

**IPO Details**

<b>Opening Date</b>	Dec 05, 2022
<b>Closing Date</b>	Dec 07, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 42 per share
<b>Issue Size</b>	22,80,000 Equity Shares
<b>Application Amount</b>	₹ 1,26,000

**IPO Objective**

To Meet Working Capital Requirements
To Meet Issue Expenses
General Corporate Purpose

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	61,80,000	100.00%
Public	-	-

**Promoter of the Company**

- 1 Mr. Roshan Jain
- 2 Mr. Ankit Jain
- 3 Mr. Anekant Jain

**Competitive Strengths**

- 1 Strong team with experience and expertise.
- 2 Organizational stability.
- 3 Smooth flow of operations & Strong customer relationship.
- 4 Well-defined organizational structure.
- 5 Infrastructure and Integrated Manufacturing Facility.
- 6 Constant focus on developing a new and innovative product.
- 7 Geographical Advantage.
- 8 Eligible for incentives from State Government for investing under IT & ES policy of Chhattisgarh.

**Company Background**

- Company was incorporated in the year 2013 in Raipur, Chhattisgarh.
- Arham Technologies Limited is engaged in manufacturing of LED Smart Televisions.
- Company also manufacture Fans, Air Coolers and Mixer Grinders through third party manufacturers under brand 'STARSHINE'.
- Company also serves under Original Equipment Manufacturer ("OEM") business models for LED Televisions.
- Company plans to add other products in portfolio by way of white labelling.
- Company is strategically located in Electronic Manufacturing Cluster, in new Smart City of Raipur.
- As on the date of prospectus Company had 45 Employees.

**Financial Summary**

For the Period Ended	(In Lacs)		
	Sep-22	Mar-22	Mar-21
<b>Total Assets</b>	2,657.50	2,314.28	1,542.23
<b>Net Assets</b>	841.81	713.44	411.44
<b>Total Borrowings</b>	1,212.91	1,032.89	813.38
<b>Total Revenue</b>	2,140.06	3,727.37	2,280.11
<b>Profit After Tax</b>	128.37	302.00	203.76

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## Company Overview

Being Incorporated in 2013, Arham Technologies Limited is engaged in manufacturing of **LED Smart Televisions**. The company manufactures LED Televisions with different screen sizes under the brand '**STARSHINE**'. The company also manufacture Fans, Air Coolers and Mixer Grinders through third-party manufacturers. Company is strategically located in Electronic Manufacturing Cluster, in new Smart City of Raipur. Company is also setting up a manufacturing facility for Fans at their existing location. Raw materials like open cells, Electronic Circuits (Mainboard), cabinets and Back Light Units (BLU) are imported from China and Hongkong. Arham Technologies Limited serve under Original Equipment Manufacturer ("OEM") business models for LED Televisions. Company have also launched "D2C" website [www.starshine.co.in](http://www.starshine.co.in). Company is also listing its products on e-commerce platform i.e., Amazon and Flipkart etc.

