

IPO Details	
Opening Date	Nov 21, 2022
Closing Date	Nov 24, 2022
Stock Exchange	BSE SME
Lot Size	4000 Shares
Issue Price	₹30 per share
Issue Size	34,00,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective	
To meet the working capital requirements	
To meet the Issue Expenses	
General Corporate Expenses	

Pre-Issue Shareholding		
Category	No. of Shares	% Of Total Shares
Promoter & Promoter Group	59,94,360	99.9%
Public	800	0.01%

Promoter of the Company	
1	Mr. Umesh Kumar Agarwal

Competitive Strengths	
1	Organizational stability along with management expertise
2	Smooth flow of operations
3	Well-defined organizational structure
4	Existing Supplier Relationship
5	Wide range of Products

Company Background	
○	Company was incorporated in 1994 in the state of West Bengal.
○	Company is primarily engaged in the business of Manufacturing of Biscuits, outsourced manufacturing of Edible Oils, Vanaspati and Bengali Speciality Products (through third parties).
○	Company is also engaged in trading of Crude Linseed Oil, Soyabean Meal.
○	Company products are marketed under their own brand names "Happy Bites" for Biscuits, "Happy Heart" for Edible Oil, "Ambo Gold" & "Vanaspati 2000" for Vanaspati and "Max Health" for Bengali Speciality Products.
○	Company's manufacturing plant for biscuits is situated at Mangalpur Industrial Estate, Raniganj in the state of West Bengal, India.
○	Company had 92 employees as on date of prospectus.

Financial Summary			
(In Lacs)			
For the Period Ended	Jun-22	Mar-22	Mar-21
Total Assets	2,629.73	2,553.75	2,212.42
Net Assets	420.40	370.82	251.55
Total Borrowings	1,153.55	1,180.04	1,003.01
Total Revenue	1,621.39	9,485.54	4,717.31
Profit After Tax	49.58	119.27	19.11

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Company Overview

Company was formed in the year 1994 and is primarily engaged in the business of manufacturing of Biscuits, outsourced manufacturing of Edible Oils, Vanaspati and Bengali Speciality Products. Company's manufacturing plant for biscuits is situated at Mangalpur Industrial Estate, Raniganj in the state of West Bengal, India. Company manufactures Edible Oils that is Refined Rice Bran Oil, Refined Soyabean Oil, Refined Palm Oil, Mustard Oil, Vanaspati etc. on outsourced model through third parties on Job Contract basis. Ambo Agritech products are sold under the brand names 'Happy Bites' for Biscuits, 'Happy Heart' for Edible Oil, 'Ambo Gold' & 'Vanaspati 2000' for Vanaspati, and 'Max Health' for Bengali Speciality Products.

Analysis

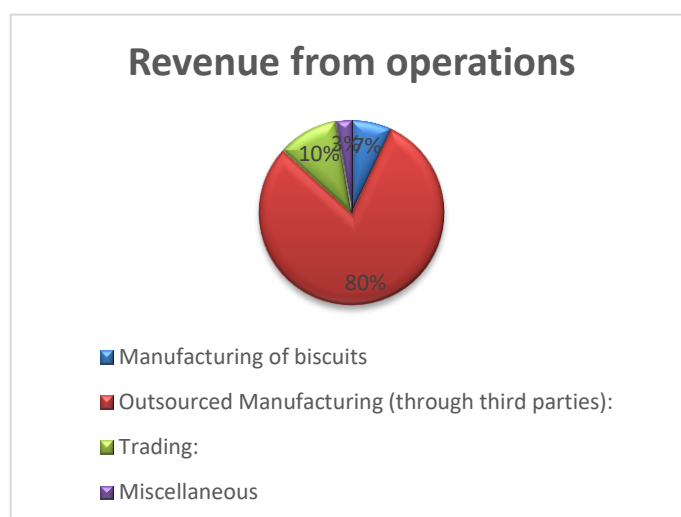
The company has been in the business of manufacturing biscuits since the year 1994 and has established brand name in eastern India and therefore it depicts a good track record of existence.

