



IPO Note

Spinaroo Commercial Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Incorporated in August 17, 2012, the company's registered office is located in Howrah, West Bengal.
- **Business Activity:** Spinaroo Commercial Limited is engaged in the manufacturing of aluminum foil containers, aluminum home foil, paper cups, paper plates, paper bowls, and semi-processed materials for paper cups, including paper coating, printing, and blanking.
- **Revenue Stream:** In FY 2024, manufacturing contributed ₹4,034.25 lakh (98.79% of total revenue), led by Uncoated Paper at ₹2,259.72 lakh (55.34%). West Bengal was the top market, contributing ₹2,536.97 lakh (62.12%).
- **Human Resource:** The company has 35 permanent employees as on October 31, 2024.

Objects of the Issue -

- Funding of working capital requirements
- General Corporate Purposes

Promoters Name -

H Amit Sultania, Aditya Todi, and Mridula Todi

Rationale for recommendation -

- ✓ Overvalued P/E.
- ✓ Promoter's share below 50% post IPO. All members on board are appointed as recent as 2024.
- ✓ The company has no unique business strategies.
- ✓ The issue size
- ✓ There is high supplier (top 5 - 70%), geographic (West Bengal) and product revenue concentration. (Uncoated Paper production).
- ✓ Unsustainable margins.
- ✓ The industry is highly fragmented and competitive.

IPO Details

Opening Date	Mar 28, 2025
Closing Date	April 3, 2025
Allotment Date	April 4, 2025
Listing Date	April 8, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹51
Issue Size	10.17 Cr.
Fresh Issue	10.17 Cr.
Offer for Sale	-
Application Amt	₹1,02,00 (2,000 shares)

INDUSTRY - Paper & Packaging

No peers listed

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	FY 25*
Revenue	4,744.43	5,312.50	4,083.68	2,101.50
EBITDA	216.84	219.22	264.49	132.78
Net Profit	51.87	93.05	140.04	61.49
RoCE	29.53%	26.40%	32.13%	13.07%*
ROE	14.03%	20.10%	23.23%	7.06%*
P/E	49.04	27.42	18.21	29.00 *

*Annualised

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
57.94%	41.42%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	2.80	1.76
BVPS	60.29	24.92
P/E	18.21	29.00
P/BV	0.85	2.05
Mkt Cap (In Cr)	25.50	35.67

*Annualised

Lead Managers -

Finshore Management Limited

Registrar -

Cameo Corporate Services Limited

Business Overview -**Company Profile:**

Spinaroo Commercial Limited was incorporated on August 17, 2012, as a private company in Kolkata. It converted into a public limited company on August 22, 2024, under the Companies Act, 2013.

Business Model and Revenue Streams**Segment-Wise Revenue Bifurcation (₹ in Lakhs)**

Segment	FY 2021-22 & %	FY 2022-23 & %	FY 2023-24 & %	30-09-2024 & %
Manufacturing	4,519.71 (95.26%)	5,231.88 (98.48%)	4,034.25 (98.79%)	2,079.94 (98.97%)
Trading	192.75 (4.06%)	50.80 (0.96%)	6.30 (0.15%)	-
Job Work	10.06 (0.21%)	10.92 (0.21%)	12.22 (0.30%)	12.48 (0.59%)
Others	21.90 (0.46%)	18.90 (0.36%)	30.90 (0.76%)	9.07 (0.43%)
Total	4,744.43 (100.00%)	5,312.50 (100.00%)	4,083.68 (100.00%)	2,101.50 (100.00%)

Revenue Bifurcation by Products and Services (₹ in Lakhs)