## Analysis

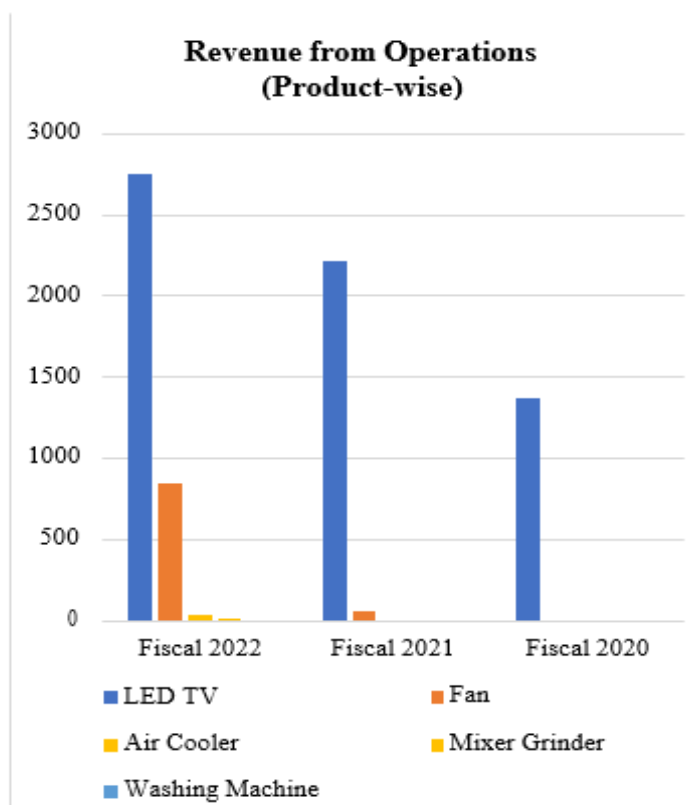
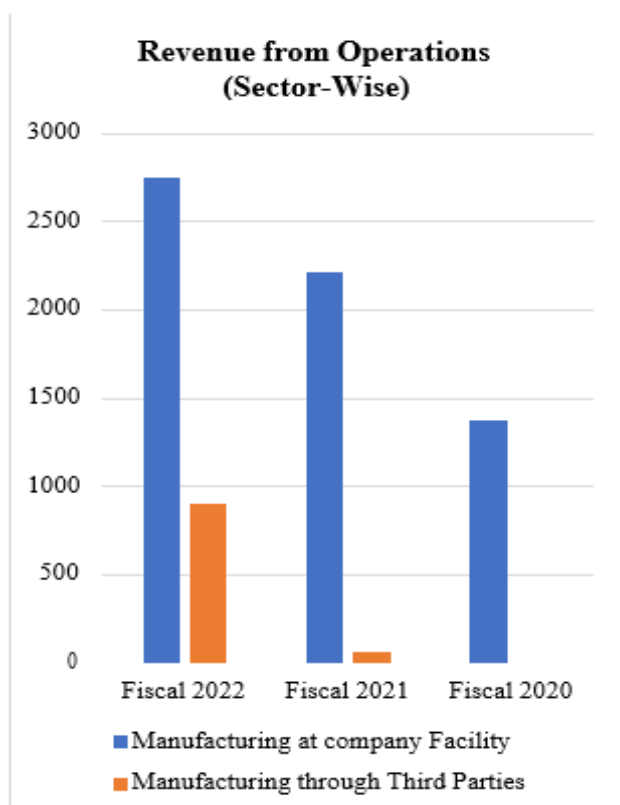
Arham Technologies Limited operates in consumable Durable Industry. Company is strategically located in Electronic Manufacturing Cluster, in new Smart City of Raipur. Chhattisgarh borders seven states i.e., Odisha, Andhra Pradesh, Telangana, Maharashtra, Madhya Pradesh Uttar Pradesh and Jharkhand which gives direct market access to these states. Inland port also gives an advantage to the location, which brings down cost of import and exports.

Company Operates in the following segments:

1. Manufacturing of LED Television (at its own manufacturing facility)
2. Manufacturing of Fan, Air Cooler, Mixer Grinder and Washing Machine (through third parties)

The revenue breakup from these segments is given in the table below -

Particulars	March 31, 2022 (Rs. in Lacs)	March 31, 2021(Rs. in Lacs)	March 31, 2020(Rs. in Lacs)
<b>Revenue from Operations</b>			
<b>Manufacturing (at Company's Manufacturing Facility)</b>			
□ LED TV (Starshine Brand)	2,521.44	2,075.93	1,292.81
□ LED TV (OEM Brand)	226.46	133.21	83.26
<b>Manufacturing through Third Parties:</b>			
□ Fan	846.36	57.63	-
□ Air Cooler	35.48	3.14	2.29
□ Mixer Grinder	12.02	5.58	-
□ Washing Machine	5.03	-	-
<b>Total</b>	<b>3,646.79</b>	<b>2,275.49</b>	<b>1,378.37</b>



Company's products include:

