

Kesar India Limited

A REVIEW REPORT ON KESAR INDIA LIMITED IPO

IPO Details

Opening Date	June 30, 2022
Closing Date	July 04, 2022
Stock Exchange	BSE SME
Lot Size	800 Shares
Issue Price	₹ 170 per share
Issue Size	9,30,400 Equity Shares
Application Amount	₹ 1,36,000

IPO Objective

- To finance development Expenses of the Projects & upcoming Projects
- Acquisition of Land and Development Rights
- General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	26,00,000	100 %
Public	-	-

Company Background

- Company was incorporated in the year 2003 as 'Kesar India Private Limited'.
- It is engaged Real Estate development and Construction.
- Company aims to undertake development of land having potential of 21,24,654 sq. ft. located at Nagpur.
- Company markets its projects under the brand name "Kesar Land" or adds a prefix "Kesar".
- As on 31st December 2021, company had 23 permanent employees.
- As of December 31 2021, total land owned by the Promoter, Company Members of Promoter Group and Others is 123.70 lacs square feet.

Promoter of the Company

1. Mr. Gopal Fatehchand Gupta

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Company Overview

Kesar India Limited was incorporated in the year 2003 as Kesar India Private Limited. It has been engaged in the real estate sector and has been in the business of real estate development and construction. It primarily deals in the business of developing and constructing of projects such as Residential and Commercial Plotting; Residential, Commercial and Industrial buildings, colonies, mills & factory buildings, workshops buildings etc. The company is primarily operating in Nagpur focused on development of Plot, Residential and Commercial projects.

Analysis

The company has a good track record of existence and has been in business for around two decades. Company operates in the real estate industry and has been primarily focused on development of land and other residential and commercial projects. However, in upcoming times the company targets to undertake projects which would include cover all aspects of real estate development, from the identification and acquisition of land, the planning, execution and marketing of its projects, maintenance and management of our completed developments etc. Currently company has a plan to undertake a project of developing land in Nagpur admeasuring 21,24,654 square feet and therefore intends to raise IPO. The business of the company is not unique and is highly fragmented. The company is currently engaged of in developing of land and selling of plotted lands held by the company as stock-in-trade. Although the company aims to expand its business and cover all aspects of real estate but it does not seem to happen shortly and will take time. As mentioned earlier, out of the 123.70 lakhs square feet of land reserve, company is in possession of only 2.29 lakhs square feet and the rest is owned by Promoters and Promoter Groups. Talking about the revenue, company has shown a growth in its revenue of around 481% up to Dec'21 as compared to Marc'21 which represents unsustainability.

So it can be said that since 2003, company has been able to generate a revenue of only around 6 crores that too has grown super-normally in the previous year, shows that the company has not been able to capitalize on the opportunities as it is operating in a highly competitive market. Also, apart from developing 21,24,654 square feet of land as its upcoming project, the other plans of the company of covering all aspects of real estate does not

seem to happen in near future and would take time which currently suggests not to make any investment decisions as of now for this company.

Industry Charts

Exhibit 1: Indian Real Estate Industry to grow at a CAGR of around 18% from FY 17 to FY 30

