



Mafia Trends Limited

Review Report On IPO

IPO Details

Opening Date	Sep 22, 2022
Closing Date	Sep 27, 2022
Stock Exchange	BSE SME
Lot Size	4000 Shares
Issue Price	₹ 28 per share
Issue Size	12,84,000 Equity Shares
Application Amount	₹ 1,12,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	27,53,604	87.43%
Public	3,95,946	12.57%

Promoter of the Company

- 1 Mr. Rajendra Singh Rajpurohit
- 2 Mr. Mahendra Singh Rajpurohit

Competitive Strengths

- 1 First mover advantage in Tier-II and Tier-III cities and to target the expanding, aspiring class and middle-class customer group
- 2 Competitive lease rentals
- 3 Strong and diversified procurement network
- 4 Efficient supply chain management
- 5 Value Addition to our products
- 6 Strong IT infrastructure, systems and processes
- 7 One-stop shop with a large variety of products, adopting store Concept Classification, customised for the local populace

Company Background

- Company was incorporated in the year 2017 in Gujarat.
- Company's business revolves around marketing and selling of Men's & kids fashion such as Jeans, T-shirts, Shirts, Chinos, Formal trousers and Formal shirts, through a chain of clothing stores under the brand name Mafia.
- Company currently operates 8 stores spread across 3 cities and one warehouse in Gujarat.
- Company is mainly focused on setting up business in the Tier II and Tier III cities of India through its retails outlet.
- The target market of the company is young students, population belonging to transitioning class and middle income groups who aspire to wear affordable fashionable outfits.
- As on the date of filing of prospectus, the company had 36 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	1,062.72	801.43	1,154.18
Net Assets	341.56	226.64	202.64
Total Borrowings	212.07	263.15	276.45
Total Revenue	715.28	400.80	1,147.86
Profit After Tax	81.79	27.00	0.45



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Company Overview

Mafia Trends Limited was incorporated in the year 2017 in Gujarat. The company's business revolves around marketing and selling of Men's & kids fashion such as Jeans, T-shirts, Shirts, Chinos, Formal trousers and Formal shirts, through a chain of clothing stores under the brand name Mafia. Company currently operates 8 stores spread across 3 cities and one warehouse in Gujarat. Company is mainly focused on setting up business in the Tier II and Tier III cities of India through its retails outlet.

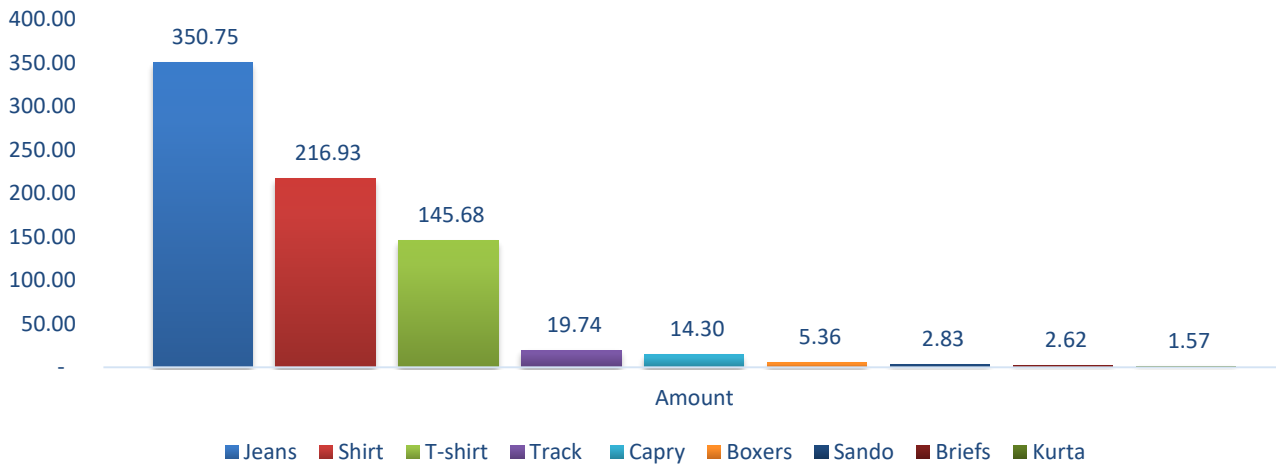
Analysis

The company has been operating in the retail segment of clothing and has been operating in a very competitive environment. Being operating with 8 stores and 1 warehouse, company's target market is Tier-II and Tier-III cities of India.

