

Naturo Indiabull Limited

A REVIEW REPORT ON NATURO INDIABULL LIMITED IPO

IPO Details

Opening Date	Aug 22, 2022
Closing Date	Aug 24, 2022
Stock Exchange	BSE SME
Lot Size	4000 Shares
Issue Price	₹ 30 per share
Issue Size	36,40,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective

- To meet the Working Capital Requirements
- General Corporate Purposes
- To meet Issue Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	27,65,968	42.17%
Public	37,92,080	57.83%

Company Background

- Company was incorporated in the year 2016 and is in the FMCG industry.
- At the time of incorporation, the company was in the field of providing software services, website application services, e-trading, e-commerce, BPO Services, resource planning, value added products and other business applications.
- In the year 2019, the company shifted its focus in FCMCG, garments, textiles, Real Estate, Stone-Mines, Herbal Products, Automobile, Printing, Share Trading, Providing Education, Agriculture Seeds and Fertilizers, Hospitality and Food Items.
- As on date of filing prospectus, the company had 9 employees in its payroll

Promoter of the Company

1. Ms. Jyoti Choudhary
2. Mr. Gaurav Jain

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Company Overview

Naturo Indiabull Limited was incorporated in the year 2016 with an objective of providing software services, website application services, e-trading, e-commerce, BPO Services, resource planning, value added products and other business applications. In the year 2019, the company shifted its focus in FCMCG, garments, textiles, Real Estate, Stone-Mines, Herbal Products, Automobile, Printing, Share Trading, Providing Education, Agriculture Seeds and Fertilizers, Hospitality and Food Items.

Analysis

Established in the year 2016, the company does not have a good track record. Also the company has been into the segment of FMCG since 2019 making it a 3 year old company into this market. The company although in its object has mentioned about garments, real-estate, gems, stone-mining etc. but the company is mainly into the product segment of beauty care and healthcare market.

The company does not manufacture the products itself. The company purchases the goods from various manufacturers and sells them in its own name both directly through whole-sellers and also through agents. This shows that the company depends a lot on its brand name and has to look forward to market its branding as there are a lot of branded products already available in the market doing very well and has been able to retain existing customers and attract new customers.

The revenue of the company although has increased from previous years but has not been consistent. Moreover, in FY 2022, the entire revenue of the company has been generated from its top 5 customers unlike previous years which shows that the company has not been able to retain its customers and so the customer base has decreased keeping it to top 5 customers only.

Industry Charts

Exhibit 1: Indian FMCG Market Expected to grow at a CAGR of 14.86% from FY 20 to FY 25