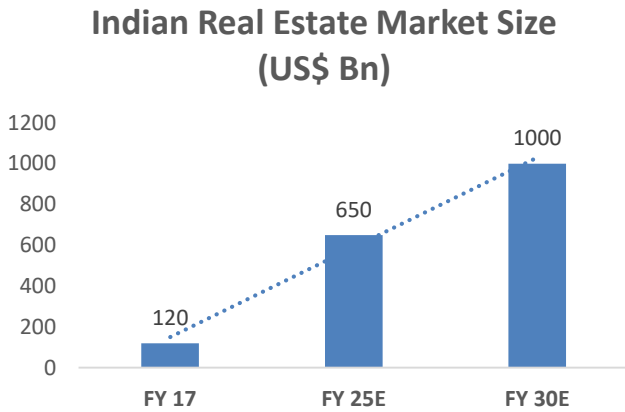


Exhibit 2: Net Absorption of Office Space

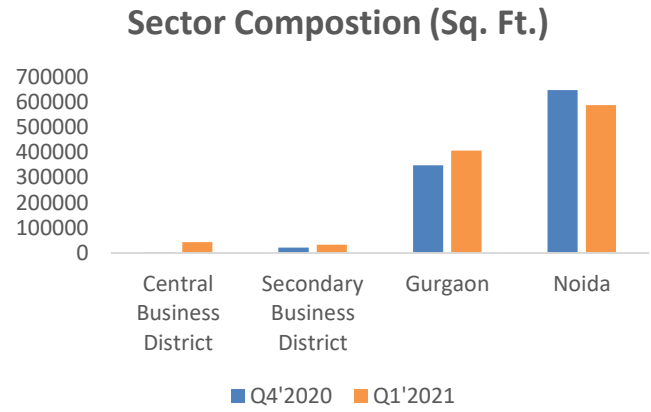


Exhibit 3: Key Trends in Commercial Space in Top 8 Cities

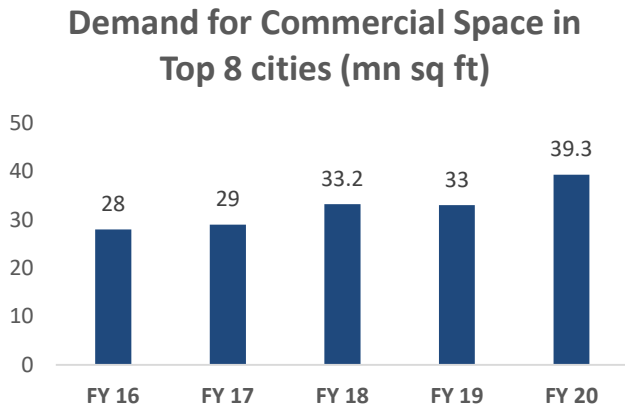
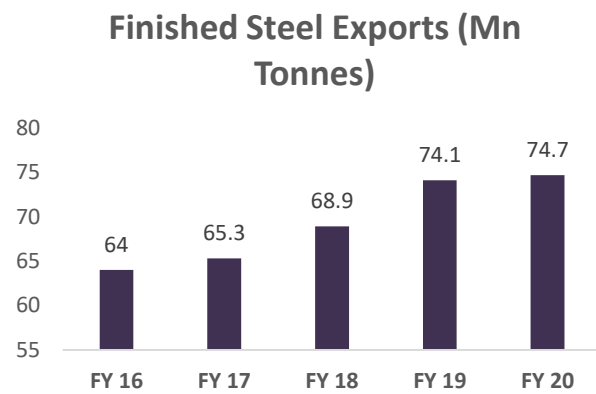


Exhibit 4: Finished Steel Exports grew at a CAGR of 3.94% from FY 18 to FY 22 (till Jan)



(Source: ibef.org)

Investment Overview

Real Estate Industry

Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. It is also expected that this sector will incur more non-resident Indian (NRI) investment, both in the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

According to Savills India, real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025. As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date. Demand for residential properties has surged due to increased urbanisation and rising household income. India is among the top 10 price appreciating housing markets internationally. Organised retail real estate stock is expected to increase by 28% to 82 million sq. ft. by 2023.

(Source: ibef.org)

Addressable Market for Kesar India Limited

The projects of the company are currently located in the Central India in Maharashtra. The company plans to cater to other regions of Maharashtra and India.

Competition

The industry is highly competitive. The company faces competition from various national and regional real estate developers. As mentioned in the prospectus, competitors include listed real estate developers in the regions and areas where the company operates, including Godrej Properties, Tata

Realty, Mahindra Life Spaces and Sahara. Company also faces competition from various small unorganized operators in the residential segment.

Peer Analysis

The company has listed 5 peer companies in its prospectus viz. Shri Krishna Devcon Limited, Citadel Realty & Developers Limited, Macrotech Developers Limited, Oberoi Realty Limited and Godrej Properties Limited. A comparison of the same has been depicted in the table below –

Company	Kesar India Limited**	Shri Krishna Devcon Limited	Citadel Realty & Developers Limited	Macrotech Developers Limited	Oberoi Realty Limited	Godrej Properties Limited
Net Profit (INR Cr)	3.24	2.77	0.43	1202.37	1047.1	352.37
EBITDA (INR Cr)	4.62	6.2	2.34	2470.67	1239.78	893.97
Return on Capital Employed	69.44%	6.50%	23.12%	16.30%	9.34%	8.91%
Return on Equity	131.39%	3.83%	4.30%	9.86%	10.05%	4.06%
EPS (INR)	0.75#	1.00	1.00	26.00	29.00	13.00
P/E* (Times)	226.67	22.32	29.45	46.08	25.43	93.60

***P/E has been calculated as on 30/06/2022**

**** As on 31/12/2021**

Calculated on the basis of Post IPO weighted average

There are few very big players as its peer companies both in terms of size and brand reputation. The company's performance showing such great returns is extraordinary and seems to be unsustainable when compared with peers.