**Smart LED T.V**



**Fan**



**Air Cooler**



**Mixer Grinder**



**Washing Machine**



**Company's Installed Capacity & Capacity Utilisation: -**

Particulars	March 31, 2022	March 31, 2021	March 31, 2020
Production Capacity of LED Television (Nos.) per annum	84000	60000	36000
Capacity Utilization (Nos.) per annum	72960	45500	27600
% Of Utilization	86.86	75.83	76.67

To conclude, the company seems to be in a good product segment and has vast experience in consumer electronics market, as company comes from wholesale trading

background and then they have set up manufacturing facility. With growing E-Commerce market, Company has tremendous opportunity for D2C market, but Company also faces huge Competition from reputed Brands. If the company is able to take advantage of this growing industry and then the company has huge potential in coming years as this sector is promising and has immense potential.

**Industry Charts**

Exhibit 1: Market Size of Indian Consumer Durables Industry

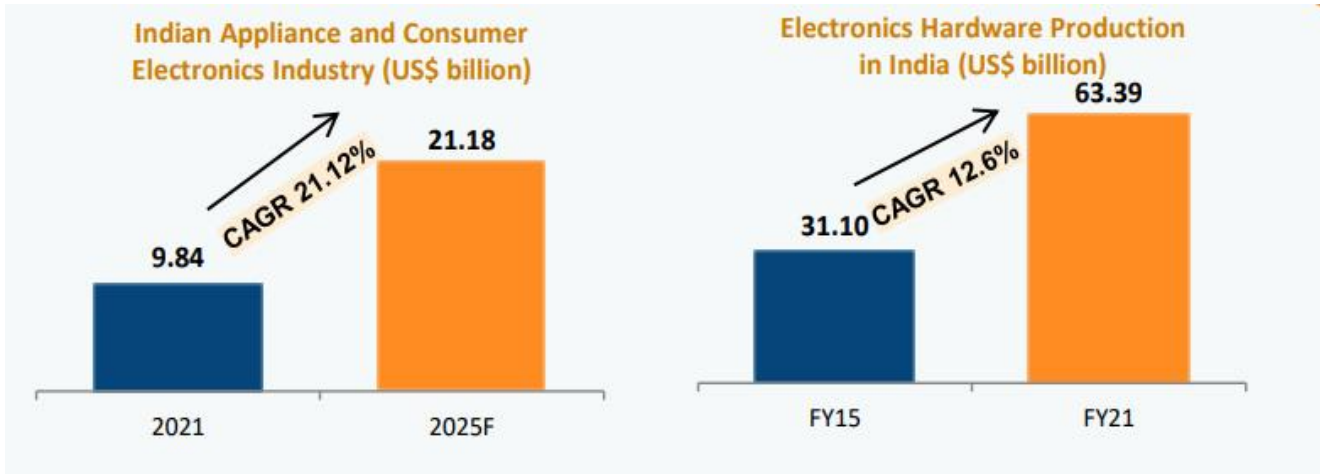


Exhibit 2: Sector Composition of Indian Consumer Durables Industry

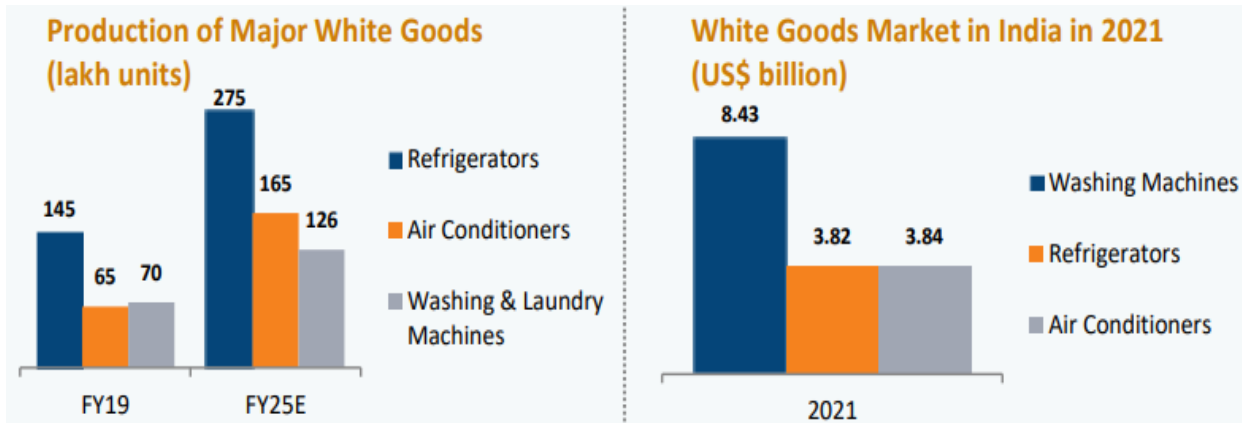
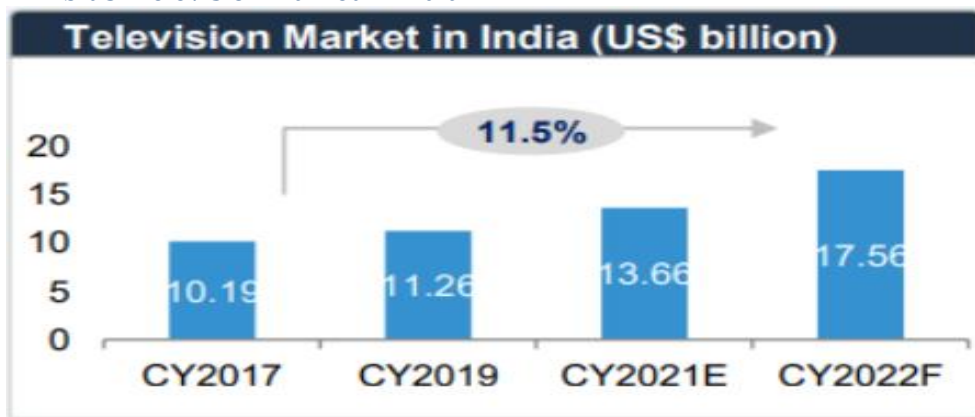


Exhibit 3: Television Market in India



(Source: ibef.org, prospectus)

## Investment Overview

### Indian Consumable Durables Industry

The Indian consumer durables market is broadly segregated into urban and rural markets and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class, and a small economically disadvantaged class. Global corporations view India as one of the key markets from where future growth is likely to emerge. The growth in India's consumer market would be primarily driven by a favourable population composition and increasing disposable income.

