2023. The company had negative cash flow from operations for Sep-24, FY24, FY23 and FY22.

The company is highly concentrated in Maharashtra.

The post issue promoters shareholding is low which reduces the investor's confidence in the company.

The company is operating in a very highly fragmented and competitive industry which already has dominant players.

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

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