Promoters' Profile

Mr. Gopal Fatehchand Gupta



- **Mr. Gopal Fatehchand Gupta** is the only Promoter of the Company.
- He has more than three decades of experience in the real estate industry.
- He does not have any formal education.
- He provides strategic guidance to the company.

Analysis on the Company's Promoter and Board of Directors

Mr. Gopal Fatehchand Gupta is the only promoter of the company. He does not have any formal education but brings more than 3 decades of experience to the desk. He is vital in making important and strategic business decisions for the company.

Mr. Yash Gopal Gupta is the Chairman and Whole Time Director of the company. He has been associated with the Company since June 15, 2008 as a Director. He does not have a formal graduation degree, however, he has industry exposure for more than 18 years. Currently, he is looking after overall management of the Company, particularly all business and strategic matters. He is 32 years of age and already having 18 years of experience seems to be quite surprising.

Mr. Sachin Gopal Gupta is the Managing Director of the company. He holds a Bachelor degree of Commerce and Alumni Status of IIM Bangalore. He has experience for more than 7 years. Currently, he is looking after overall management of the Company, particularly all business and strategic matters. He is of 25 years of age and has more than 7 years of experience suggests that he has started contributing to the business from a young age and is also an

alumni of IIM Bangalore which seems to be again surprising as it depicts that he has been into the business along with studying in IIM Bangalore.

Looking at the management, it seems like the Board of Directors has properly been planned keeping in mind the analysts' point of view. However, it can be said that the company is currently dependent on the strategic decisions of Mr. Gopal Fathechand Gupta and Mr. Yash Gopal Gupta which would be later handled by Mr. Yash Gopal Gupta and Mr. Sachin Gopal Gupta.

To conclude, the long-term future of the company depends upon the sons of Mr. Gopal Gupta. Mr. Yash is having a good experience in the industry, however, looking at the sector of industry, Mr. Sachin has to be on the field for few more years to gain a proper understanding on how the industry works.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st December, 2021
Profit and Loss			
Revenue from operation	48.27	116.03	634.57
Other income	9.43	3.68	60.93
Total Revenue	57.70	119.71	695.50
Expenses	51.51	115.57	233.39
Depreciation and Amortisation Cost	1.65	2.09	13.11
Finance Cost	0.08	0.05	6.29
Total Expenses	53.24	117.71	252.79
PBT	4.46	2.00	442.71
EBITDA	6.19	4.14	462.11
EBITDA Margin	12.82%	3.57%	72.82%
Net Profit	3.73	1.19	324.49
Net Profit Margin	7.73%	1.03%	51.14%
Balance Sheet			
Total Borrowings	198.39	264.40	238.49
Net Worth	-79.55	-78.36	246.25
Fixed Assets	4.55	110.90	101.48
Net Working Capital	156.46	166.53	534.73
Financial Measures			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	8.05	20.43	6.00
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	10.61	1.05	6.25
Return on Capital Employed	2.46%	0.71%	69.44%
Return on Equity	-4.07%	-1.52%	131.39%
Debt-Equity Ratio	-	-1.21	0.34

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 6.19 lacs in 2020 to 462.11 lacs up to Dec'21 growing at a CAGR of 1076%. The EBITDA margin up to Dec'21 was 72.82% from 12.82% from Mar'21. The EBITDA has grown in the previous year only and such a growth in EBITDA and EBITDA margin is not sustainable in future.

Net Profit

The net profit of the company has grown from Rs. 3.73 lacs in 2020 to Rs. 324.49 lacs up to Dec'21 growing at a CAGR of 1183%. The net profit has grown super-normally again just before IPO raising eye-brows. Such a growth again cannot be expected in future.

Finance Cost.

