

# IPO Report

“AVOID” to

**Uma Exports Ltd.**



# IPO Report

## Salient features of the FPO:

- West Bengal based agri-commodity trader **Uma Exports Ltd.** (UEL), is coming up with an IPO to raise Rs. 60cr, which opens on 28<sup>th</sup> Mar. and closes on 30<sup>th</sup> Mar. 2022. The price band is Rs. 65 - 68 per share.
- The IPO only comprises of fresh issue of shares. From the net proceeds, Rs. 50cr will be utilized to augment the working capital requirement.

## Key competitive strengths:

- Experienced management team with proven project management and implementation skills
- Strong presence in agro commodities trading segment
- Track record of growth and profitability
- Long term relationship with clients and repeat business

## Risk and concerns:

- Unfavorable government policies and regulations
- Sustained general inflationary environment
- Poor profitability margins and cash flows
- Deterioration in the working capital cycle
- Business seasonality
- Unfavorable forex rates
- Competition

## Below are the key highlights of the company:

- Incorporated in 1988, UEL is a B2B trader engaged into the trading and marketing of agricultural produce & 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.
- The company imports lentils, faba beans, black urad dal and tur dal in India in bulk quantities. Its major imports are from Canada, Australia and Burma. UEL maintains stocks and distribute them in bulk quantities to different institutional parties like manufacturers, exporters, etc.
- Despite the company name indicating an export company, over FY20-21, UEL's business of import of agro commodities and sale in domestic market constituted around 93% of the total revenue. In H1 FY22, business from exports was 15.7% of the revenue.
- UEL has reported a short but strong financial performance over FY19-21, which is being characterized by business growth with stability in the profitability margins. Mainly on the back of higher sales volume over FY19-21, UEL reported a 51.1% CAGR rise in consolidated revenue to Rs. 750.7cr in FY21.
- Gross margin declined from 14.7% in FY19 to 10.3% in FY21. However, mainly on account of lower employee costs and other expenses, EBITDA margin stood at an average of 2.5% over FY19-21. Consolidated EBITDA increased by 52.7% CAGR to Rs. 19.9cr in FY21.
- Depreciation charge declined by 18.9% CAGR, primarily due to the sale of certain fixed assets. Despite rise in total financial liabilities, finance cost declined by 5.3% CAGR, mainly due to lower utilization of working capital finances and decline in the finance costs. Consequently, reported PAT increased by 105.5% CAGR to Rs. 12.2cr in FY21. PAT margin expanded by 75bps during the period to be at 1.6% in FY21.
- Operating cash flow remained positive, but declined by 25.6% CAGR. Average cash flow during FY19-21 stood at Rs. 5.3cr. Total financial liabilities increased by 1.9% CAGR, with debt-to-equity ratio of 0.6x in FY21 as compared to 0.8x in FY19. Average RoIC and RoE during the period stood at 21.3% and 12.7%, respectively.

Recommendation	AVOID
Price band	Rs. 65 - 68 per share
Face value	Rs. 10
Shares for fresh issue	0.882 - 0.923cr shares
Shares for OFS	Nil
Fresh issue size	Rs. 60cr
OFS issue size	N/a
Total issue size	0.882 - 0.923cr shares (Rs. 60cr)
Bidding date	28 <sup>th</sup> Mar. - 30 <sup>th</sup> Mar. 2022
MCAP at higher price band	Rs. 230cr
Enterprise value at higher price band	Rs. 195cr
Book running lead manager	Corporate Capital Ventures Pvt. Ltd.
Registrar	MAS Services Ltd.
Sector	Commodity Trading
Promoters	Mr. Rakesh Khemka and Sumitra Devi Khemuka

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.441 - 0.462cr shares
Non institutional portion	15%	0.132 - 0.138cr shares
Retail portion	35%	0.309 - 0.323cr shares