Product Category	30-09-2024 (Amt. & %)	FY 2023-24 (Amt. & %)	FY 2022-23 (Amt. & %)	FY 2021-22 (Amt. & %)	Features/Description	End Customers
Aluminium Containers and Home Foils	64.48 (3.07%)	292.76 (7.17%)	685.64 (12.91%)	775.99 (16.36%)	Heat-resistant, durable for food packaging and storage	Restaurants, caterers, households
Coated Paper	56.89 (2.71%)	-	41.19 (0.78%)	20.97 (0.44%)	Supports packaging and cup production	Paper cup manufacturers
Paper Cups	13.48 (0.64%)	328.27 (8.04%)	479.06 (9.02%)	357.17 (7.53%)	Leak-proof, temperature-resistant	Cafes, events, offices
Paper Cup, Plate, and Bowl (Semi-Finished)	796.16 (37.89%)	1,073.49 (26.29%)	1,220.10 (22.97%)	1,041.07 (21.94%)	Processed materials for further manufacturing	Packaging manufacturers
Paper Plates	12.61 (0.60%)	80.02 (1.96%)	101.89 (1.92%)	111.40 (2.35%)	Sturdy, disposable food service items	Fast-food outlets, caterers
Uncoated Paper	1136.31 (54.07%)	2,259.72 (55.34%)	2,703.99 (50.90%)	2,213.12 (46.65%)	Raw material for packaging	Various industries
Paper Cup Machines	-	6.30 (0.15%)	50.80 (0.96%)	192.75 (4.06%)	Enables mass production of cups and packaging	Manufacturing units
Job Work	12.48 (0.59%)	12.22 (0.30%)	10.92 (0.21%)	10.06 (0.21%)	Custom processing and finishing	B2B customers
Others	9.07 (0.43%)	30.90 (0.76%)	18.90 (0.36%)	21.90 (0.46%)	-	-
Total	2,101.50	4,083.68	5,312.50	4,744.43	-	-

4. Domestic and Export Sales

Category	FY 2021-22 & %	FY 2022-23 & %	FY 2023-24 & %	30-09-2024 & %
Domestic	4,726.82 (99.63%)	5,309.58 (99.95%)	4,083.68 (100.00%)	2,101.50 (100.00%)
Exports	17.61 (0.37%)	2.91 (0.05%)	-	-

5. Geographic Revenue Distribution

The company generates most of its revenue from **West Bengal** (2,536.97 Lakhs - 62.12% of total revenue as of FY 2024), followed by **Assam, Bihar, and Jharkhand**.

6. Key Customers and Suppliers

- **Top 5 Customers:** ₹861.47 lakhs (21.10%) of revenue (FY 2024)
- **Top 5 Suppliers:** ₹2,516.37 lakhs (70.95%) of purchases (FY 2024)
- **Raw Materials:** Major raw materials include uncoated paper, LDPE, aluminium foil, lubricants, and dyes.

Business Strategies –

1. Expanding Geographical Reach in the Domestic and International Market

Company's Strategy:

The company currently generates domestic revenue from 12 states and 2 Union Territories in India. It aims to expand into untapped domestic markets to increase brand visibility and market penetration.

Internationally, it exports only to Bhutan but seeks to expand into more countries to diversify revenue streams and leverage the growing demand for eco-friendly products.

Our Analysis:

- The Indian **biodegradable tableware market** is projected to grow at a **CAGR of 9.3% from 2024 to 2030**, reaching **USD 1.94 billion** by 2030. ([Grand View Research](#))
- Targeting **high-density urban centres** where food delivery and sustainable packaging demand is rising could accelerate domestic growth.
- For international expansion, countries with **strict environmental regulations** (such as the EU, Canada, and the U.S.) offer significant potential but require compliance with stringent standards.
- **Market research and partnerships** with local distributors in international markets can help in a smoother entry.

2. Enhancing Production Efficiency through Strategic Import Sourcing of Raw Materials

Company's Strategy:

The company sources aluminium reels from Thailand and other countries to reduce raw material costs. This strategy aims to improve profit margins while ensuring efficient production of aluminium home foils and containers. However, international suppliers require advance payment, necessitating effective working capital management.

Our Analysis:

- Aluminium **prices are highly volatile** due to supply chain disruptions and global trade policies. The **EU has extended anti-dumping duties on aluminium imports** from China and Thailand, which could impact costs. ([Global Trade Alert](#))
- Diversifying raw material sourcing **beyond Thailand** (such as Indonesia, UAE, or local suppliers) could **mitigate risks** associated with import restrictions.
- **Exploring alternative materials** like **sugarcane bagasse** (used in biodegradable tableware) could align with sustainability trends and reduce reliance on aluminium. The Indian market for bagasse-based tableware is expected to grow at a **CAGR of 9.5% from 2021 to 2030**. ([MITCON India](#))

3. Enhancing Our Brand Image

Company's Strategy:

The company emphasizes product quality and customer satisfaction to strengthen its brand. It aims to increase visibility through targeted marketing initiatives, ensuring long-term brand loyalty.

