



AVOID

IPO Report

27th Mar⁹ 22

Snapshot

Company is engaged into trading and marketing of agricultural produce and commodities such as sugar, spices like dry red chillies, turmeric, coriander, cumin seeds, food grains like rice, wheat, corn, sorghum and tea, pulses and agricultural feed like soyabean meal and rice bran de-oiled cake. Company import lentils, faba beans, black urad dal and tur dal in India in bulk quantities.

VALUATION

Company is bringing the issue at price band of Rs 65-68 per share at p/e multiple of 14x on pre issue FY21 eps basis. Company being into trading and marketing of agricultural produce and commodities has debt on book. Although company's other ratios like margin & return on shareholder's fund are better than its peer but looking after business profile & debt condition , we recommend "Avoid" on issue.

Price Band (Rs./Share)	65-68
Opening date of the issue	28th Mar 2022
Closing Date of the issue	30th Mar 2022
No of shares pre issue	2,49,86,300 Eq Shares
Issue size	Rs 60 Cr
Face Value (Rs/ share)	10
Bid Lot	220
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer
Non-Institutional	15% of the offer
Retail	35 % of the offer
Lead managers	Corporate Capital Ventures Ltd
Registrar to the issue	Mass Services Ltd.

KEY HIGHLIGHTS

Strong presence in agro commodities trading segment

Company has a strong presence in agro commodities trading segment thereby enabling it to strategize and switch over exports/imports from one commodity to another in accordance with change in demand or inconsistency in pricing for any commodity during any season.

Long term relationship with clients and repeat business

Company enjoy a good reputation and despite increase in competition, have received repeat orders from several of its prominent clients. Company's clients are spread across the country and overseas and have been associated with it for a long term period. Company constantly try to address its clients' requirements which help to maintain a long-term working relationship with its clients and improve its retention strategy. The portfolio of company's existing clients gives it a competitive advantage in gaining new clients and increasing company's business

Track record of growth and profitability

Company's total revenue from operations has grown at a CAGR of 51.10% from Fiscals 2019 to 2021. Company's EBITDA has grown at a CAGR of 52.76% from Fiscals 2019 to 2021. Company's restated profit for the year has grown at a CAGR of 105.45% from Fiscals 2019 to 2021.



COMPANY BACKGROUND

Company was initially engaged in the business of export of building materials i.e. marble, granite, marble chips and other construction materials to the neighbouring country, Bangladesh. Keeping in view the demand in Bangladesh market Company diversified from export of building materials to export of agricultural produce and commodities in the year 1997.

Company is engaged into trading and marketing of agricultural produce and commodities such as sugar, spices like dry red chillies, turmeric, coriander, cumin seeds, food grains like rice, wheat, corn, sorghum and tea, pulses and agricultural feed like soyabean meal and rice bran de-oiled cake. Company import lentils, faba beans, black urad dal and tur dal in India in bulk quantities. Company's major imports are from Canada, Australia and Burma. Company is B2B traders, highly specialized in sugar and Lentils. Company maintain stocks and distribute them to different institutional parties like manufacturers, exporters, etc. Company provide them in bulk quantities. Company has developed business strategy to switch over exports/imports from one commodity to another with change in demand or inconsistency in pricing for any commodity during any season. This policy adopted by the management ensures that the Company does not pass through a lean period during the year. With an objective of having overseas presence, Company acquired 100% shareholding of U.E.L. International FZE, incorporated under the laws of United Arab Emirates and having its registered office at FDRK0757 Compass Building, Al Shohada Road, AL Hamra Industrial Zone-FZ, Ras Al Khaimah, United Arab Emirates. U.E.L. International FZE is engaged in business of trading in sugar, spices & textile.

COUNTRY WISE PRODUCT WISE EXPORT 2020-21

(Rs in Lakhs)

Products	Country								Product %
	Bangladesh	China	Bahrain	Djibouti	Afghanistan	UAE	Sri Lanka	Total	
Lentils	258.92	--	--	259.09	---	---	--	518.01	7.23
Rice	406.20	--	--	--	---	---	--	406.20	5.67
Sugar	--	662.72	121.42	--	2324.88	57.01	2592.10	5758.14	80.33
Wheat	485.86	--	--	--	--	--	--	485.86	6.78
Total	1150.98	662.72	121.42	259.09	2324.	57.01	2592.10	7168.21	100.00
Country%	16.06	9.25	1.69	3.61	32.43	0.80	36.16	100.00	

COUNTRY WISE PRODUCT WISE IMPORT 2020-21

(Rs in Lakhs)

Products	Country						Total	Product %
	Canada	UAE	Australia	Russia	Netherland			
Lentils	20412.19	940.98	3090.68		3459.43		27903.28	99.11
Soda Ash	---	---	--	161.05	--		161.05	0.57
Faba Beans	89.20	--	--	--	--		89.20	0.32
Total	20501.39	940.98	3090.6	161.05	3459.43		28153.53	100.00
Country%	72.82	3.34	10.98	0.57	12.29		100.00	