Indicative IPO process time line	
Finalization of basis of allotment	4 <sup>th</sup> Apr. 2022
Unblocking of ASBA account	5 <sup>th</sup> Apr. 2022
Credit to demat accounts	5 <sup>th</sup> Apr. 2022
Commencement of trading	7 <sup>th</sup> Apr. 2022

	Pre-issue	Post-issue
Promoter & promoter group	98.12%	72.51%
Public	1.88%	27.49%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Retail application money at higher cut-off price per lot	
Number of shares per lot	220
Application money	Rs. 14,960 per Lot

Analyst	
<b>Rajnath Yadav</b>	
Research Analyst (022 - 6707 9999; Ext: 912)	
Email: <a href="mailto:rajnath.yadav@choiceindia.com">rajnath.yadav@choiceindia.com</a>	

# IPO Report

## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return (%)				TTM Total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM Gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Uma Exports Ltd.	10	68	230	195					751	20	12	10.3%	2.7%	1.6%
Sakuma Exports Ltd.	1	12	279	283	2.0%	-7.2%	8.2%	140.4%	1,328	16	11	12.6%	1.2%	0.8%

Company name	3Y top-line growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Uma Exports Ltd.	51.1%	51.7%	105.5%	2.5%	1.2%	64.6%	-25.6%	20.3	3.3	9.9%	17.9%
Sakuma Exports Ltd.	-44.8%	-57.9%	-60.1%	1.3%	1.1%	6.9%		43.4	3.3	10.5%	9.4%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM Sales (x)	EV / TTM EBITDA (x)	MCAP / TTM Sales (x)	TTM Earning yield
Uma Exports Ltd.	3.6	38.3	0.0	0.3	2.9	9.4%	14.9%	18.9	1.8	0.3	9.8	0.3	5.3%
Sakuma Exports Ltd.	0.5	14.9	0.1	0.0	3.1	3.2%	3.7%	25.1	0.8	0.2	17.6	0.2	4.0%

Source: Choice Broking Research

**Peer comparison and valuation:** At higher price band of Rs. 68, UEL is demanding a P/E multiple of 18.9x (to its TTM earning of Rs. 3.6), which is at discount to only listed peer. Considering the lower trading margins, the business of the company doesn't seem to be sustainable. Thus we are assigning an **"AVOID"** rating for the issue.

# IPO Report

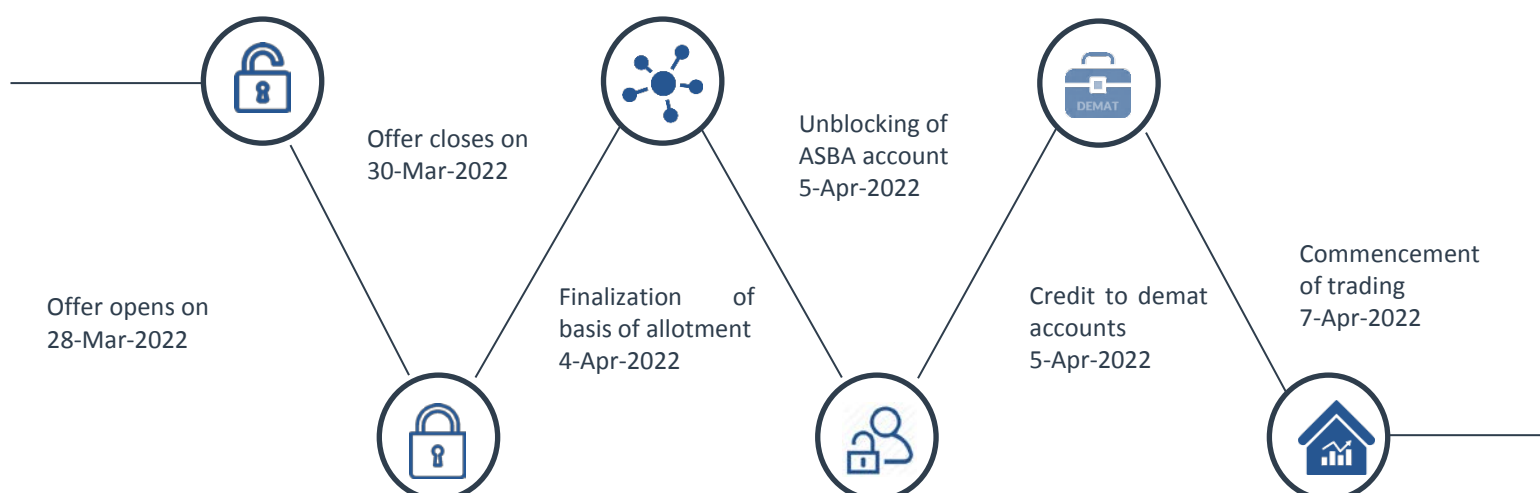
## About the issue:

- UEL is coming up with an IPO with 0.882 - 0.923cr shares (fresh issue: 0.882 - 0.923cr shares; OFS shares: Nil) in offering. The offer represents around 26.1% of its post issue paid-up equity shares of the company. Total FPO size is Rs. 60cr.
- The issue will open on 28<sup>th</sup> Mar. 2022 and close on 30<sup>th</sup> Mar. 2022.
- The issue is through book building process with a price band of Rs. 65 - 68 per share.
- The IPO only comprises of fresh issue of shares. From the net proceeds, Rs. 50cr will be utilized to augment the working capital requirement of the company.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 98.12% stake in the company and post-IPO this will come down to 72.51%. Public holding will increase from current 1.88% to 27.49%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	98.12%	72.51%
Public	1.88%	27.49%

Source: Choice Equity Broking

## Indicative IPO process time line:



# IPO Report

## Financial performance:

**Performance over FY19-21:** UEL has reported a short but strong financial performance over FY19-21, which is being characterized by business growth with stability in the profitability margins. Mainly on the back of higher sales volume over FY19-21, UEL reported a 51.1% CAGR rise in consolidated revenue to Rs. 750.7cr in FY21.

Gross margin declined from 14.7% in FY19 to 10.3% in FY21. However, mainly on account of lower employee costs and other expenses, EBITDA margin stood at an average of 2.5% over FY19-21. Consolidated EBITDA increased by 52.7% CAGR to Rs. 19.9cr in FY21.

Depreciation charge declined by 18.9% CAGR, primarily due to the sale of certain fixed assets. Despite rise in total financial liabilities, finance cost declined by 5.3% CAGR, mainly due to lower utilization of working capital finances and decline in the finance costs. Consequently, reported PAT increased by 105.5% CAGR to Rs. 12.2cr in FY21. PAT margin expanded by 75bps during the period to be at 1.6% in FY21.

Operating cash flow remained positive, but declined by 25.6% CAGR. Average cash flow during FY19-21 stood at Rs. 5.3cr. Total financial liabilities increased by 1.9% CAGR, with debt-to-equity ratio of 0.6x in FY21 as compared to 0.8x in FY19. Average RoIC and RoE during the period stood at 21.3% and 12.7%, respectively.

During H1 FY22, consolidated top-line stood at Rs. 523.7cr with EBITDA and PAT margins of 3.9% and 1.7%, respectively.