Our Analysis:

- **Brand differentiation in the sustainable packaging industry** relies on certifications like **FSC (Forest Stewardship Council)**, **ISO 14001**, and **biodegradable packaging compliance**. Obtaining these can enhance credibility.
- **Consumer education campaigns** highlighting the benefits of eco-friendly packaging can improve market perception along with Digital marketing, influencer collaborations, and **corporate partnerships with eco-conscious brands** can boost visibility.

4. Focusing on Strategic Working Capital Management

Company's Strategy:

The company seeks to shorten its supplier credit period for better procurement rates while extending credit terms for customers to increase sales and goodwill.

5. Widen Product Portfolio

Company's Strategy:

The company plans to expand its product range, introducing new lines within aluminium foil and paper-based tableware to cater to changing consumer preferences.

Our Analysis:

- **Diversification should align with sustainability trends.** Demand for **biodegradable tableware made from bagasse, bamboo, and palm leaves** is increasing.
- The global **sustainable packaging market** is expected to reach **USD 412 billion by 2025**, with significant growth in compostable and biodegradable alternatives. ([Golden Arrow](#))

Risk Factors –

The company, along with its directors, promoters, and group companies, is involved in various legal proceedings, including criminal cases (4 cases amounting to ₹4.50 lakh), tax-related disputes (13 cases totalling ₹21.09 lakh), and civil litigations. Any adverse rulings in these matters could have a material impact on the company's operations and financial condition. Additionally, there remains a risk of further penalties or claims arising in the future.

Supplier dependency : **Top 5 Suppliers:** ₹2,516.37 lakhs (70.95%) of purchases (FY 2024)

Competition -

Porter's Five Forces & Market Position

- **Rivalry:** High; fragmented market with players across scales. The sector is set to grow from **\$84B (2024)** to **\$143B (2029)** at **11% CAGR**, intensifying competition.
- **New Entrants:** Moderate entry barriers despite **100% FDI** allowance; capital and tech are key hurdles.
- **Suppliers:** Moderate power; raw material price fluctuations impact margins.
- **Buyers:** High power due to multiple vendor options and price sensitivity.
- **Substitutes:** Moderate; rise in biodegradable and smart packaging.

Industry Stage & Trends

- Growth phase fueled by **e-commerce**, **urbanization**, and **sustainability**.
- Smart packaging (RFID, QR codes) and eco-materials are driving innovation.

Competitive Differentiators

- India offers **~40% cost savings** over EU peers (IMAP, 2025).
- **Flexible packaging** leads with **65% market share**, food sector at **45% end-use share**.
- Leaders invest in **biodegradable tech** and **digital tracking** for an edge.

Industry Overview – Manufacturing and Paper & Packaging Industry

Manufacturing Industry

India's manufacturing sector, a key pillar of economic growth, contributed **17.7% to GDP in FY23**. Backed by robust policy initiatives like **Make in India**, **PLI schemes**, and infrastructure-driven reforms, the sector is poised to reach **US\$ 1 trillion by 2025**.

FDI & Private Investment Momentum

Between **April 2000–March 2024**, India attracted:

- **US\$ 36.26B** in automobile manufacturing
- **US\$ 22.52B** in pharmaceuticals
- **US\$ 22.14B** in chemicals (excl. fertilizers)
- **US\$ 12.58B** in food processing

India recorded **US\$ 48.03B FDI** inflow in FY23, with the government targeting **US\$ 100B annually** in the coming years. Amazon (US\$13B by 2030) and three semiconductor plants (US\$15B+) highlight this investment surge.

Production & Export Performance

- **PMI Manufacturing:** 55.6 (FY23) → 56.6 (2024)
- **Index of Industrial Production (IIP):** Averaged **143.4** (Apr–Jan FY24); April IIP stood at **147.7**
- **Core Industries Index:** Rose to **150.3** (Apr–Nov FY24), +8.6% YoY

Exports in FY24 (Apr–Feb) touched **US\$ 709.8B**, growing 0.83% YoY. Mobile phone exports alone neared **US\$ 12B**, doubling YoY.

Employment & Capacity Indicators

- **EPFO net additions:** 1.39 crore (FY23), +13.2% YoY; Female additions surged 7.6% MoM in Dec 2023
- **Capacity Utilization:** Improved to **74%** in Q2 FY24 from 73.6% in Q1, indicating strengthening demand

India Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.