Company Operates in following segments:

1. Manufacturing of Biscuits (at their own factory)
2. Outsourced Manufacturing of Edible Oil, Vanaspati, Bengali Speciality Products etc. (through third party)
3. Trading of Crude Linseed Oil, Soyabean Meal etc.

(Amount in Lacs)

Revenue from Operations	June 30, 2022
Manufacturing of biscuits	111.5
Outsourced Manufacturing (through third parties)	1270.37
Trading	168.53
Miscellaneous	43.15
Total	1593.55



Company’s 80% revenue comes from one segment that is outsourced manufacturing of edible oil. Company has started its trading business in the year 2022. Company’s products are marketed under brand names “Happy Bites” for Biscuits, “Happy Heart” for Edible Oil, “Ambo Gold” & “Vanaspati 2000” for Vanaspati and “Max Health” for Bengali Speciality Products.

“Happy Bites” for Biscuits

“Happy Heart” for Edible Oil



“AMBO Gold” for Vanaspati

“Max Health” for Bengali products



Industry Charts

Exhibit 1: Indian Biscuit Market Overview

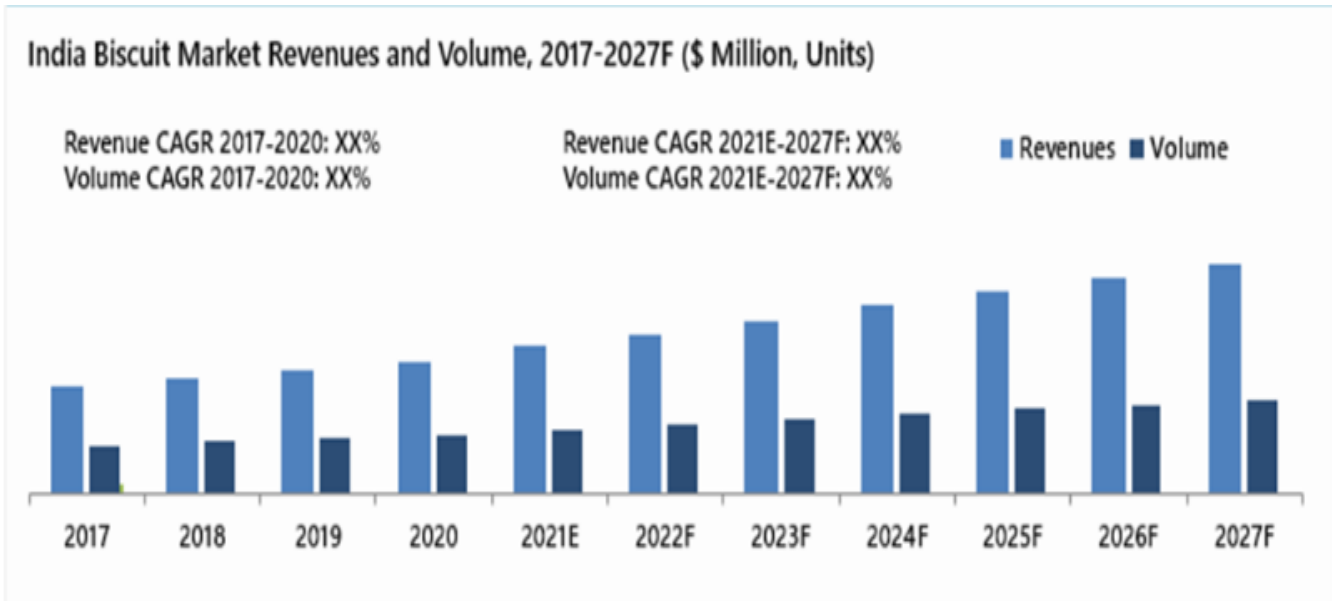
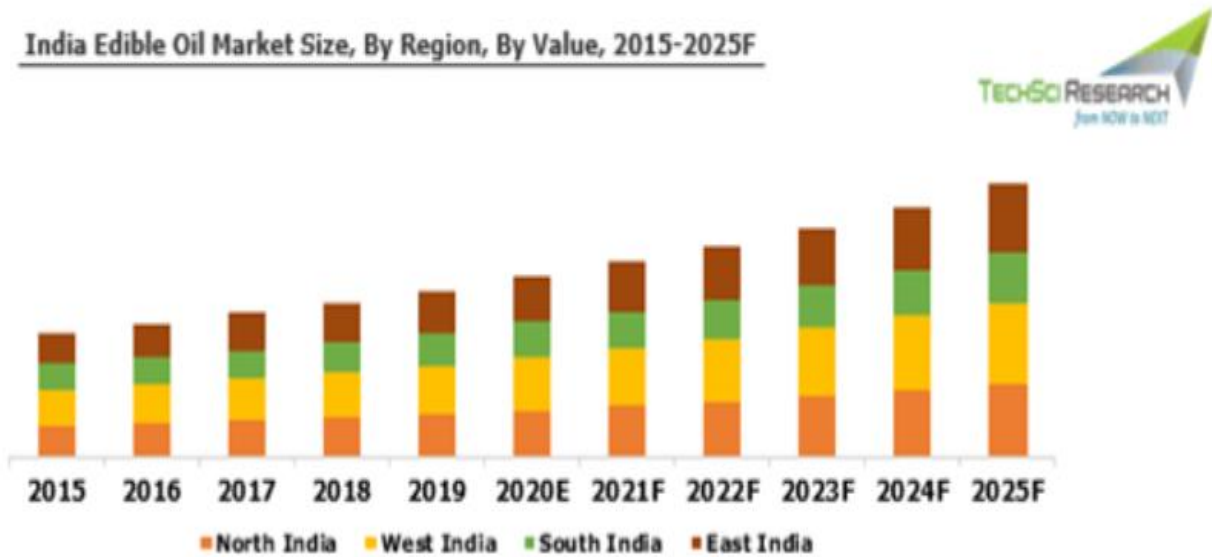