The company have finance cost is only towards the car loan taken by the company.

Financial Measures/Ratios

The financial ratios of the company have shown super normal and highly unsustainable picture.

RoCE of the company was 69.44% up to Dec'21 vs 2.46% in Mar'21. This RoCE growth cannot be expected in future and also is way beyond the peers suggesting it to come down in coming times

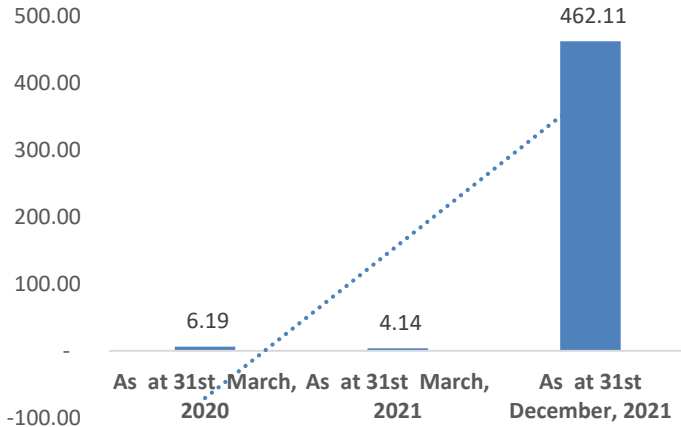
Return on Equity (ROE) of the company was 131.39% up to Dec'21. The same can be set forward with similar assumptions as that of RoCE.

Since the company does not have any cash or credit purchase, its Payables and Inventory Turnover ratio is not calculated. The receivables turnover ratio has been inconsistent suggesting inconsistent management of receivables

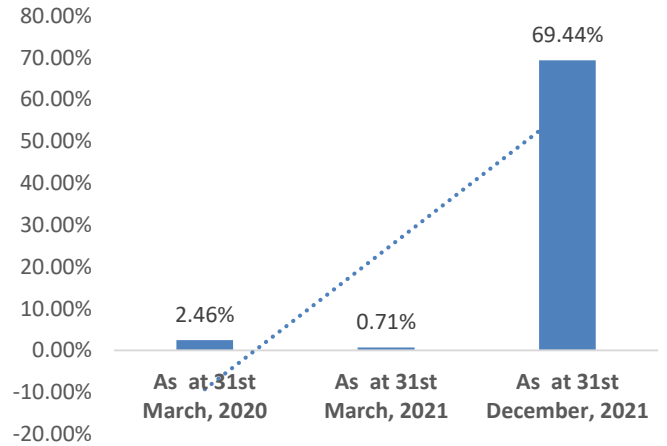
The company has debt-equity ratio of around 0.34 times mainly due to vehicle loan availed from bank. The ratio is expected to fall in the near future as the company would raise equity capital through IPO and also repay its vehicle loan.

Financial Graph

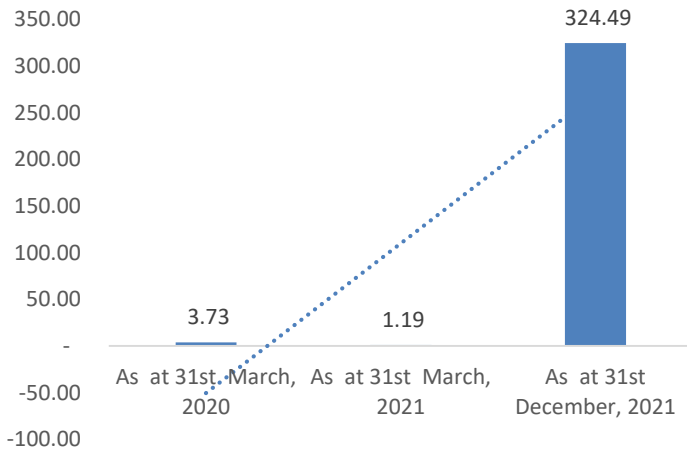
EBITDA (In Lacs)