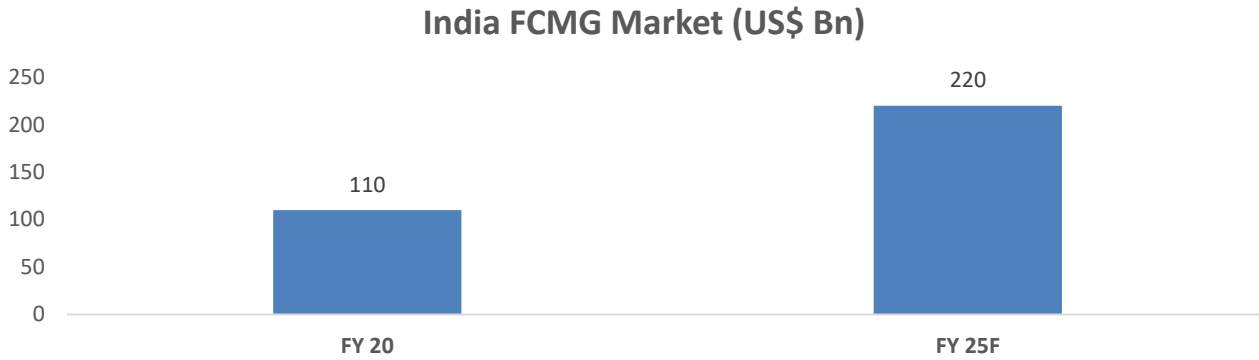


Exhibit 2: Sector Composition of FMCG

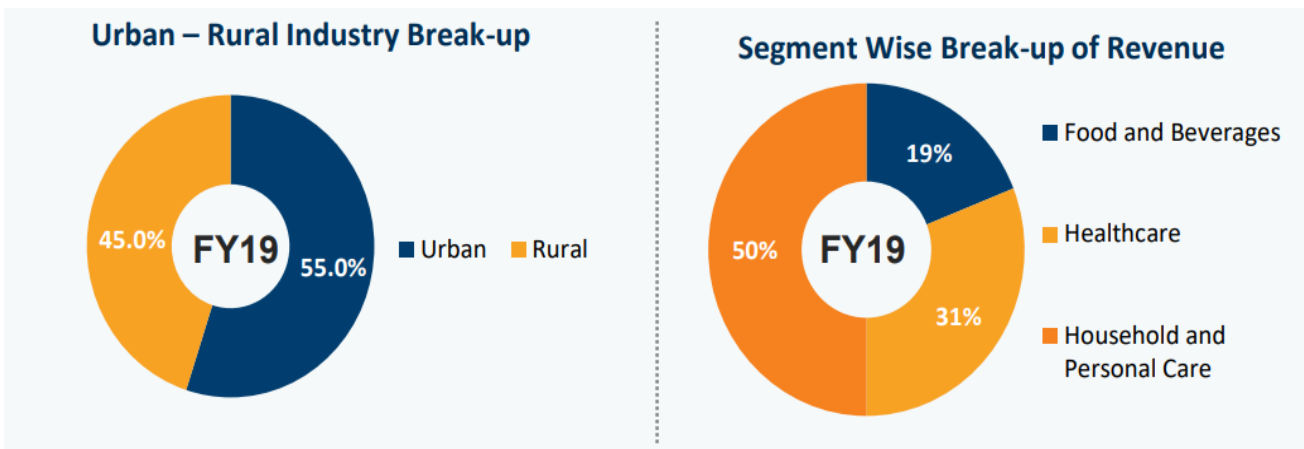
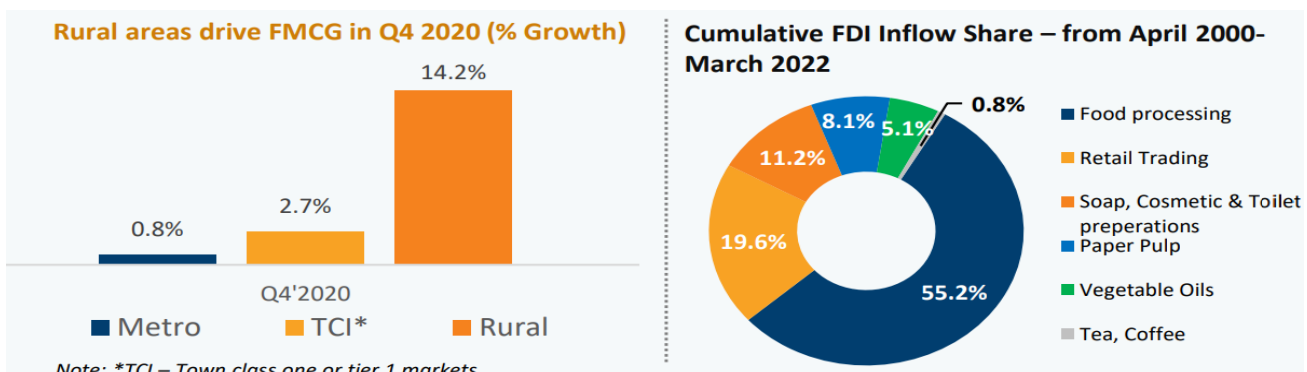


Exhibit 3: Key Trends in FMCG



Investment Overview

FMCG Industry

Fast moving consumer goods (FMCG) is the fourth-largest sector in the Indian economy. There are three main segments in the sector — food and beverages, which accounts for 19% of the sector; healthcare, which accounts for 31% of the share; and household and personal care, which accounts for the remaining 50% share. The urban segment contributes to about 55% of the revenue share, while the rural segment accounts for 45%. Rise in rural consumption will drive the FMCG market. The Indian processed food market is projected to expand to US\$ 470 billion by 2025, up from US\$ 263 billion in 2019-20.