Exhibit 2: India Edible oil market size from FY 15 to FY 27.



(Source: 6W Research, techsciresearch)

Investment Overview

Indian Food Processing Industry

The contribution of the food processing sector has increased continuously with Gross Value Added (GVA) in food processing sector from Rs.1.34 lakh crore in 2014-15 to Rs. 2.37 lakh crore in 2020-21 at a Compound Annual Growth Rate (CAGR) of 9.97%. The Ministry of Food Processing Industries (MoFPI) implements various schemes with an objective of overall growth and development of the food processing sector, creation of off-farm employment and entrepreneurial opportunities whose details are as under:

(i) MoFPI implements the Pradhan Mantri Kisan SAMPADA Yojana (PMKSY) which, inter-alia, aims at creation of modern post-harvest infrastructure, value addition, providing better returns to farmers, creation of off-farm employment opportunities etc.

(ii) In addition, the Ministry is also implementing the PM- Formalization of Micro Food Processing Enterprises (PMFME) Scheme for providing financial, technical and business support for setting up/upgradation of two lakh existing micro food processing enterprises across the country on One District One Product (ODOP) approach.

(iii) A new Production Linked Incentive scheme (PLIS) for Food Processing Sector is being implemented to support creation of global food manufacturing champions. The scheme incentivizes investment and will promote exports and employment in the sector.

To attract Foreign Direct Investment (FDI) in the food processing sector, the Government has put in place an investor-friendly policy wherein 100% FDI is allowed for food products' manufacturing under the automatic route, and 100% FDI under Government approval route is allowed for retail trading, including through e-commerce, in respect of food products manufactured and/or produced in India.

(Source: prospectus)

Addressable Market for AMBO Agritech Limited

The major states where the company has been supplying is West Bengal, Uttar Pradesh, and Assam. Company is exporting DORB (De-Oiled Rice Bran) and Vanaspati to Bangladesh and Bhutan. The company plans to sell its products PAN India in coming times.