The retail clothing business has been facing a tough competition from online segment and the retail outlet business have to come up with new ideas to compete with such a growing e-commerce demand. The company only has 8 outlets throughout India, which if compared with its competitors is quite less. There are many reputed and valuable brands operating in this segment and customers are very reluctant to shift to different brands. Also along with increasing income and standard of living, the consumer segment is mainly focused towards purchasing from reputed brands.

Affected with COVID-19, as the retail clothing business should have been affected, the same could be seen in the revenue of the business and it had deteriorated in the past 2 years. The revenue has come down from Rs. 1,147.86 lacs in 2020 to Rs. 715.28 lacs in 2022.

The product wise revenue of the company is given below –



(Figures in charts are in lacs)

As evident from the above chart, Jeans contributed highest gross revenue in FY 22 for the company followed by Shirt and T-shirt.

To conclude, the company does not hold a good track record of existence and has been operating in a very competitive environment with no unique product type which makes the business outlook negative.

Industry Charts

Exhibit 1: Market Size of Textile Sector in India (US\$ Bn)

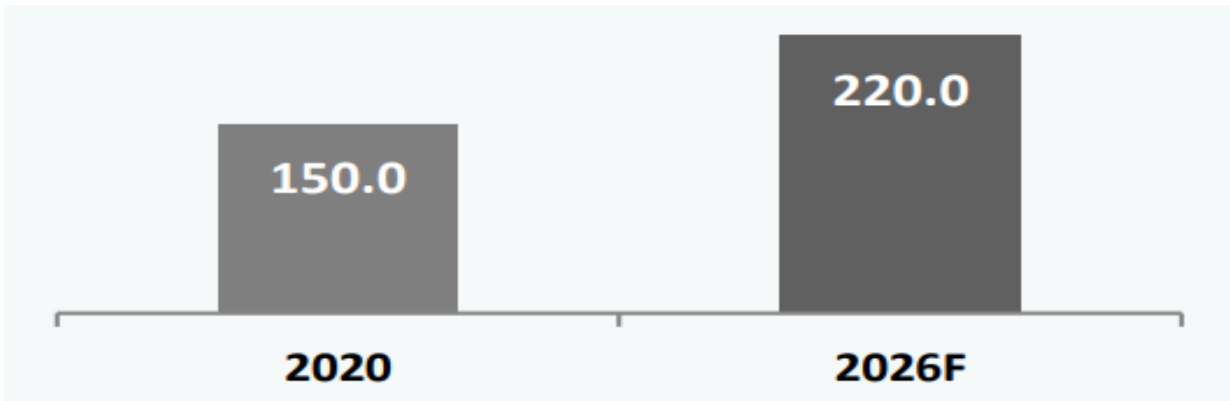
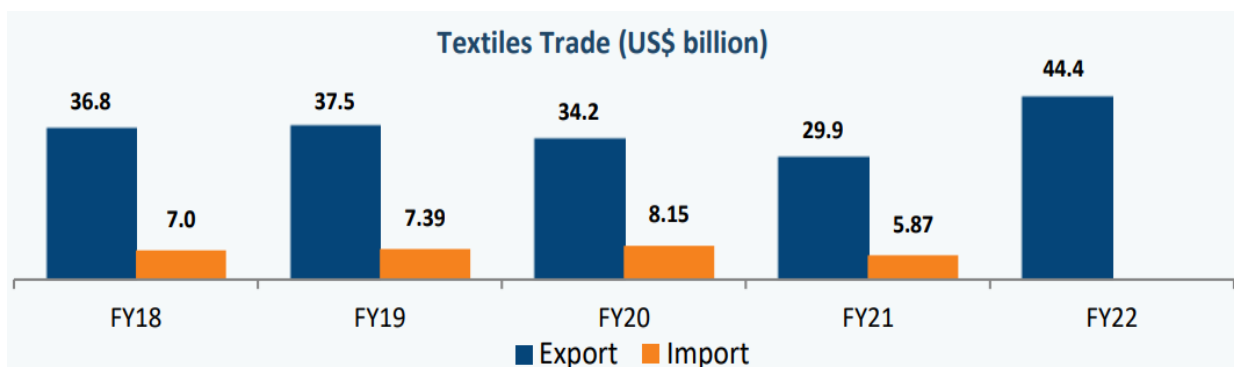


Exhibit 2: Sector Composition of Indian Textile Industry



Exhibit 3: Key Trends in Indian Textile Industry



(Source: ibef.org)



Investment Overview

Textile Industry

The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world.