- Indian appliances and consumer electronics industry stood at US\$ 9.84 billion in 2021 and is expected to more than double to reach Rs. 1.48 lakh crore (US\$ 21.18 billion) by 2025.
- Electronics hardware production in the country stood at US\$ 63.39 billion in 2021.
- In FY20, TV penetration in India stood at 69%, driven by the DTH market.
- The total active DTH subscriber base stood at 68.52 million in December 2021.
- As of 2021, the refrigerator, washing machines and air conditioner market in India were estimated at around US\$ 3.82 billion, US\$ 8.43 billion and US\$ 3.84 billion, respectively.
- The market size of air conditioners is expected to grow to 165 lakh units by 2025 from 65 lakh units in 2019, while refrigerator's market size is expected to grow to 275 lakh units by 2025 from 145 lakh units in 2019.
- In 2021, TV shipments grew 24% YoY, with the smart TV market also registering 65% YoY growth.
- According to India Cellular & Electronics Association (ICEA), India has the potential to achieve a value of US\$ 100 billion in manufacturing of laptops and tablets by 2025.
- According to RedSeer, India's consumer digital economy is projected to reach US\$ 800 billion by 2030, from US\$ 85-90 billion in CY20, driven by increase in online shopping.

(Source: prospectus)



### **Addressable Market for Arham Technologies Limited**

Company currently caters its products mainly in Chhattisgarh but plans to expand business PAN India by increasing sales presence in states other than they are currently operational. Company is planning to expand to Uttar Pradesh, Bihar, Jharkhand, Maharashtra, Telangana, Andhra Pradesh, Rajasthan, Gujarat and then other parts of the Country. Being located in central part of India, company enjoys many geographical advantages.