Road Ahead

With growing global de-risking from China, India emerges as a resilient alternative. Key drivers include electronics, auto, pharma, and semiconductors. Coupled with reforms like **GST**, **ICEA** projections (US\$100B laptop/tablet production), and initiatives like **SAMARTH Udyog Bharat 4.0**, India is strongly positioned for long-term manufacturing-led growth.

Paper & Packaging Industry

Introduction

The Indian packaging industry stands as the fifth largest sector in the national economy, showcasing a robust annual growth rate of 22–25%. It plays a critical role in supporting industrial innovation and consumer-driven sectors. With over 900 paper units and 861 paper mills (526 operational), the segment has built a formidable manufacturing capacity of 4.99 million tonnes, underpinned by strong infrastructural and technological advancements.

Foreign Investment and Technological Advancement

Liberal FDI norms (100% automatic route) have attracted cumulative inflows of US\$ 1.71 billion (April 2000–March 2024). Noteworthy projects include SIG’s Rs. 880 crore (US\$ 106 million) investment in India’s first aseptic carton packaging facility in Ahmedabad. WestRock’s acquisition of HP PageWide T1190 Press and Huhtamaki’s recycling plant in Maharashtra reflect the sector’s tilt towards innovation, efficiency, and circular economy principles.

Sustainability and Market Trends

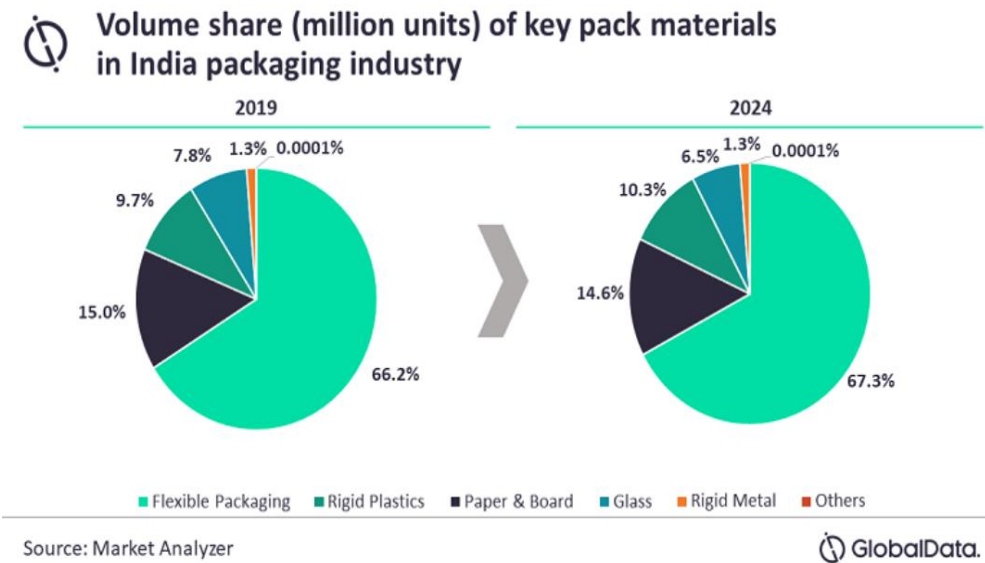
The industry is responding to global eco-conscious demands with a shift toward sustainable packaging, supported by government mandates to reduce plastic usage and enhance recyclable material use. The rise in processed food, health & hygiene consciousness, and stringent food safety standards are catalyzing demand for safe, innovative packaging solutions.

Key Drivers and Growth Outlook

Growth is driven by rising middle-class consumption, e-commerce penetration, enhanced logistics infrastructure, and demand for packaged foods (market expected to reach US\$ 3.4 billion by 2027). Government-led initiatives like the National Packaging Initiative and “Make in India” are nurturing an ecosystem for innovation, training, and waste recovery.

Outlook

Despite challenges like volatile raw material costs and competition from substitutes, the industry is well-positioned for growth. Rising exports, urbanization, sustainability focus, and digitalization will likely accelerate its contribution to India’s manufacturing economy.