The Indian FMCG industry grew by 16% in CY21 a 9- year high, despite nationwide lockdowns, supported by consumption-led growth and value expansion from higher product prices, particularly for staples. Final consumption expenditure increased at a CAGR of 5.2% during 2015-20. According to Fitch Solutions, real household spending is projected to increase 9.1% YoY in 2021, after contracting >9.3% in 2020 due to economic impact of the pandemic. The FMCG sector's revenue growth will double from 5-6% in FY21 to 10-12% in FY22, according to CRISIL Ratings. Price increases across product categories will offset the impact of rising raw material prices, along with volume growth and resurgence in demand for discretionary items, are driving growth. The domestic FMCG market has grown at 12.6% YoY in Q3 2021.

The Indian online grocery market is estimated to exceed sales of about Rs. 1,310.93 billion (US\$ 17.12 billion) by 2026, at a CAGR of 28.99%. The gross merchandise value (GMV) of the online grocery segment in India is expected to increase 18 times over the next five years to reach US\$ 37 billion by FY25.

(Source: ibef.org)

Addressable Market for Naturo Indiabull Limited

The company is currently operating in the state of Rajasthan. In the coming times the company looks to expand its geographical presence in the other states of India and look to increase its client base.

Competition

The FMCG industry in India is highly competitive. There are no barriers to entry and anyone with a decent capital can start a business. The company is operating in an environment where the customers have higher bargaining power and price becomes the main factor along with the quality. The company faces competition from its peers which may have one or more division of its business. Also the company has to deal with the brand and reputation which some large companies has already built for themselves.

Peer Analysis

As Mentioned in the prospectus, the company has no peers. There are listed companies available in the market, but they are not comparable on apple-to-apple basis.

Promoters' Profile

Mr. Gaurav Jain



- **Mr. Gaurav Jain** is the Promoter and Managing Director of the Company.
- He is having more than 10 years of experience in FMCG and Agro Products sector and is a graduate.
- Hails from a farmer community he is well versed with the agriculture knowledge and also actively takes part in the seminar and agriculture exhibitions held in Rajasthan.

Ms. Jyoti Choudhary



- **Ms. Jyoti Choudhary** is the Promoter and Non-Executive Director of the Company.
- She has 5+ years of experience in FMCG, Travel and Hospitality, Event Management and Marketing.
- She has completed Diploma in Computer Application and Aviation Course.

Analysis on the Company's Promoter and Board of Directors

Mr. Gaurav Jain, Promoter and Managing Director, of the company is the guiding force behind the business decisions of the company. He is having more than 10 years of experience in FMCG and Agri products. He hails from a family who has been in the FMCG industry and has been serving as super stockist for various reputed FMCG brands.

Ms. Jyoti Choudhary, is one of the promoters of the company. She is a Non-Executive Director of the company and does not take part in day-to-day activities of the business. She has 5+ years of experience in FMCG, Travel and Hospitality, Event Management and Marketing.

Mr. Sudhir Kumar, is the Non-Executive Director of the company. He has obtained his degree in Bachelor of Commerce from Rajasthan University and has an experience of 18 years in Construction & Mining Contracts Sector. He started his journey in 2004 as a Partner in Neelkanth Infra, where they are taking contracts related to mining, constructions & real estate sector and providing consultancy related to the above business to various Organizations.

To conclude the company is dependent on a single personnel, Mr. Gaurav, who takes all the strategic and tactical business decisions of the company. Other promoters, although experienced are Non-Executive Directors and do not play a direct role in the day-to-day operation of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	761.64	700.72	1,127.51
Other income	41.12	-	17.12
Total Revenue	802.76	700.72	1,144.63
Expenses	701.85	592.85	994.51
Depreciation and Amortisation Cost	0.85	1.81	3.88
Finance Cost	-	-	-
Total Expenses	702.70	594.66	998.39
PBT	100.06	106.06	146.24
PBT Margin	13.14%	15.14%	12.97%
EBITDA	100.91	107.87	150.12
EBITDA Margin	13.25%	15.39%	13.31%
Net Profit	78.80	74.57	109.22
Net Profit Margin	10.35%	10.64%	9.69%
Balance Sheet			
Total Borrowings	220.69	159.97	21.08
Net Worth	77.04	697.30	1,241.51
Fixed Assets	3.53	10.23	33.47
Net Working Capital	632.41	472.72	433.19
Financial Measures			
Inventory Turnover Ratio	4.73	6.22	3.17
Receivables Turnover Ratio	1.54	0.89	2.68
Payables Turnover Ratio	6.63	6.38	45.82
Fixed Assets Turnover Ratio	215.76	68.50	33.69
Return on Capital Employed	129.88%	15.21%	11.78%
Return on Equity	102.28%	10.69%	8.80%
Debt-Equity Ratio	2.86	0.23	0.02