### **Competition**

Company operates in the highly competitive industry. The Indian television and electronics market is highly competitive and is dominated by significant players comprising well renowned brands constitute a substantial share of the market. Moreover, the online sale of television sets has increased considerably in the past few years, posing a threat to conventional sales channels. Company's competitors have substantially large capital base and resources than company and offer broader range products.

### **Peer Analysis**

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

## Promoters' Profile and Management Analysis

### Mr. Roshan Jain



- Mr. Roshan Jain, aged 56 years, is the Promoter and Managing Director of the company.
- He holds degree of Bachelor of commerce.
- He has experience of 34 years as an entrepreneur.
- He is associated with the company since Incorporation.

### Mr. Ankit Jain



- Mr. Ankit Jain, aged about 33 years, is the Promoter and Executive Director cum Chief Financial Officer of the Company.
- He has an experience of 11 years as an entrepreneur.
- He holds a degree of BE in Electrical and Electronics and then completed Diploma in Entrepreneurship from IIT, Delhi

### Mr. Anekant Jain



- Mr. Anekant Jain, aged about 29 years, is the Promoter and Executive Director cum Chief Executive Officer of the Company.
- He has an experience of 7 years as an entrepreneur.
- He holds a degree of BE in Computer Science and then completed an Entrepreneurship certificate course from XLRI.

### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Roshan Jain**, aged about 56 years, is the Promoter and Managing Director of the company and have experience of 34 years as an entrepreneur. He started his entrepreneurial journey back in 1988. He has vast experience in working with various vendors and customers and has faced all lows and highs of business which is necessary to run a business successfully.

**Mr. Ankit Jain**, aged about 33 years, is the Promoter and Executive Director cum Chief Financial Officer the Company and have experience of 11 years as an entrepreneur. He holds a degree of BE in Electrical and Electronics and then completed Diploma in Entrepreneurship from Indian Institute of Technology, Delhi. Key skill sets being, New Product development, choosing right kind of parts to achieve the desired quality output, negotiations, using Innovative solutions to solve problem.

**Mr. Anekant Jain**, aged about 29 years, is the Promoter and Executive Director cum Chief Executive Officer of the Company and have experience of 7 years as an entrepreneur. He holds a degree of BE in Computer Science and then completed an Entrepreneurship certificate course from XLRI.

**Mrs. Rukmani Jain**, aged about 56 years, is the non-executive director of the Company and have experience of 25 years as an entrepreneur. With more than 25 years of experience in Human Resource, highly skilled in Behaviour Analysis, she brings tremendous balance in Board of Arham Technologies Limited.

To conclude, the management of the company looks decent. The company's promoters are well experienced in the business line. The business seems to be primarily run by its promoters that is Mr. Roshan Jain and his sons. The independent directors are also well educated and experienced and could be a great driving force for the company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
<b>Profit and Loss</b>			
Revenue from operations	2,275.49	3,646.79	2,138.64
Other income	4.62	80.58	1.42
Total Revenue	2,280.11	3,727.37	2,140.06
Expenses	1,898.71	3,169.23	1,888.42
Depreciation and Amortisation Cost	48.75	25.69	13.35
Finance Cost	60.96	110.24	65.42
Total Expenses	2,008.42	3,305.16	1,967.19
PBT	271.69	422.21	172.87
PBT Margin	11.94%	11.58%	8.08%
EBITDA	376.78	477.56	250.22
EBITDA Margin	16.56%	13.10%	11.70%
Net Profit	203.76	302.00	128.37
Net Profit Margin	8.95%	8.28%	6.00%
<b>Balance Sheet</b>			
Total Borrowings	813.38	1,032.89	1,212.91
Net Worth	411.44	713.44	841.81
Fixed Assets	345.54	222.94	250.80
Net Working Capital	1194.96	2009.79	2325.13
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	2.69	3.83	1.63
Receivables Turnover Ratio	7.87	3.86	2.90
Payables Turnover Ratio	40.92	8.51	5.38
Fixed Assets Turnover Ratio	6.59	16.36	8.53
Return on Capital Employed	56.29%	41.06%	18.14%
Return on Equity	49.52%	42.33%	15.25%
Debt-Equity Ratio	1.98	1.45	1.44

(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 376.78 lacs in 2021 to Rs 477.56 lacs in 2022 and Rs. 250.22 lacs up to September 2022 and if we annualise the same it would be around Rs. 500.44 lacs growing at a CAGR of 15.25%. The EBITDA margin in 2021 was 16.56%, 13.10% in 2022 and 11.70% up to September 2022. EBITDA margin has decreased due to increase in employee benefit expenses and other expenses as compared to the sales.