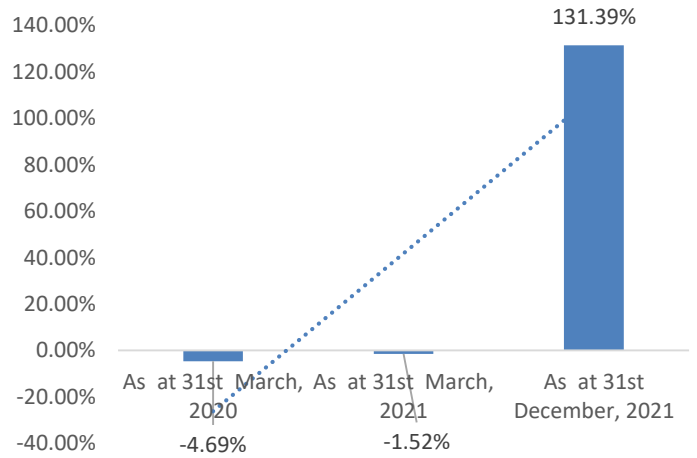
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. There are certain legal proceedings involving the Company, Directors, Promoter and Group Companies totalling to an amount of Rs. 6.38 lacks, an adverse outcome in which, may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows.
2. Any uncertainty in the title to its real estate assets could have a material adverse impact on company's current and future revenue.
3. Company operates in an illiquid market and there is a lag between the land is acquired and is developed and sold.
4. The company's operation might be affected due to change in stamp duty and property tax.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Fedex Securities Private Limited and Hem Securities Limited and the previous issue details have been taken from the prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Managers in recent times –

Fedex Securities Private Limited

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
DC Infotech and Communications Limited	10.80	December 27, 2019	45.00	40.25
Atam Valves Limited	4.50	October 06, 2020	40.00	144.40
Rangoli Tradecomm Limited	45.14	March 22, 2021	207.00	32.00
Rajeshwari Cans Limited	4.03	April 15, 2021	20.00	22.80
Kuberan Global Edu Solutions Limited	1.16	May 05, 2021	20.00	11.40
Aashka Hospitals Limited	101.64	September 01, 2021	121.00	39.10
Euro Panel Products Limited	45.15	December 24, 2021	70.00	93.15
Wherrelz IT Solutions Limited	2.011	December 29, 2021	171.00	224.00
Sunrise Efficient Marketing Limited	16.69	April 12, 2022	121.00	86.00
Le Merite Exports Limited	48.00	May 09, 2022	75.00	56.60

#CMP is taken as on 29th June 2022

Out of the last 10 listings of Fedex Securities, 3 opened at par and rest at premium.

Hem Securities Limited

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
Suratwwala Business Group Limited	6.90	August 13, 2020	15.00	215.00
Knowledge Marine & Engineering Works Limited	10.12	March 22, 2021	37.00	268.00

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
EKI Energy Services Limited	18.60	April 07, 2021	102.00	7,204.70
DU Digital Technologies Limited	4.485	August 26, 2021	65.00	91.00
Prevest Denpro Limited	26.61	September 27, 2021	84.00	285.00
Jainam Ferro Alloys (I) Limited	19.61	October 08, 2021	70.00	115.00
Shri Venkatesh Refineries Ltd.	11.71	October 11, 2021	40.00	90.55
KN Agri Resources Limited	49.38	March 28, 2022	75.00	139.00
Krishna Defence and Allied Industries Limited	11.89	April 06, 2022	39.00	56.80
Eighty Jewellers Limited	11.07	April 13, 2022	41.00	38.50

#CMP is taken as on 29th June 2022

Out of the last 10 listings of Hem Securities, 1 opened at discount and rest at premium.

Recommendation

Based on the Business track record, Products/Services, Competitive Scenario, Management Background and Experience, Financial Measures, Peer Analysis and Industry Outlook, we would like to state that one **should avoid** applying in the IPO.

Although the company has been in existence since 2003, it has not been able to generate enough revenues and the growth is majorly seen only in the previous year just before the IPO.

The strategic decision of the company is currently dependent Mr. Gopal Gupta. However, in the coming times his sons seem to take over the business but are currently lacking enough experience looking at the nature of the industry.

The company has super-normally generated revenue in the recent year and such performance in future is highly questionable. The issue is priced at a PE of 226.67 times considering post IPO weighted average EPS of 0.75 while its peers are trading at an average PE of around 40 times making it a highly priced IPO.

However, people might want to invest by the track record of Lead Managers and look for listing gains, but the same seems highly unlikely and very risky.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.