India's textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country. The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025-26. India is the world's largest producer of cotton. Estimated production stood at 362.18 lakh bales during cotton season 2021-22. Domestic consumption for the 2021-22 cotton season is estimated to be at 338 lakh bales. Production of fibre in India reached 2.40 MT in FY21 (till January 2021), while for yarn, the production stood at 4,762 million kgs during same period. India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. Exports of readymade garments including cotton accessories stood at US\$ 6.19 billion in FY22.

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 3.99 billion from April 2000-March 2022.

(Source: ibef.org)



Addressable Market for Mafia Trends Limited

The company targets the Tier II and Tier III cities of India and currently operates through 8 stores. The company seems to currently cater the market of Gujarat, and in coming times it plans to expand its geographic presence in other states of India.

Competition

Company operates in a highly competitive environment. The industry is filled with various organized and unorganized players in the industry. Retail outlet segment has a huge threat from the ongoing market players as well as from new entrants. Operating in Tier-II and Tier-III cities would also make price to be an important factor apart from quality. Thus there is a low bargaining power of the company.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 2 listed company as its peer viz. V-Mart Retail Limited and Trent Limited. A summary on the key financial parameters of these companies is given in the table below –

Company	Mafia Trends Limited	V-Mart Retail Limited	Trent Limited
Net Profit (INR Cr)	0.82	11.64	105.83
EBITDA (INR Cr)	1.38	218.29	749.08
Return on Capital Employed	40.17%	5.14%	5.23%
Return on Equity	23.95%	1.37%	4.48%
EPS (INR)#	4.28	30.76	10.21
P/E* (Times)	6.53	95.42	143.19

*PE as on 21/09/2022

#EPS is based on Post-IPO

Promoters' Profile and Management Analysis

Mr. Rajendra Singh Purohit



- **Mr. Rajendara Singh Purohit** is the Promoter, Chairman and Managing Director of the Company.
- He is in the line of business for more than 12 years.
- He holds bachelor's degree in physiotherapy from Allahabad Agricultural Institute and a master's degree in business administration from Amity University.

Mr. Mahendra Singh Purohit



- **Mr. Mahendra Singh Purohit** is the Promoter and Whole Time Director of the company.
- He is having more than 12 years of experience in the line of business.
- He has passed the supplemental final examination in law held by Jai Narain Vyas University.



Analysis on the Company's Promoter and Board of Directors

Mr. Rajendra Singh Rajpurohit, aged 39 years, is the Chairman and Managing Director and one of the promoters of the Company. He holds bachelor's degree in physiotherapy from Allahabad Agricultural Institute and a Master's degree in Business Administration from Amity University. He has 12 years of experience in the garment industry.

Mr. Mahendra Singh Rajpurohit, aged 35 years, is the Whole-time Director and one of the promoters of the Company. He has passed the supplemental final examination in law held by Jai Narain Vyas University. He has 12 years of experience in the garment industry.

Ms. Divya Savjibhai Thakor, aged 28 years, is a Non-Executive Director of the Company. She has cleared the Master of Arts examination held by Gujarat University. She has 01 year of experience in the finance industry.

The company has not mentioned enough details on the management in its prospectus. From the details provided, it can be said that the promoters have good experience but nothing has been mentioned about their roles and responsibilities in the business.



