

IPO Details

Opening Date	Sep 27, 2022
Closing Date	Sep 30, 2022
Stock Exchange	NSE SME
Lot Size	1000 Shares
Issue Price	₹ 121 per share
Issue Size	47,00,000 Equity Shares
Application Amount	₹ 1,21,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,50,49,840	100%
Public	160	Negligible

Promoter of the Company

1	Mr. Mahesh Makhija
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Competitive Strengths

1	Experienced Promoter and management team with strong industry expertise and successful track record
2	Existing well-established goodwill and client relationships
3	Asset light business model and competitive products
4	Quality Assurance

Company Background

- Company was incorporated in the year 2017 in Mumbai.
- Company is engaged in the marketing and distribution of a wide range of medical and healthcare devices and accessories.
- Company markets and distributes these products to various end users such as clinics, pharma and medical companies and also to individual users.
- These devices are sold directly in the brand of the manufacturer and also under its own brand.
- Company has more than 600 SKUs which we sell to over 130 customers.
- Company has recently launched its own brand "Q-Devices".
- Company has 52 employees as on the date of filing the prospectus

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	8,266.53	6,037.43	3,348.00
Net Assets	3,102.97	2,032.33	940.58
Total Borrowings	3,197.65	1,960.34	1,160.42
Total Revenue	14,774.77	12,209.00	7,277.81
Profit After Tax	1,070.64	1,091.75	635.35

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Company Overview

Company was incorporated in the year 2017 in Mumbai and has been engaged in the business of medical devices and accessories. Company sells to clinics, pharma and medical companies and also directly to individual users. Company markets and distributes products under the name of the manufacturers and also own brand name “Q-Devices”.

Analysis

Being incorporated in the year 2017, the company does not have a good track record of existence. The company is in the industry which has good prospect in coming times.

Being engaged in the marketing and distribution of medical devices and accessories the company has been able to show good strength in its revenue numbers in the recent years. Company has been selling its brand under the name of the manufacturers and also its own brand name. Apart from medical devices, the company is also earning revenue from providing educational services relating to medical fields and setting up camps where it is able to sell its products. The product/segment wise revenue break-up of the company over the years have been given in the table below –

(Amount in Lakh)

Particulars	FY 2018-2019	% of Total	FY 2019-2020	% of Total	FY 2020-2021	% of Total	FY 2021-2022	% of Total
B2b Sales Pharma Others	4,870.68	93.86%	6,546.91	90.00%	11,039.23	90.46%	13,379.11	91.44%
B2b Sales Pharma – Q- Devices	0.00	0.00%	0.00	0.00%	510.57	4.18%	471.38	3.22%
Education	318.80	6.14%	727.05	10.00%	653.56	5.36%	758.63	5.18%
Camps	0.00	0.00%	0.00	0.00%	0.00	0.00%	23.17	0.16%
TOTAL	5,189.48	100.00%	7,273.96	100.00%	12,203.36	100.00%	14,632.29	100.00%

As evident from the table the company has started earning revenues from its own brand from 2020-21 and from setting up camps from 2021-22. The company does

not manufacture any products and also for products sold in its own name the company gets it manufactured from third party manufacturers.

To conclude, the experience of the company in the product segment is not good enough. The company has seen increase in its medical devices likely due to outbreak of pandemic worldwide, increasing the demand for the medical devices that the company is into. The industry prospect is good in coming times but not enough track record on part of the company makes it a risky investment.

Industry Charts

Exhibit 1: Indian Pharma Market Expected to grow at a CAGR of 12% from FY 21 to FY 30