Financial snapshot (Rs. cr)	FY19	FY20	FY21	H1 FY22	CAGR over FY19-21	Y-o-Y (Annual)
Revenue from operations	328.9	809.4	750.7	523.7	51.1%	-7.3%
EBITDA	8.7	18.9	19.9	20.6	51.7%	5.7%
Reported PAT	2.9	8.3	12.2	9.0	105.5%	46.3%
Adjusted PAT	2.9	8.3	12.2	9.0	105.5%	46.3%
Restated adjusted EPS	0.9	2.5	3.6	2.6	105.5%	46.3%
Cash flow from operating activities	8.8	2.2	4.9	9.3	-25.6%	124.0%
NOPLAT	6.5	14.3	14.7	15.1	50.0%	2.7%
FCF		3.1	0.5			-83.2%
RoIC (%)	15.4%	26.7%	21.7%	19.4%	627 bps	(502) Bps
Revenue growth rate (%)		146.1%	-7.3%			
Gross profit growth rate (%)		49.2%	7.6%			
Gross profit margin (%)	14.7%	8.9%	10.3%	12.9%	(436) Bps	143 bps
EBITDA growth rate (%)		117.8%	5.7%			
EBITDA margin (%)	2.6%	2.3%	2.7%	3.9%	2 bps	33 bps
EBIT growth rate (%)		120.5%	5.8%			
EBIT margin (%)	2.6%	2.3%	2.6%	3.9%	6 bps	33 bps
Restated adjusted PAT growth rate (%)		188.6%	46.3%			
Restated adjusted PAT margin (%)	0.9%	1.0%	1.6%	1.7%	75 bps	59 bps
Inventory days	55.4	17.1	26.9	84.2	-30.3%	57.7%
Debtor days	15.2	6.1	10.1	13.2	-18.6%	66.4%
Payable days	(13.9)	(21.8)	(34.2)	(53.1)	56.6%	57.0%
<b>Cash conversion cycle</b>	<b>56.7</b>	<b>1.4</b>	<b>2.9</b>	<b>44.3</b>	<b>-77.5%</b>	<b>105.5%</b>
Fixed asset turnover ratio (x)	131.4	330.4	319.7	219.5	55.9%	-3.2%
Total asset turnover ratio (x)	3.2	3.7	3.8	1.6	9.2%	2.1%
Current ratio (x)	1.7	1.3	1.5	1.3	-6.2%	14.9%
Quick ratio (x)	0.9	1.2	0.9	0.4	-0.5%	-18.8%
Total debt (Rs.)	40.6	18.0	42.1	61.8	1.9%	134.7%
Net debt (Rs.)	26.2	5.1	24.7	33.9	-2.9%	382.6%
Debt to equity (x)	0.8	0.3	0.6	0.8	-14.9%	94.2%
Net debt to EBITDA (x)	3.0	0.3	1.2	1.6	-36.0%	356.6%
RoE (%)	6.0%	14.5%	17.5%	11.3%	1,157 bps	305 bps
RoA (%)	2.8%	3.8%	6.1%	2.8%	335 bps	232 bps
RoCE (%)	17.3%	30.8%	27.1%	24.4%	980 bps	(366) bps

Source: Choice Equity Broking

# IPO Report



## Competitive strengths:

- Experienced management team with proven project management and implementation skills
- Strong presence in agro commodities trading segment
- Track record of growth and profitability
- Long term relationship with clients and repeat business

## Business strategy:

- Backward Integration
- Vessel load procurement
- Focusing on increasing the exports



## Risk and concerns:

- Unfavorable government policies and regulations
- Sustained general inflationary environment
- Unfavorable global economic environment
- Poor profitability margins and cash flows
- Deterioration in the working capital cycle
- Business seasonality
- Unfavorable forex rates
- Competition