Key Management -

Key Management Persons Name	Aditya Todi
Age	50
Designation and No. of years of experience	Promoter and Managing Director, 25+ years of experience (15+ years in construction, 10+ years in manufacturing of disposable products)
Qualification	Bachelor of Commerce from University of Varanasi
Responsibility	Actively involved in day-to-day operations; strategic leadership and execution of business expansion; overseeing manufacturing and construction projects
Other Directorships	<ul style="list-style-type: none"> • Avighna Enclave Private Limited; • New Age Dealmark Private Limited; • Derris Infrastructure Private Limited; • Radical Nirmans Private Limited; • Spino Poly Products Private Limited; • Anulekha Real Estate Private Limited; • Todi Infrastructure Private Limited
Other Ventures	• Azalea Aavas LLP; • Azalea Developers LLP and • Aditya Todi (HUF)

Key Management Persons Name	Amit Sultania
Age	47
Designation and No. of years of experience	Promoter and Executive Director & Chief Financial Officer; over 16 years of experience in CNF operations, finance, and manufacturing
Qualification	Bachelor's degree in commerce from Calcutta University (1998)
Responsibility	Heads finance, accounts, and manufacturing activities; manages CNF operations and marketing & distribution network for FMCG and disposable product lines
Other Directorships	<ul style="list-style-type: none"> • Spino Paper Products Private Limited; • Spino Poly Products Private Limited & • Jumac Detergents Private Limited
Other Ventures	• Sultania & Sons (Proprietorship Firm); • Amit Sultania & HUF; • Dokania International (Partnership Firm) & • APS Warehousing Co. (Partnership Firm)

Key Management Persons Name	Mridula Todi
Age	48
Designation and No. of years of experience	Promoter; over 15 years of experience in the construction industry
Qualification	Undergraduate
Responsibility	Strategic advisory and investment oversight in residential construction ventures
Other Directorships	<ul style="list-style-type: none"> • Avighna Enclave Private Limited; • Todi Infrastructure Private Limited; • Anulekha Nirman Private Limited; • Avighna Complex Private Limited; • Azalea Aavas LLP
Other Ventures	• APS Warehousing Co. (Partnership Firm) & • Aditya Todi (HUF)

1. Mr. Pushp Deep Rungta

Mr. Pushp Deep Rungta, **aged 28 years**, is the **Non-Executive Director** of the Company. A graduate of St. Xavier's College (2017), he is a **qualified Chartered Accountant** since 2018 and cleared the **CFA** exam in 2019. With **5+ years of experience**, he has been involved in **Accounting, Auditing, Finance, and Taxation**. His financial expertise and analytical insight support strategic decisions. He joined as Non-Executive Director on May 30, 2024.

2. Mr. Rajesh Kumar Murarka

Mr. Rajesh Kumar Murarka, **aged 46 years**, is a **Non-Executive Independent Director**. A **Chartered Accountant** since 2009 and fellow since 2015, he holds a B.Com degree from Calcutta University. Registered with **IICA**, he brings **13+ years of experience** in **audit, assurance, tax planning, and consultancy**. His financial acumen enhances governance. He joined the Company on August 29, 2024.

3. Mrs. Shikha Gupta

Mrs. Shikha Gupta, **aged 43 years**, is a **Non-Executive Independent Director**. She holds degrees in **Commerce and Law**, is a **Company Secretary** since 2007, and a fellow since 2013. With **15+ years of experience** in **Secretarial, Legal, and Corporate Affairs**, she is **IICA**-registered. She began her practice in April 2023 and joined the Board on September 17, 2024.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	4,744.43	5,312.50	4,083.68	2,101.50
Other Income	13.17	6.8	37.63	0.15
Total Income	13,230.62	12,623.06	15,687.01	9,490.99
Expenses				
Cost of Material Consumed	3,895.57	4,759.00	3,419.87	1,925.58
Purchases of stock-in-trade	154.51	27.51	16.15	
Change in Inventories of Stock In Trade	-80.97	-172.94	-27.65	-147.36
Employee Benefit Expenses	95.65	88.71	42.84	26.57
Finance Cost	73.11	76.93	73.17	35.8
Depreciation and Amortization Expense	64.07	51.21	42.94	14.51
Other expenses	462.83	391	367.98	163.93
Total Expenses	4,664.77	5,221.42	3,935.30	2,019.03
EBITDA	216.84	219.22	264.49	132.78
EBITDA Margin	4.57%	4.13%	6.48%	6.32%
Profit/(Loss) before tax	92.83	97.88	186.01	82.62
Tax Expense				
Current tax	27.76	26.41	45.6	21.07
Excess/Short Provision of tax earlier year	-2.3	-1.07	0.37	0.06
Deferred Tax	15.5	-20.51	-	
Total Tax	40.96	4.83	45.97	21.13
Profit/(Loss) for the year	51.87	93.05	140.04	61.49
Net Profit Margin	1.09%	1.75%	3.43%	2.93%
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	1,649.95	1,649.95	1,649.95	1,709.25
Reserves and Surplus	3,483.37	3,611.70	4,005.76	5,349.67
Total Equity	5,133.32	5,261.65	5,655.71	7,058.92
NON-CURRENT LIABILITIES				
Long Term Borrowings	3,836.36	3,001.44	2,985.24	2,238.11
Long Term Provisions	25.45	25.59	31.59	31.51
Total Non-current liabilities	3,909.87	3,101.85	3,071.19	2,479.05
CURRENT LIABILITIES				
Short Term Borrowings	719.98	632.53	658.06	676.1
Current Maturity of Long Term Borrowings	35	41.5	12	-
Trade Payables				
(i) Total outstanding dues of MSME			301.86	462.75
(ii) Total outstanding dues of creditors other than MSME	372.47	525.08	111.32	174.86
Deferred Tax Liabilities				
Other Current Liabilities	89.15	85.77	86.34	75.88
Short-term provisions	48.56	26.42	46.09	67.24
Total Current liabilities	1,265.16	1,311.30	1,215.67	1,456.83
Total Liabilities	1,412.65	1,484.76	1,302.36	1,529.97
Total Equity and Liabilities	1,782.46	1,947.62	1,905.28	2,194.37
ASSETS				
NON-CURRENT ASSETS				