### **Net Profit**

The net profit of the company has grown from Rs. 203.76 lacs in 2021 to Rs. 302.00 lacs in 2022 and Rs. 128.37 lacs up to September 2022 and if we annualise the same it would be around Rs. 256.74 lacs growing at a CAGR of 12.25%. The net profit margin in 2021 was 8.95%, 8.28% in 2022 and 6% up to September 2022. However, talking about the net profit margin, it has shown good strength and is not extra-ordinary and the decrease in margin can be again attributed to increase in Finance Cost.

### **Finance Cost.**

The company has incurred Rs. 110.24 lacs in the financial year 2022 mainly due to the long term and short-term loan availed from bank.

### **Financial Measures/Ratios**

RoCE of the company in 2021 was 56.29% vs 41.06% in 2022 and 18.14% up to September 2022. The RoCE has decreased due to substantial increase in profits and borrowings contributing to increase in the equity base of the company. Infusion of Equity Capital is likely to reduce the RoCE in coming times. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 11.85%

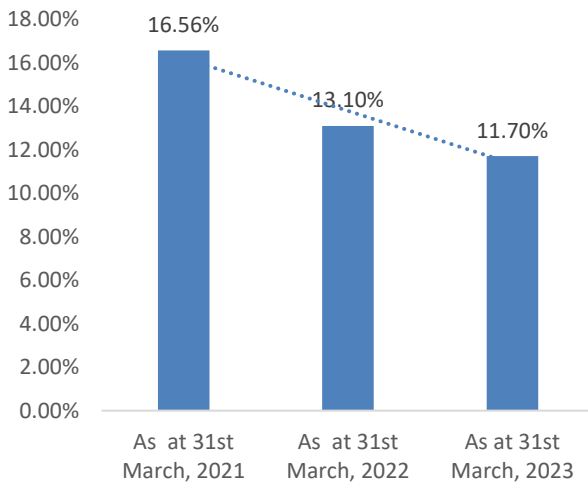
ROE of the company in 2021 was 49.52%, 42.33% in 2022 and 15.25% up to September 2022. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE to be around 13.32%.

The company has been able to effectively maintain its Receivables and Inventory, however it seems like the company has to pay its payables quite early and is not enjoying enough credit period.

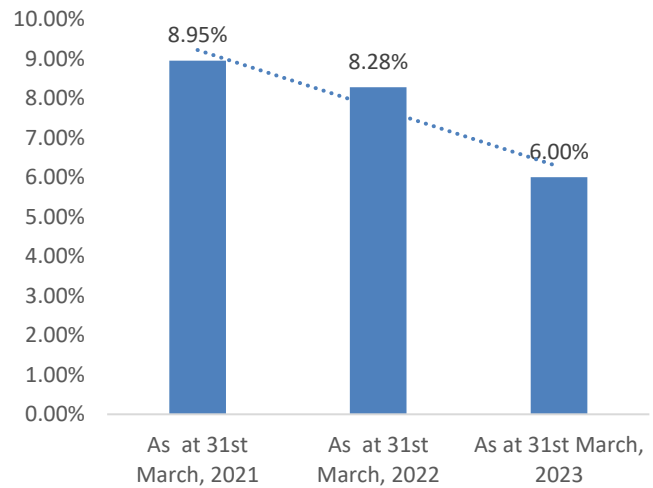
The company has a debt-equity ratio of 1.44 times up to September 2022. Debt-equity is expected to fall more with the infusion of new capital and is estimated to be around 0.62 times.