# IPO Report

## Financial statements:

### Consolidated profit and loss statement (Rs. cr)

	FY19	FY20	FY21	H1 FY22	CAGR over FY19 - 21	Annual growth over FY20
<b>Revenue from operations</b>	<b>328.9</b>	<b>809.4</b>	<b>750.7</b>	<b>523.7</b>	<b>51.1%</b>	<b>-7.3%</b>
Purchases	(289.2)	(721.1)	(719.7)	(596.8)	57.7%	-0.2%
Changes in Inventories of stock-in-trade	8.6	(16.2)	46.5	140.5	132.4%	-387.2%
<b>Gross profit</b>	<b>48.3</b>	<b>72.1</b>	<b>77.6</b>	<b>67.4</b>	<b>26.7%</b>	<b>7.6%</b>
Employee benefits expense	(1.2)	(1.7)	(1.3)	(0.8)	7.7%	-22.9%
Other expenses	(38.5)	(51.5)	(56.3)	(46.0)	20.9%	9.4%
<b>EBITDA</b>	<b>8.7</b>	<b>18.9</b>	<b>19.9</b>	<b>20.6</b>	<b>51.7%</b>	<b>5.7%</b>
Depreciation & amortization expenses	(0.2)	(0.1)	(0.1)	(0.0)	-18.9%	-11.6%
<b>EBIT</b>	<b>8.5</b>	<b>18.7</b>	<b>19.8</b>	<b>20.6</b>	<b>52.7%</b>	<b>5.8%</b>
Finance costs	(5.2)	(8.7)	(4.6)	(8.6)	-5.3%	-46.5%
Other income	0.4	0.9	1.3	0.2	71.6%	47.7%
Exceptional items				0.0		
<b>PBT</b>	<b>3.8</b>	<b>10.9</b>	<b>16.5</b>	<b>12.2</b>	<b>109.2%</b>	<b>50.7%</b>
Tax expenses	(0.9)	(2.6)	(4.3)	(3.3)	121.1%	64.8%
<b>Reported PAT</b>	<b>2.9</b>	<b>8.3</b>	<b>12.2</b>	<b>9.0</b>	<b>105.5%</b>	<b>46.3%</b>
<b>Adjusted PAT</b>	<b>2.9</b>	<b>8.3</b>	<b>12.2</b>	<b>9.0</b>	<b>105.5%</b>	<b>46.3%</b>

### Consolidated balance sheet statement (Rs. cr)

	FY19	FY20	FY21	H1 FY22	CAGR over FY19 - 21	Annual growth over FY20
Equity share capital	25.0	25.0	25.0	25.0	0.0%	0.0%
Other equity	23.5	32.6	44.6	54.0	37.7%	36.8%
Non current borrowings	0.5	3.3	3.5	5.5	161.8%	8.2%
Non current provisions	0.1	0.1	0.1	0.1	-1.0%	-11.6%
Current borrowings	40.0	14.7	38.6	56.3	-1.8%	162.6%
Trade payables	10.7	77.2	48.8	134.5	113.5%	-36.8%
Current provisions	1.5	3.5	5.0	3.1	85.6%	45.2%
Other current liabilities	2.4	62.3	32.9	46.4	268.9%	-47.1%
<b>Total liabilities</b>	<b>103.8</b>	<b>218.6</b>	<b>198.6</b>	<b>324.9</b>	<b>38.3%</b>	<b>-9.1%</b>
Property, plant and equipment	2.5	2.4	2.3	2.4	-3.1%	-4.2%
Investment property	0.0	0.0	0.0	0.0	0.0%	0.0%
Non current investments	6.0	6.5	3.3	3.6	-25.8%	-49.2%
Non current loans & advances	0.3	0.3	0.2	0.2	-26.4%	-45.9%
Non current deposits	0.0	0.4	0.0	0.0	41.0%	-96.0%
Deferred tax asset	0.1	0.1	0.1	0.1	-6.7%	-4.0%
Other non current assets	0.4	0.1	2.0	2.9	113.1%	1431.4%
Inventories	42.6	26.4	72.9	213.5	30.8%	176.3%
Trade receivables	13.7	13.2	28.3	38.4	43.7%	114.9%
Cash and cash equivalents	14.4	12.8	17.5	27.9	10.2%	35.9%
Current loans & advances	0.4	7.6	0.1	0.1	-56.3%	-99.1%
Other current assets	23.3	148.6	71.8	35.9	75.6%	-51.7%
<b>Total assets</b>	<b>103.8</b>	<b>218.6</b>	<b>198.6</b>	<b>324.9</b>	<b>38.3%</b>	<b>-9.1%</b>