(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. 100.91 lacs in 2020 to 150.12 lacs in 2022 growing at a CAGR of 21.97%. The growth is good and seems to be sustainable as well. The EBITDA margin in 2022 was 13.31% from 15.39% in 2021 and 13.25% in 2020 showing inefficient management of operating expenses.

Net Profit

The net profit of the company has grown from Rs. 78.80 lacs in 2020 to Rs. 109.22 lacs in 2022 growing at a CAGR of 101%. The net profit margin has fallen from 10.35% in 2020 to 9.69% in 2022.

Finance Cost.

The company has not incurred any finance cost

Financial Measures/Ratios

The financial ratios of the company have been decreasing in the recent years.

RoCE of the company in FY 22 was 11.78% vs 15.21% in FY 21. The fall is mainly due to new shares being issued increasing the capital base. The same is expected to fall with new capital being introduced through IPO

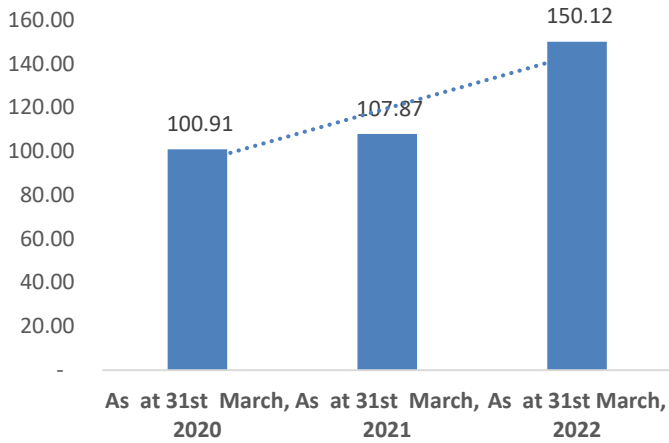
Return on Equity (ROE) of the company was 8.80% showing a fall from 10.69% in FY 21. The same can be set forward with similar assumptions as that of ROE.

The inventory turnover ratio has been decreasing while the payable turnover ratio has been increasing showing inefficient management of the same. The receivables turnover ratio has been increasing showing good management of the company's receivables.

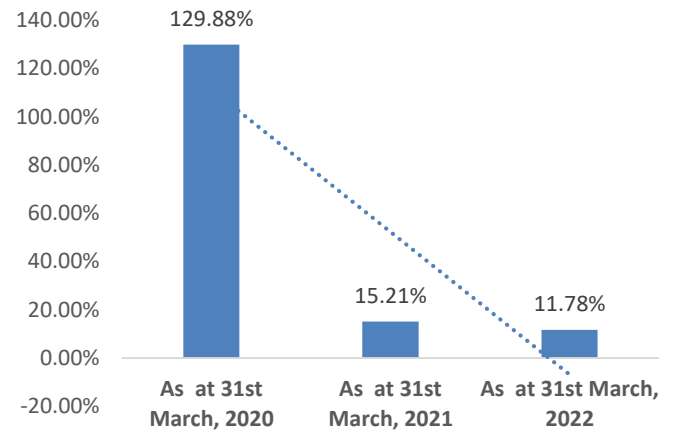
The company has debt-equity ratio of around 0.02. The entire loan is unsecured loan from directors and the company is not paying any interest on the same. So technically the company is debt free. With such profit margins, the company could have looked for bank finance and tried to reduce its Weighted Average of Capital.