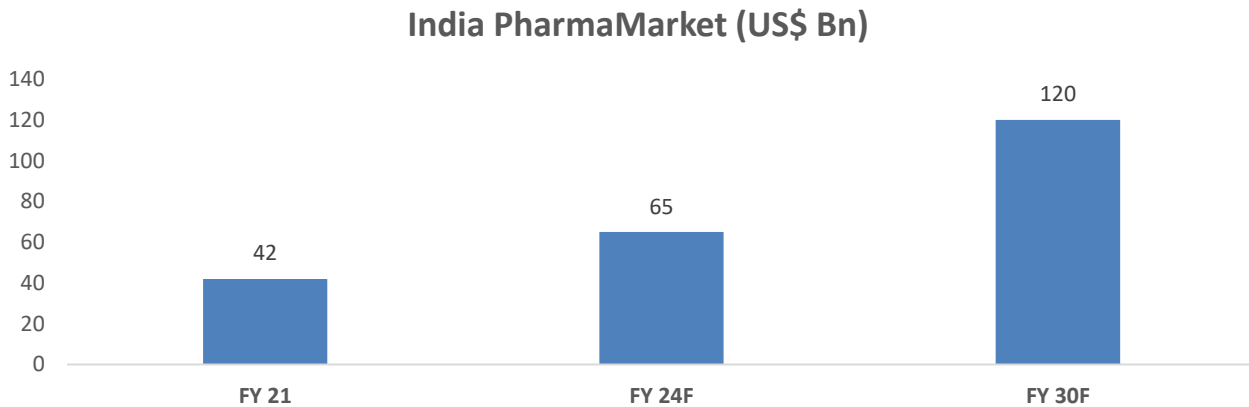


Exhibit 2: R&D as a % of Sales by Top 10 Indian Pharma Companies

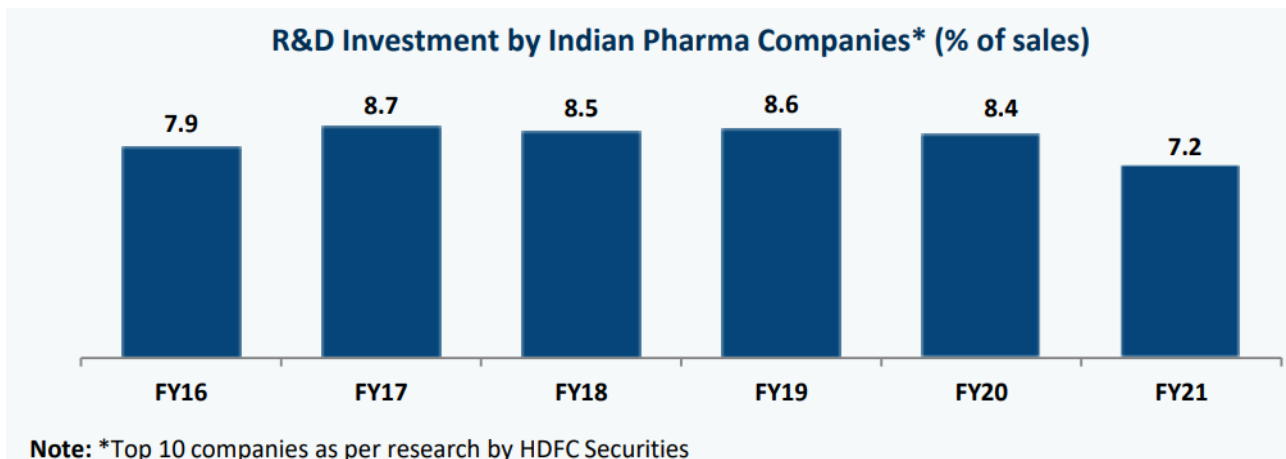
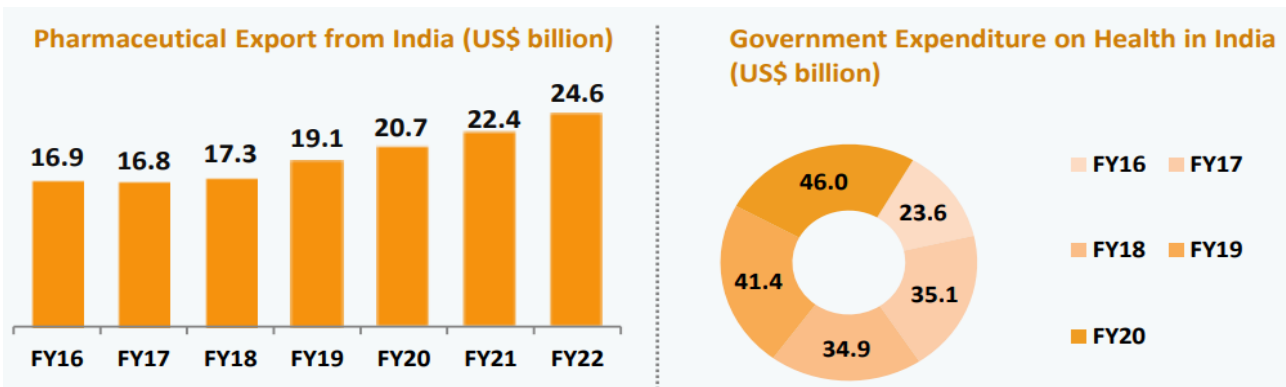