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	1,147.86	365.65	715.28
Other income	-	35.15	-
Total Revenue	1,147.86	400.80	715.28
Expenses	1,094.65	341.34	577.57
Depreciation and Amortisation Cost	3.28	1.28	0.50
Finance Cost	49.33	21.69	26.68
Total Expenses	1,147.26	364.31	604.75
PBT	0.60	36.49	110.53
PBT Margin	0.05%	9.98%	15.45%
EBITDA	53.21	59.46	137.71
EBITDA Margin	4.64%	16.26%	19.25%
Net Profit	0.45	27.00	81.79
Net Profit Margin	0.04%	7.38%	11.43%
Balance Sheet			
Total Borrowings	276.45	263.15	212.07
Net Worth	202.57	229.57	341.56
Fixed Assets	4.31	3.03	3.00
Net Working Capital	243.3	246.51	344.41
Financial Measures			
Inventory Turnover Ratio	2.48	0.69	0.89
Receivables Turnover Ratio	10.86	3.96	21.81
Payables Turnover Ratio	1.93	1.22	1.47
Fixed Assets Turnover Ratio	266.32	120.68	238.43
Return on Capital Employed	18.21%	22.28%	40.17%
Return on Equity	0.22%	11.76%	23.95%
Debt-Equity Ratio	1.36	1.15	0.62

(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. 53.21 lacs in 2020 to Rs. 137.71 lacs in 2022 growing at a CAGR of 60.87%, such a growth despite of the revenue being affected in the first half of FY 22 due to COVID is little surprising. The EBITDA margin in 2020 was 4.64%, 16.26% in 2021 and 19.25% in 2022. Sudden increase in margins in FY 21 from FY 22, while the stores were closed due to COVID and fixed costs being incurred, again makes it look surprising.

Net Profit

The net profit of the company has grown from Rs. 0.45 lacs in 2020 to Rs. 81.79 lacs in 2022 at a CAGR of 1,248.17%, such a growth is highly unsustainable and super-normal. The net profit margin in 2020 was 0.04%, 7.38% in 2021 and 11.43% in 2022. The growth in margin although looks steady, but again the question raises in the increment in the year 2021 at such growth rate.

Finance Cost.

The company has incurred finance cost mainly on the secured loans and unsecured loans taken from Banks and NBFCs.

Financial Measures/Ratios

RoCE of the company in 2022 was 40.17% vs 22.28% in 2021 and 18.21% in 2020. The RoCE of the company has shown good strength. One thing to note is that average RoCE of peers is around 5% and the company has posted RoCE of 40.17% in FY 22 which raises question on its sustainability and also what the company has different than its competitors to post such a high RoCE.

ROE of the company up in 2022 was 23.95%, 11.76% in 2021 and 0.22% in 2020. The questions rose in RoCE also rises in case of ROE and the average ROE of its peers is around 3% while the company has posted ROE of 23.95% in FY 22.

The company's turnover ratio also has not followed any trend and has been fluctuating over the recent years except Payables Turnover Ratio which has been stable over the years.



Mafia Trends Limited

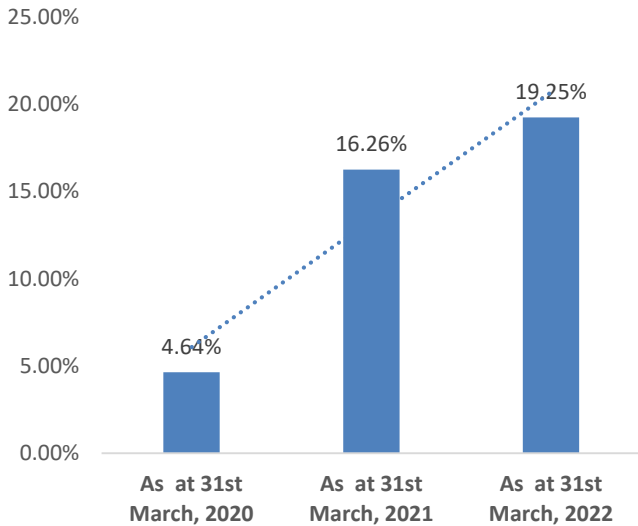
Review Report On IPO

The company has a debt-equity ratio of 0.62 times which has come down from the levels of around 4 times in 2021 and 2022 and seems to further come down due to infusion of Equity Capital through IPO.