INVESTMENT RATIONALE

<p><i>Experienced management team with proven project management and implementation skills</i></p>	<p>Company have an experienced management team which has positioned its business well for continued growth and development. Company's management team has significant experience in the areas of finance, trading in agricultural commodities, quality control, strategy, material sourcing and business development. The knowledge and experience of company's management team provides it with a significant competitive advantage as company seek to grow in its existing markets and enter new segments and geographies. Company's experienced management team has enabled it to improve its financial results over the years and increase portfolio of company's products as well as its markets. Company's management team has demonstrated its ability to execute its business plan and has the skills and experience needed to implement strategic objectives related to company's business and expansion in the future.</p>
<p><i>Strong presence in agro commodities trading segment</i></p>	<p>Company has a strong presence in agro commodities trading segment thereby enabling it to strategize and switch over exports/imports from one commodity to another in accordance with change in demand or inconsistency in pricing for any commodity during any season. Company's senior management team continuously monitors and undertakes deep research of the current trends and demand of agricultural produce and commodities in the market and accordingly it easily switches over to the agricultural produce or commodity in demand. This policy adopted by the management ensures that the Company does not pass through a lean period during the year.</p>
<p><i>Long term relationship with clients and repeat business</i></p>	<p>Company enjoy a good reputation and despite increase in competition, have received repeat orders from several of its prominent clients. Company's clients are spread across the country and overseas and have been associated with it for a long term period. Company constantly try to address its clients' requirements which help to maintain a long-term working relationship with its clients and improve its retention strategy. The portfolio of company's existing clients gives it a competitive advantage in gaining new clients and increasing its business.</p>
<p><i>Track record of growth and profitability</i></p>	<p>Company's total revenue from operations has grown at a CAGR of 51.10% from Fiscals 2019 to 2021. Company's EBITDA has grown at a CAGR of 52.76% from Fiscals 2019 to 2021. Its restated profit for the year has grown at a CAGR of 105.45% from Fiscals 2019 to 2021.</p>



OBJECTS OF ISSUE

Company proposes to utilize the Net Proceeds from the Issue towards the following objects:

1. Augmentation of working capital requirements and
2. General Corporate Purposes

RISKS

As on September 30, 2021 and March 31, 2021 Company's outstanding total fund based indebtedness was ₹ 5,628.20 lakhs and ₹ 3,861.81 lakhs, respectively. In addition to the indebtedness for company's existing operations, it may incur further indebtedness during the course of company's business.

Source:RHP

INDUSTRY OVERVIEW

Indian Agriculture Industry Analysis

Road Ahead

India is expected to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investment in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to concerted effort of scientists to get early maturing varieties of pulses and the increase in minimum support price. In the next five years, the central government will aim US\$ 9 billion in investments in the fisheries sector under PM Matsya Sampada Yojana. The government is targeting to raise fish production to 220 lakh tonnes by 2024-25. Going forward, the adoption of food safety and quality assurance mechanisms such as Total Quality Management (TQM) including ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP) and Good Hygienic Practices (GHP) by the food processing industry will offer several benefits. The agri export from India is likely to reach the target of US\$ 60 billion by the year 2022.

Indian Retail Industry Analysis

India is expected to become the world's third-largest consumer economy, reaching Rs. 27.95 lakh crore (US\$ 400 billion) in consumption by 2025. Increasing participation from foreign and private players has given a boost to Indian retail industry. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from thirdparty buying offices to establishing their own wholly owned/wholly managed sourcing and buying offices in India. The Government of India has introduced reforms to attract Foreign Direct Investment (FDI) in retail industry. The Government has approved 51% FDI in multi-brand retail and 100% FDI in single-brand retail under the automatic route, which is expected to give a boost to Ease of Doing Business and Make in India schemes, with plans to allow 100% FDI in E-commerce. Cumulative FDI inflows in the retail sector stood at US\$ 3.44 billion between April 2000 and December 2020. India's retail sector attracted US\$ 6.2 billion from various private equity and venture capital funds in 2020. According to the Ground Zero Series findings of the consulting firm RedSeer, the retail sector is expected to recover ~80% of pre-Covid revenue (amounting to US\$ 780 billion) by end-2020. India will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable income and relaxed FDI norms. Many fintech companies are competing for their presence in local stores. In May 2020, Paytm announced a US\$ 1 billion loyalty programme and launched online ledger services for kirana stores in India. Other fintech companies such as PayNearby, Phonepe, BharatPe and Mswipe introduced different services for small shop owners, enabling better digital payments and delivery options at these stores. For example, Amazon partnered with local stores to provide a platform for many small shops and merchants on its Amazon marketplace. While, Walmart has its own network of 28 'best-priced' stores serving local stores across the country. Flipkart Wholesale, a digital B2B marketplace, announced strengthening of its commitment towards growth and prosperity of kiranas and MSMEs by boosting supply chain infrastructure and enhancing employment opportunities. During the online festive sale in October 2020, the Indian e-commerce firms— Flipkart, Amazon, Myntra and Snapdeal—together sold goods worth US\$ 3.1 billion. Online retail rose to record high during the festive season in October-November 2020 with smartphone sales accounting for 53% of the total sales.



(Rs in Lakhs)

Financials	As at Sept 30,2021	FY21	FY20	FY19
Total Revenue (A)	52374.66	75072.30	80942.61	32892.75
Total Expenditure (B)	50310.11	73077.82	79055.87	32026.43
EBIDTA	2064.55	1994.48	1886.74	866.32
EBIDTA Margin	3.94	2.66	2.33	2.63
Other Income	19.79	130.34	88.23	44.28
Depreciation	4.94	10.43	11.80	15.86
EBIT	2079.40	2114.39	1963.17	894.74
Interest	858.85	464.56	868.49	517.81
PBIT	1220.55	1649.83	1094.68	376.93
E/O Items	2.01	0.00	0.00	0.00
PBT	1222.56	1649.83	1094.68	376.93
Tax	325.44	431.36	261.69	88.26
PAT	897.12	1218.47	832.99	288.67
NPM	1.71	1.62	1.03	0.88
ROE %	11.36	17.52	14.48	5.95
EPS	3.59	4.88	3.33	1.16
Eq Cap	2,498.63	2,498.63	2,498.63	2,498.63
Net Worth	7894.84	6953.88	5754.57	4849.3



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