Exhibit 3: Key Trends in Pharmaceutical



(Source: ibef.org)

Investment Overview

Pharma Industry

India is the largest provider of generic drugs globally. Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK. Globally, India ranks 3rd in terms of pharmaceutical production by volume and 14th by value. The domestic pharmaceutical industry includes a network of 3,000 drug companies and ~10,500 manufacturing units. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

According to the Indian Economic Survey 2021, the domestic market is expected to grow 3x in the next decade. India's domestic pharmaceutical market stood at US\$ 42 billion in 2021 and is likely to reach US\$ 65 billion by 2024 and further expand to reach US\$ 120-130 billion by 2030. India's biotechnology industry comprises biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics. The Indian biotechnology industry was valued at US\$ 70.2 billion in 2020 and is expected to reach US\$ 150 billion by 2025. India's medical devices market stood at US\$ 10.36 billion in FY20. The market is expected to increase at a CAGR of 37% from 2020 to 2025 to reach US\$ 50 billion. As of August 2021, CARE Ratings expect India's pharmaceutical business to develop at an annual rate of ~11% over the next two years to reach more than US\$ 60 billion in value.

(Source: prospectus)

Addressable Market for QMS Medical Allied Services Limited

Company looks like to focus more on selling and distributing products under its own brand name and also is looking to increase its focus of the continued medical courses it provides on behalf of ECAME.

Competition

Company operates in a highly competitive environment. Industry has some reputed players who has bigger capital base than that of the company. The entry to barriers is low which makes the threat of new entry high. Also with available of many suppliers, the bargaining power of the company is less.

Peer Analysis

As Mentioned in the prospectus, the company has no listed peers.

Promoters' Profile and Management Analysis

Mr. Mahesh Makhija



- **Mr. Mahesh Makhija** is the Promoter, Chairperson and Managing Director of the Company.
- He is an undergraduate.
- He has around 28 years of rich experience in the field of medical and healthcare devices.
- He is currently responsible for formulating business strategies and oversight of day to day functioning of the Company

Analysis on the Company's Promoter and Board of Directors

Mr. Mahesh Makhija, aged 53 years is the founding Promoter, Chairperson & Managing Director of the Company. He is an under graduate. He has around 28 years of rich experience in the field of medical and healthcare devices Industry. He is currently responsible for formulating business strategies and oversight of day to day functioning of the Company.

Ms. Guddi Makhija, aged 50 years is the Non-Executive Director of the Company. She has completed her Bachelors' Degree of Homeopathic Medicine and Surgery by Bombay University in the year 1995 and received a certificate of practitioner by Maharashtra Council of Homoeopathy, Mumbai in the year 1995. She possesses over 25 years of experience in the field of Homeopathic Medicine. She is associated with Insight Integrated Wellness as a facilitator and contributes by providing workshops on Stress Management and discovery of potential.

To conclude, the entire strategic and business decisions seems to be under its Managing Director. Ms. Guddi, although experienced and well educated, does not take part in the day-to-day activities of the business operations. Also, the Managing Director is holding the chairman position which makes gives a negative outlook on the corporate governance part.