Financial Graph

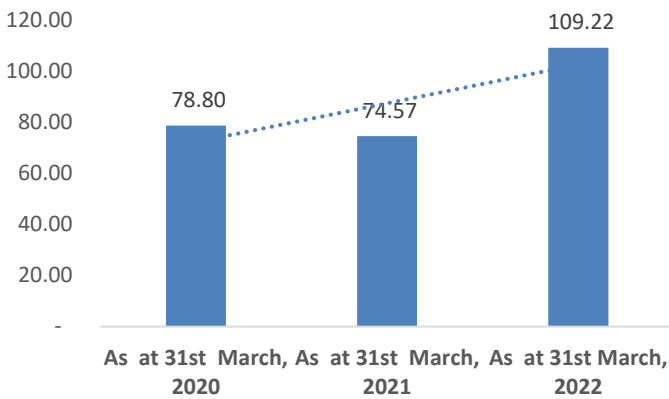
EBITDA (In Lacs)



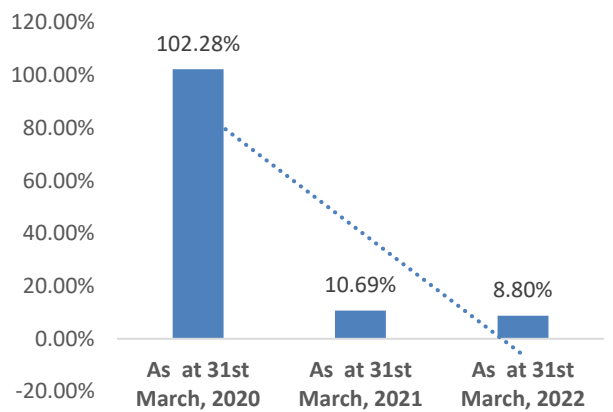
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. The company is entirely dependent on its top 5 customers.
2. The company is entirely dependent on its top 5 suppliers.
3. The company has not paid Income Tax in 2019 and is maintaining a reserve of around Rs. 24 lacs. The interest and penalty on such outstanding amount may differ and may adversely affect the company's financial planning.
4. The company has not taken any insurance (except vehicle insurance) showing negligence on part of the company's management.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Finshore Management Services 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 Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	ICL Organic Dairy Products Ltd.	4.08	20/-	17/02/2020	18.50
2.	DJ Mediaprint & Logistics Ltd.	2.40	20/-	13/04/2020	57.90
3.	Promax Power Ltd.	1.60	10/-	12/10/2021	23.50
4.	Dynamic Services & Security Ltd.	24.13	51/-	13/10/2021	15.95
5.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	16.70
6.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	78.30
7.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	10.40
8.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	88.10
9.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	44.10
10.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	6.05
11.	Scarnose International Limited	6.60	55/-	27/06/2022	53.50
12.	Healthy Life Agritech Limited	10.00	10/-	26/07/2022	9.15
13.	Agni Green Power Limited	5.25	10/-	01/08/2022	19.65
14.	Upsurge Seeds of Agriculture Limited	22.81	120/-	11/08/2022	150.25

#CMP is taken as on 18th August 2022

This is the 28th IPO of the Lead Manager, out of the last 10 listings, 1 opened at discount, 2 opened at par and rest at premium.

Recommendation

The company has been into the business since 2016 but has been engaged in the FMCG segment only after 2019 which shows that the company is not well established and has to be in the market for some more time in order to know the company's true potential. The FMCG industry has been growing but has various established and reputed brands making it very difficult for Naturo to compete.

The company has showing growth in Revenue, EBITDA and Net Profit but in terms of margins the company has not shown good strength. Also the ratios of company has been decreasing over the years.

The management of the company is currently dependent on Mr. Gaurav, and there is no proper segregation of the Board of Directors of the company.

The promoters and promoters group of the company currently holds only 42.17% and after the IPO the promoters would only hold 27.12% which is a negative outlook for the business.

So to conclude, the company does not have a good track record of existence, the margins are falling, industry is highly competitive, management is too concentrated and the promoters' holdings is very low. Considering all these factors one **should avoid** applying in the IPO.

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.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.