Competition

Company operates in a highly competitive industry. There are numerous players operating in the industry. Company faces tough competition in the business from a large number of unorganized and a few organized players. Company's competitors have substantially large capital base and resources than Company and offer broader range of products.

Peer Analysis

As Mentioned in the prospectus, the company has no peer companies.

Promoters' Profile and Management Analysis

Mr. Umesh Kumar Agarwal



- Mr. Umesh Kumar Agarwal is the Promoter and Managing Director of the Company.
- He has done Master of Science in Marketing from the University of Glamorgan Prifysgol Morgannwg.
- He was actively involved in his family business into bakery and confectionery segment for over 10 years.

Analysis on the Company's Promoter and Board of Directors

Mr. Umesh Kumar Agarwal, aged 41 years, is the Promoter and Managing Director of the Company. He has done Master of Science in Marketing from the University of Glamorgan Prifysgol Morgannwg; He was actively involved in his family business into bakery and confectionery segment for over 10 years and has an in-depth knowledge on the overall working of this segment.

Mr. Saikat Chatterjee, aged about 50 years is an Executive Director in the Company. He has been on the Board of Directors of the Company since June 24, 2019. He holds a bachelor's degree in commerce from University of Burdwan.

Mr. Rang Nath Lahoti, aged about 55 years is an Executive Director in the Company. He has been appointed in the Board of Directors of the company on April 08, 2022. He has done Chemical Engineering from University of Poona.

To conclude, the company's management has good experience. The existence of obligatory hires is evident. The independent directors of the company also have good experience and could be a great driving force for the company. The company's executive director Mr. Rang Nath Lahoti is lacking with regard to academic qualification in the field in which the company operates, but the management claim to make up for it with the experience they have gained over the years

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th June, 2022
Profit and Loss			
Revenue from operation	4,714.15	9,469.34	1,593.55
Other income	3.16	16.20	27.84
Total Revenue	4,717.31	9,485.54	1,621.39
Expenses	4,579.03	9,180.58	1,532.19
Depreciation and Amortisation Cost	12.73	12.47	2.68
Finance Cost	96.38	98.46	25.01
Total Expenses	4,688.14	9,291.51	1,559.88
PBT	29.17	194.03	61.51
PBT Margin	0.62%	2.05%	3.86%
EBITDA	135.12	288.76	61.36
EBITDA Margin	2.87%	3.05%	3.85%
		0.614698758	
Net Profit	19.11	119.27	49.58
Net Profit Margin	0.41%	1.26%	3.11%
Balance Sheet			
Total Borrowings	1,003.01	1180.04	1153.55
Net Worth	251.55	370.82	420.40
Fixed Assets	98.39	89.06	86.45
Net Working Capital	413.8	146.33	692.76
Financial Measures (Annualised)			
Inventory Turnover Ratio	4.62	7.02	4.60
Receivables Turnover Ratio	17.13	29.80	14.66
Payables Turnover Ratio	6.89	21.95	10.47
Fixed Assets Turnover Ratio	47.91	106.33	84.17
Return on Capital Employed	19.49%	35.21%	10.66%
Return on Equity	7.60%	32.16%	6.96%
Debt-Equity Ratio	3.99	3.18	0.72

(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. 135.12 lacs in 2021 to Rs. 288.76 lacs in 2022 and up to June'22 it is Rs. 61.36 lacs and if we annualise the same, it would be around Rs. 245.44 lacs. The EBITDA has shown decline of 15%. Talking with the management of the company it was identified that the decrease in company's revenue from Rs. 9,469.34 lacs in 2022 to Rs. 6,374.20 lacs in 2023 (annualised) is due to decline in edible oil market. The EBITDA margin in 2021 was 2.87%, 3.05% in 2022 and 3.85% up to June'22.

Net Profit

The net profit of the company has grown from Rs. 19.11 lacs in 2021 to Rs. 119.27 lacs in 2022 and up to June'22 it is Rs. 49.58 lacs and if we annualise the same, it would be around Rs. 198.32 lacs. The net profit margin in 2021 was 0.41%, 1.26% in 2022 and 3.11% up to June'22. The net profit on an annualised basis has grown at a CAGR of 28.95% only.