Source: Choice Equity Broking

# IPO Report

## Financial statements (Contd...):

### Consolidated cash flow statement (Rs. cr)

	FY19	FY20	FY21	H1 FY22	CAGR over FY19 - 21	Annual growth over FY20
Cash flow before working capital changes	7.3	18.0	19.1	13.2	62.1%	5.8%
Working capital changes	1.6	(15.2)	(11.4)	(3.7)		-25.2%
<b>Cash flow from operating activities</b>	<b>8.8</b>	<b>2.2</b>	<b>4.9</b>	<b>9.3</b>	<b>-25.6%</b>	<b>124.0%</b>
Purchase and construction of property, plant and equipment	(1.7)	(0.1)	(0.0)	(0.1)	-96.0%	-95.9%
<b>Cash flow from investing activities</b>	<b>1.1</b>	<b>1.1</b>	<b>3.7</b>	<b>0.3</b>	<b>78.3%</b>	<b>233.2%</b>
<b>Cash flow from financing activities</b>	<b>(4.4)</b>	<b>(5.6)</b>	<b>(3.6)</b>	<b>0.7</b>	<b>-8.5%</b>	<b>-35.2%</b>
<b>Net cash flow</b>	<b>5.6</b>	<b>(2.3)</b>	<b>4.9</b>	<b>10.3</b>	<b>-6.6%</b>	
Opening balance of cash	8.7	15.2	12.6	17.6	19.8%	-17.3%
<b>Closing balance of cash</b>	<b>14.4</b>	<b>12.8</b>	<b>17.5</b>	<b>27.9</b>	<b>10.2%</b>	<b>35.9%</b>

### Consolidated financial ratios

Particulars (Rs. mn)	FY19	FY20	FY21	H1 FY22
Revenue growth rate (%)		146.1%	-7.3%	
Gross profit growth rate (%)		49.2%	7.6%	
Gross profit margin (%)	14.7%	8.9%	10.3%	12.9%
EBITDA growth rate (%)		117.8%	5.7%	
EBITDA margin (%)	2.6%	2.3%	2.7%	3.9%
EBIT growth rate (%)		120.5%	5.8%	
EBIT margin (%)	2.6%	2.3%	2.6%	3.9%
Restated reported PAT growth rate (%)		188.6%	46.3%	
Restated reported PAT margin (%)	0.9%	1.0%	1.6%	1.7%
<b>Turnover ratios</b>				
Inventories turnover ratio (x)	7.7	23.5	15.1	2.5
Trade receivable turnover ratio (x)	24.0	60.1	36.1	13.6
Accounts payable turnover ratio (x)	30.7	18.4	11.9	3.9
Fixed asset turnover ratio (x)	131.4	330.4	319.7	219.5
Total asset turnover ratio (x)	3.2	3.7	3.8	1.6
<b>Return ratios</b>				
RoE (%)	6.0%	14.5%	17.5%	11.3%
RoA (%)	2.8%	3.8%	6.1%	2.8%
RoCE (%)	17.3%	30.8%	27.1%	24.4%
<b>Per share data</b>				
Restated adjusted EPS (Rs.)	0.9	2.5	3.6	2.7
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	14.3	17.0	20.6	23.4
Operating cash flow per share (Rs.)	2.6	0.6	1.4	2.7
Free cash flow per share (Rs.)		0.9	0.2	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%

Source: Choice Equity Broking



### Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment. POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – •Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

## Choice Equity Broking Pvt. Ltd

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158, J.B. Nagar, Andheri (East), Mumbai - 400 099.



+91-022-6707 9999





[www.choicebroking.in](http://www.choicebroking.in)



+91-022-6707 9959

### CONNECT US

Any kind of queries on RESEARCH, You can contact us on: 022 - 6707 9999

Do visit the Choice portfolio of products at :  



# CONSOLIDATED SCRIP OVERVIEW



Trade With  JIFFY