Particulars	FY 22	FY 23	FY 24	Sep-24
Property, Plant and Equipment	284.88	245.35	177.25	164.49
Intangible Assets	0.1	0.1	0.2	0.07
Non Current Investments	24	24	9.45	9.45
Deferred tax assets (net)	11.18	12.25	11.88	11.83
Long-Term Loans and Advances	28.86	29.7	31.33	31.33
Other Non- current Assets	11.28	11.28	11.28	11.48
Total Non-Current assets	360.30	322.68	241.39	228.65
CURRENT ASSETS				
Inventories	788.73	961.49	1,110.78	1,213.26
Trade Receivables	384.81	464.2	375.51	534.15
Cash & Cash equivalents	27.15	64.2	59.7	52.09
Short Term Loans and Advances	221.47	135.05	117.9	166.22
Total Current assets	1,422.16	1,624.94	1,663.89	1,965.72
Total Assets	1,782.46	1,947.62	1,905.28	2,194.37

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	122.91	180.75	86.39	38.80
Net Cash Flow from Investing Activities	-33.37	-10.79	74.01	-1.82
Net Cash Flow from Financing Activities	-125.83	-132.88	-164.90	-44.56

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	1.04	1.86	2.80	1.76	EV/EBITDA	5.57	5.48	4.85	2.71
BV per share	36.98	46.29	60.29	24.92	Market Cap / Sales	0.11	0.10	0.12	0.85
Operating Ratios					P/E	49.04	27.42	18.21	29.00
EBITDA Margins	4.57%	4.13%	6.48%	6.32%	Price to Book Value	1.38	1.10	0.85	2.05
PAT Margins	1.09%	1.75%	3.43%	2.93%	Solvency Ratios				
Inventory days	60.85	66.24	99.55	83.07	Debt / Equity	2.34	1.73	1.23	0.43
Debtor days	29.69	31.98	33.66	35.46	Current Ratio	1.12	1.24	1.37	1.37
Creditor days	33.62	40.15	42.51	44.58	Quick Ratio	0.50	0.51	0.45	0.45
Return Ratios					Asset Turnover	2.66	2.73	2.14	2.21
RoCE	29.53%	26.40%	32.13%	13.07%	Interest Coverage Ratio	2.09	2.18	3.03	3.30
RoE	14.03%	20.10%	23.23%	7.06%					

*Annualized

INTERPRETATION –**✓ Positives:**

- **Strong margin and return improvement in FY24:**
 - **EBITDA Margin** improved from **4.13% in FY23 to 6.48% in FY24**.
 - **PAT Margin** rose from **1.75% to 3.43%**.
 - **RoE** increased from **20.10% in FY23 to 23.23% in FY24**, and **RoCE** from **26.40% to 32.13%**.
- **Significant deleveraging & better debt servicing:**
 - **Debt/Equity** reduced from **2.34x in FY22 to 1.23x in FY24**, further down to **1.12x in Q1FY25**.
 - **Interest Coverage Ratio** improved from **2.18x in FY23 to 3.03x in FY24**, and further to **3.30x in Q1FY25**.