Finance Cost.

The company has incurred finance cost mainly on the long term and short-term loans availed from bank.

Financial Measures/Ratios

RoCE of the company up to June 2022 was 4.96% vs 35.21% in 2022 and 19.49% in 2021. The RoCE of the company increased in 2022 due to increase in the levels of Operating Profit from that of 2021. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 10%.

ROE of the company up to June 2022 was 11.79%, 32.16% in 2022 and 7.60% in 2021. The analysis and prediction of the same can be set forth as that of RoCE.

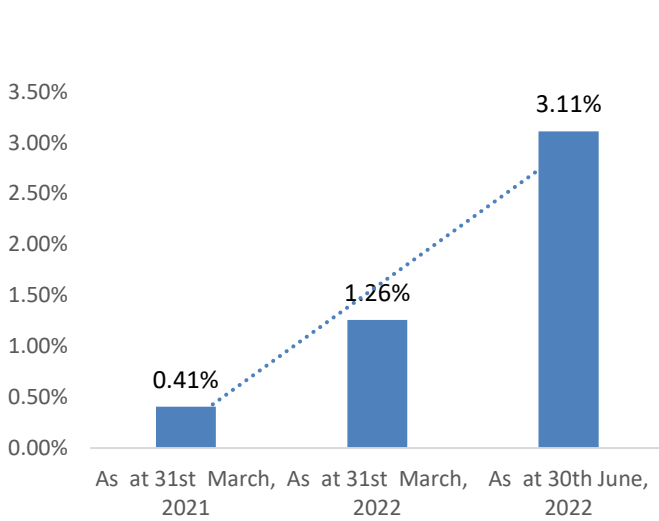
The company's payables, receivables and inventory turnover ratios has been inconsistent suggesting inconsistent management of receivables, payables, and inventory.

The company has a debt-equity ratio of 2.74 times up to June 2022. The same is expected to decrease with the infusion of Equity Capital and repayment of loans.