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	7,273.96	12,203.36	14,632.29
Other income	3.85	5.64	142.48
Total Revenue	7,277.81	12,209.00	14,774.77
Expenses	6,316.60	10,513.87	13,000.51
Depreciation and Amortisation Cost	35.80	73.50	116.26
Finance Cost	53.32	130.99	212.26
Total Expenses	6,405.72	10,718.36	13,329.03
PBT	872.09	1,490.64	1,445.74
PBT Margin	11.99%	12.21%	9.88%
EBITDA	961.21	1,695.13	1,774.26
EBITDA Margin	13.21%	13.89%	12.13%
Net Profit	635.35	1,091.75	1,070.64
Net Profit Margin	8.73%	8.95%	7.32%
Balance Sheet			
Total Borrowings	1,160.42	1,960.34	3,197.65
Net Worth	940.58	2,032.33	3,102.97
Fixed Assets	323.98	1,017.50	797.23
Net Working Capital	597.7	1084.41	2485.48
Financial Measures			
Inventory Turnover Ratio	3.81	4.68	4.72
Receivables Turnover Ratio	6.49	5.31	3.48
Payables Turnover Ratio	5.26	5.22	6.76
Fixed Assets Turnover Ratio	22.45	11.99	18.35
Return on Capital Employed	98.39%	75.68%	49.85%
Return on Equity	67.55%	53.72%	34.50%
Debt-Equity Ratio	1.23	0.96	1.03

(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. 961.21 lacs in 2020 to Rs. 1,774.26 lacs in 2022 growing at a CAGR of 35.86%. The EBITDA margin in 2020 was 13.21%, 13.89% in 2021 and 12.13% in 2022. The company has shown good growth in its EBITDA. However, the margin has fallen a bit, but is still healthy.

Net Profit

The net profit of the company has grown from Rs. 635.35 lacs in 2020 to Rs. 1,070.64 lacs in 2022 at a CAGR of 29.81%. The net profit margin in 2020 was 8.73%, 8.95% in 2021 and 7.32% in 2022. The growth of CAGR of 29.81% in two years depicts a good growth. The net profit margin has fallen due to increase in finance cost and depreciation cost of the company.

Finance Cost.

The company has incurred financial cost mainly pertaining to working capital and term loans availed from banks and also unsecured loans.

Financial Measures/Ratios

RoCE of the company in 2020 was 98.39% vs 75.68% in 2021 and 49.85% in 2022. The RoCE has been decreasing over the years due to increase in long term borrowing and the equity base. The RoCE is expected to remain at the same level because of infusion of equity capital and repayment of loans.

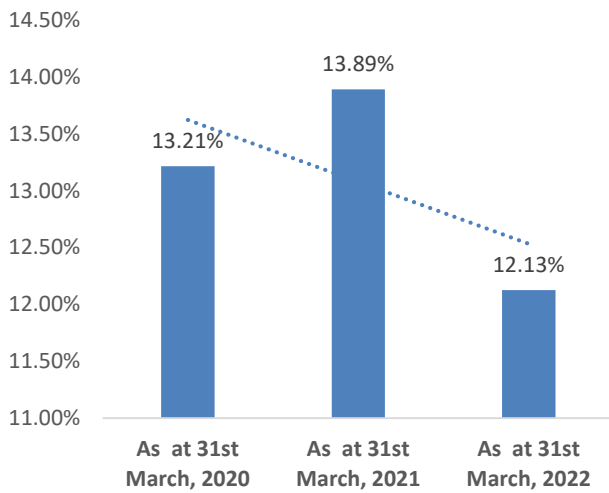
ROE of the company in 2022 was 34.50%, 53.72% in 2021 and 67.55% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

The company has been able to effectively maintain its Inventory in these two years, however it seems like the company has to pay more attention to its Receivables and Payables.

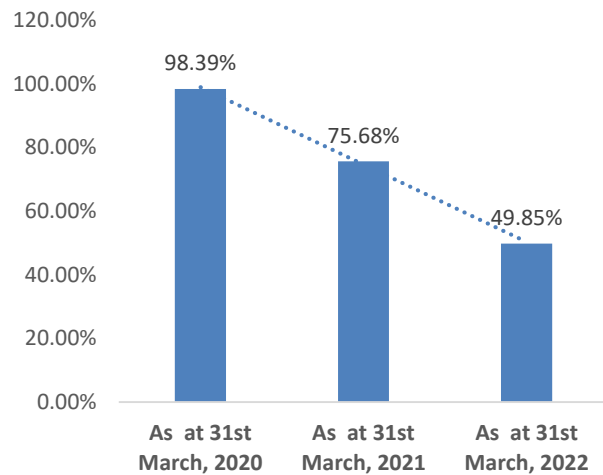
The company has a debt-equity ratio of 1.03 times in FY 22. The same is expected to decrease with the infusion of Equity Capital and repayment of loans..