⚠ Risks:

- **Rising working capital intensity:**
 - **Inventory Days** increased from **66.24 in FY23 to 99.55 in FY24**, and further to **105.65 in Q1FY25**.

Recommendation: **AVOID**

- **Debtor Days** rose from **31.98 to 33.66** and then to **46.51**, pointing to delayed receivables conversion.
- **Sharp drop in return ratios in Q1FY25:**
- **RoE** fell from **23.23% in FY24 to 9.25% in Q1FY25**, and **RoCE** dropped from **32.13% to 16.04%**, potentially due to margin pressure or equity base expansion.
- **Liquidity remains tight despite better current ratios:**
- **Quick Ratio** stayed low at **0.45 in FY24 and 0.52 in Q1FY25**, indicating high dependency on inventory to meet short-term liabilities.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Finshore Management 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 –

Horizon Management Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shanmuga Hospital Ltd	20.62	54.00	Feb 21, 2025	33.25
2.	Indobell Insulation Ltd	10.14	46.00	Jan 13, 2025	138.00
3.	Dhanlaxmi Crop Science Ltd	23.8	55.00	Dec 16, 2024	48.00
4.	Travels & Rentals Ltd	12.24	40.00	Sep 05, 2024	54.55
5.	Solve Plastic Products Ltd	11.85	91.00	Aug 21, 2024	35.50
6.	Sylvan Plyboard (India) Ltd	28.05	55.00	Jul 01, 2024	62.95
7.	Mayank Cattle Food Ltd	19.44	108.00	Feb 05, 2024	228.00
8.	HRH Next Services Ltd	9.57	36.00	Jan 03, 2024	54.00
9.	Presstonic Engineering Ltd	23.3	72.00	Dec 18, 2023	114.25
10.	Holmarc Opto-Mechatronics Ltd	11.4	40.00	Sep 25, 2023	125.00

The company has handled 13 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 27th Mar 2025.

As per the offer document, ITCONS E-Solutions Limited, Indong Tea Company Limited and Shanmuga Hospital Limited have opened at a discount in the last three FY and remaining all have opened at premium on the listing day.

Recommendation -

Investment Recommendation: Avoid

Despite headline margin improvements in FY24, a deeper analysis—blending ratio trends with management's own commentary—reveals structural weaknesses, working-capital strain, and governance gaps that undermine the sustainability of recent gains.

Financial Performance Highlights

- **Revenue Decline:** Operations fell **23.13%** from ₹5,312.50 lakhs (FY23) to ₹4,083.68 lakhs (FY24) as paper raw-material prices dropped 30–35%.
- **Cost Savings:** Cost of materials declined **28.14%** & total expenses (ex-D&A, finance, tax) fell **25.02%**.
- **Profitability:** Profit before tax surged **90.05%** to ₹186.02 lakhs; **EBITDA Margin** improved from 4.13% → **6.48%**, **PAT Margin** from 1.75% → **3.43%**.
- **Returns & Leverage:** **RoE** rose 20.10% → **23.23%**, **RoCE** 26.40% → **32.13%**; **Debt/Equity** cut from 2.34x → **1.23x**, **Interest Coverage** from 2.18x → **3.03x**.

Risks & Concerns

- **Return Ratios in Q1 FY25:** **RoE** plunged to **9.25%**, **RoCE** to **16.04%**, questioning FY24's sustainability.
- **Working Capital Stress:** **Inventory Days** climbed from 66.24 → 99.55 → **105.65**, **Debtor Days** from 31.98 → 33.66 → **46.51**; **Quick Ratio** weak at 0.52.
- **Valuation Premium:** P/E is overvalued with post-issue annualised P/E being 29x.
- **Governance & Strategy Gaps**
- **Sector Expertise:** Only the MD possesses deep diagnostics/hospital experience; other directors lack healthcare specialization.
- **Board Tenure:** All independent directors appointed in 2024, offering limited institutional memory.
- **Supplier Concentration:** Top 5 provided 70% and top 10 provided over 90% of the raw materials. Lack of diversification.

Conclusion: Recent gains are largely driven by input-cost tailwinds, expense cuts, and one-off cash inflows rather than sustainable volume growth. Coupled with working-capital intensity, tight liquidity, premium valuation, the IPO's risk-reward profile is unfavourable, and investors can avoid it for time being.

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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