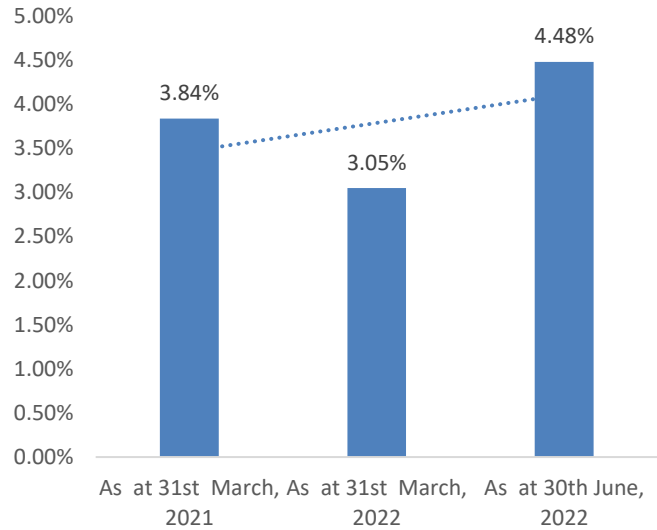
Financial Charts

***The charts have not been annualised.**

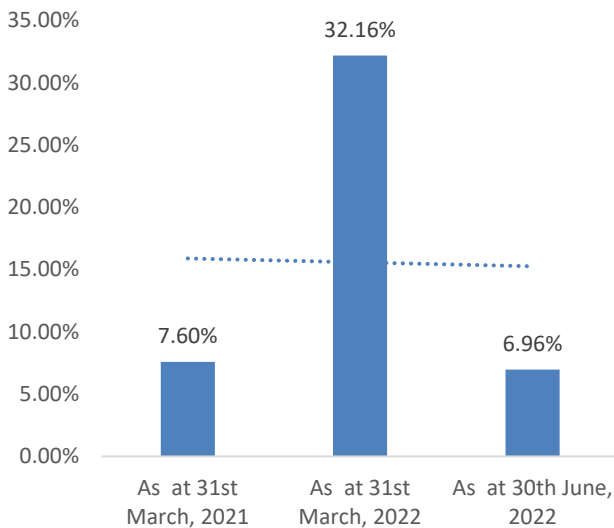
Net Profit Margin



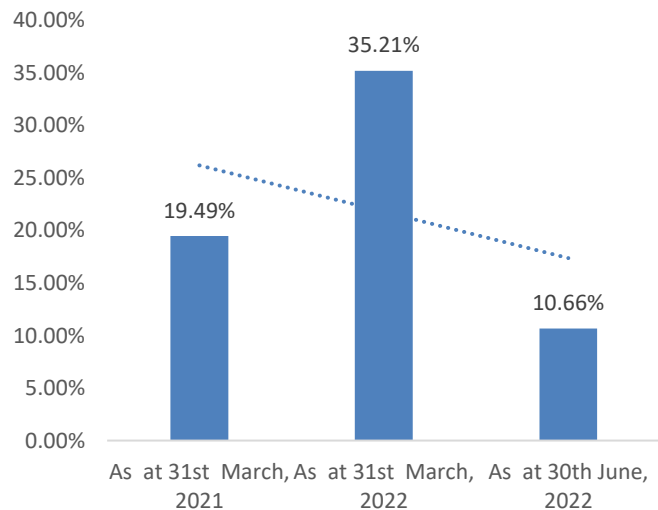
EBITDA Margin



Return on Equity



Return on Capital Employed



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 218.811 Cr, which if determined against them, can affect financial conditions of the company.
2. Company has Contingent liability of Rs. 4.60 Lakhs as on June 30, 2022.
3. Company's top ten customers accounted for 62.97%, 55.43% and 64.40% of its revenue from operations for Fiscal 2020, Fiscal 2021 and Fiscal 2022 respectively.
4. Company's top ten suppliers accounted for 86.78%, 82.23% and 77.23% of its total purchase for Fiscal 2020, Fiscal 2021 and Fiscal 2022 respectively.

Track Record of 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.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	19.90
2.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	98.00
3.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	9.32
4.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	79.20
5.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	41.55
6.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	5.75
7.	Scarnose International Limited	6.60	55/-	27/06/2022	53.75
8.	Healthy Life Agritech Limited	10.00	10/-	26/07/2022	6.85
9.	Agni Green Power Limited	5.25	10/-	01/08/2022	27.20
10.	Upsurge Seeds of Agriculture Limited	22.81	120/-	11/08/2022	250.65
11.	Naturo Indiabull Limited	10.92	30/-	02/09/2022	15.70
12.	Mega Flex Plastics Limited	11.40	40/-	19/09/2022	41.20
13.	Containe Technologies Limited	2.62	16/-	30/09/2022	42.05

#CMP is taken as on 17th November 2022

Out of the last 10 listings, 2 opened at discount, 2 at par, and the rest with premiums ranging from 0.91% to 150% on the day of listing.

Recommendation

The company was established in the year 1994 and therefore has good track record of existence. The company's different segments have good prospect in future. The company has been able to generate healthy revenues for itself in the recent years but due decline in edible oil market the company's revenue has seen a setback.

After, the pandemic the company has shown good strength in its top line as well as bottom line, but the growth is also expected to sustain in the coming times, **but company is involved in certain litigations including tax related litigations amounting to Rs. 65 lacs and litigations involving group entities amounts to Rs. 218 Cr.**

The management outlook of the company is not the best. Although the promoter is well experienced in the line of business, but we believe that proper formation of Board of Directors has to be done in the coming times with hiring personnel having relevant educational background and experience for various managerial roles.

Taking into consideration the figures of FY 22, the PE of the company on post IPO basis is around 17.35 times which seems to be fairly priced.

To conclude, there are mixture of views and so we keep a **neutral** view on 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.