Financial Charts

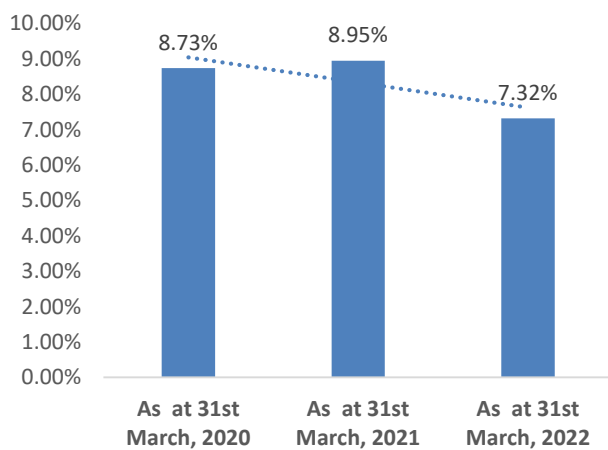
EBITDA Margin



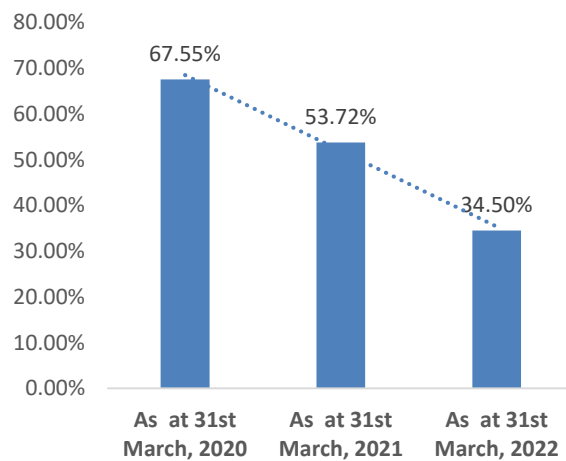
Return on Capital Employed



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. 4.81 lacs, which if determined against them, can affect financial conditions of the company.
2. The top 10 customers of the company contribute to around 86% of the total revenue.
3. Company is exposed to continuous improvement in the medical industry which might result in alternatives of the products currently dealt by the company.
4. The company is dependent on a single personnel.
5. The company is mainly operating from only one location, Mumbai and any demographical, geographical or political changes would adversely affect the company.

Track Record of Lead Manager

The lead manager to the issue is First Overseas and this is the 12th mandate in the last four fiscals. 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 –

Company	Issue Size (In Cr)	Issue listing Date	IPO Price/share (INR)	CMP# (INR)
Novateor Research Laboratories Ltd	4.49	13-09-2019	24.00	14.87
Janus Corporation Ltd	7.99	06-02-2020	50.00	7.22
RO Jewels Limited	4.91	25-03-2020	36.00	26.00
Party Cruisers Limited	7.75	05-03-2021	51.00	250.15
BEW Engineering Limited	3.97	16-09-2021	58.00	870.05
Nidan Healthcare & Laboratories Limited	50.00	12-11-2021	125.00	54.65
Precision Metaliks Limited	21.93	01-02-2022	51.00	35.75
Vaidya Sane Ayurved Laboratories Limited	20.22	23-02-2022	73.00	137.50
Veerkrupa Jewellers Limited	8.10	18-07-2022	27.00	69.60
Varanium Cloud Limited	36.60	27-09-2022	122.00	128.80

#CMP is taken as on 28th September 2022

Out of the last 10 listings, 1 opened at discount, 3 opened at par and the rest with premiums.

Recommendation

The company was established in the year established in the year 2017 and does not have good track record of experience. The industry has good prospect with stable growth in coming times.

The revenue of the company has shown good strength as well as the bottom line, but the margins, although good, have dipped slightly.

The management outlook of the company is not that good with the company being dependent entirely on its Managing Director.

The company also has offer for sale, which sets back the intention of applying in the IPO.

The company has changed its Lead Manager, which raises a matter of concern.

To conclude, the company is in a good industry and has posted good financial results, but the key financial ratios have been decreasing over the years. Looking at all these factor, there is no clear opinion but seeing at the market condition, it is better to **avoid** the IPO and wait for some more time till the company releases its next earnings.

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.