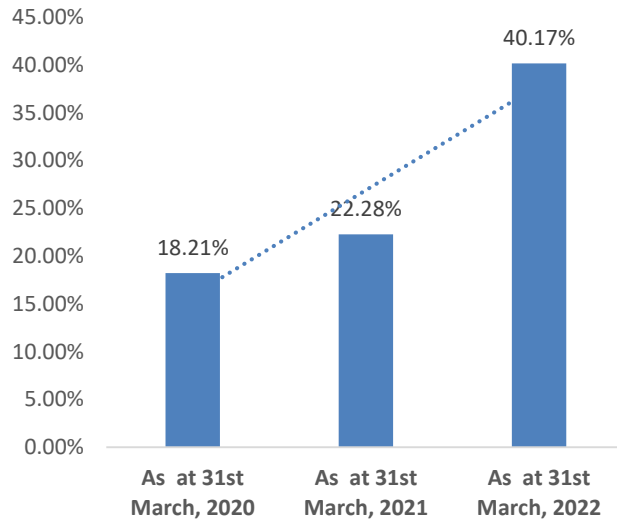


Financial Charts

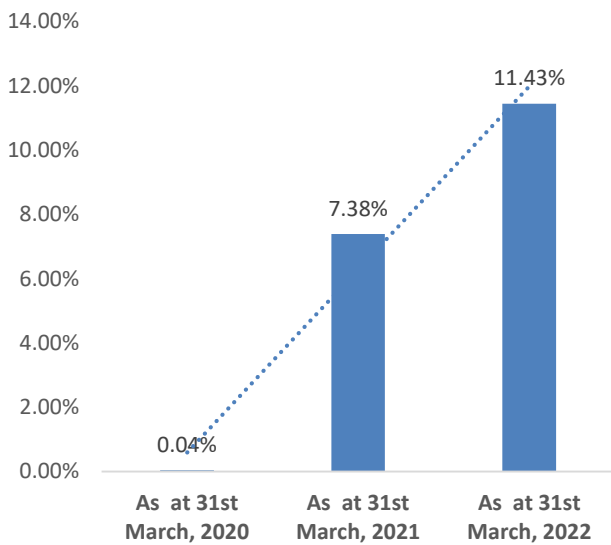
EBITDA Margin



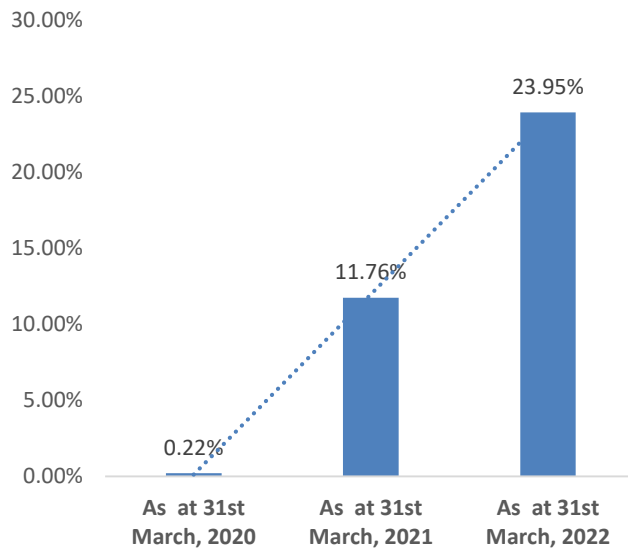
Return on Capital Employed



Net Profit Margin



Return on Equity





Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 19.55 lacs, which if determined against them, can affect financial conditions of the company. There is also an unquantifiable amount in litigation of the company.
2. **The company had committed defaults in repayment of Loans availed from Kotak Mahindra Bank Limited.**
3. The entire business is dependent of a single warehouse in Ahmedabad and any unforeseen and unfortunate circumstances in the warehouse would adversely affect the operations of the company.
4. The company is operating in a very competitive environment.

**Track Record of Lead Manager**

The lead manager to the issue is GYR Capital Advisors and the previous issue details have been taken from the Lead Manager's website and Chittorgarh.com. 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.	Naapbooks Limited	3.99	74/-	15/09/2021	74.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	20.90
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	18.00
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	53.00
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	41.00
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	19.85

#CMP is taken as on 21st September 2022

This is the 7th IPO of the Lead Manager, all the last 6 listings have been in premium. The lead manager made its first IPO quite recently and had been handling IPOs of less than 5 crores.



Recommendation

Being incorporated in the year 2017, the company do not have a good track of existence. The company is operating in an environment which is highly competitive and has a lot of reputed brands operating in the industry.

The profit margins of the company have shown extra-ordinary growth despite of being affected by COVID-19 which raises eye-brows.

The management of the company cannot be properly commented upon as there is not much mentioned about the same in the prospectus.

Looking at the company's financials, management and the competitive environment, it would be advisable to **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.