**Financial Charts**

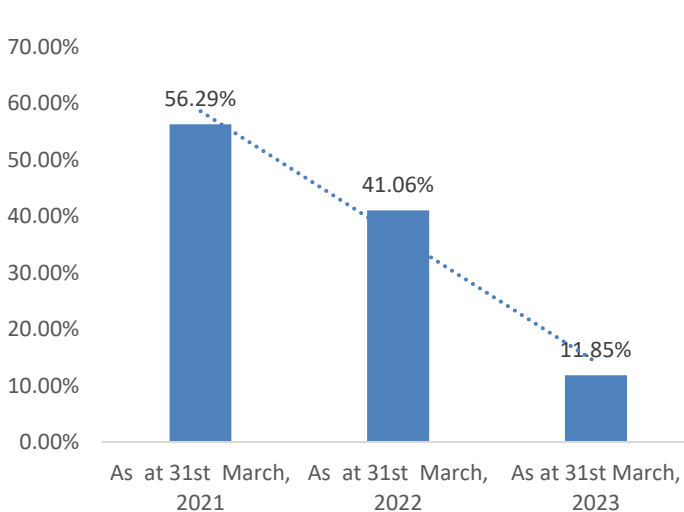
**EBITDA Margin**



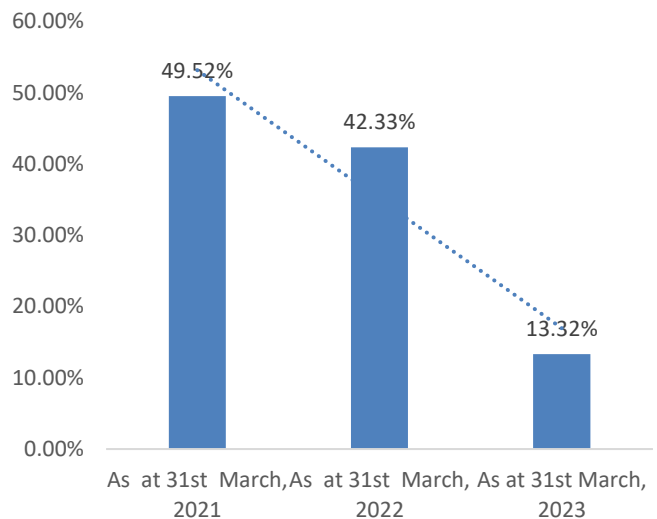
**Net Profit Margin**



**Return on Capital Employed**



**Return on Equity**



## Key Risk Factors

1. Company has unsecured loans of ₹ 100.60 lakhs outstanding as on September 30, 2022.
2. Company is significantly dependent of third party for procurement of various consumer electronic equipment like Fans, Air Cooler, Mixer Grinders and Washing Machines etc.
3. Company is exposed to risks associated with foreign exchange rate fluctuations.
4. The sale of LED TVs [Starshine Brand] is the largest contributor to the total revenue and contributes as much as 73.94%, 69.14 %, 91.23 %, and 93.79% to the company's revenue from operations in September 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.
5. The Company had negative cash flow from operating activity.



## 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.	Dynamic Services & Security Ltd.	24.13	51/-	13/10/2021	18.95
2.	Destiny Logistics & Infra Limited	5.39	20/-	13/10/2021	20.35
3.	Timescan Logistics (India) Limited	4.81	51/-	12/01/2022	140.00
4.	Safa Systems & Technologies Ltd.	4.00	10/-	09/02/2022	9.50
5.	Shigan Quantum Technologies Limited	22.70	50/-	11/03/2022	85.00
6.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	59.75
7.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	5.62
8.	Scarnose International Limited	6.60	55/-	27/06/2022	56.00
9.	Healthy Life Agritech Limited	10.00	10/-	26/07/2022	6.31
10.	Agni Green Power Limited	5.25	10/-	01/08/2022	23.70
11.	Upsurge Seeds of Agriculture Limited	22.81	120/-	11/08/2022	240.00
12.	Naturo Indiabull Limited	10.92	30/-	02/09/2022	15.25
13.	Mega Flex Plastics Limited	11.40	40/-	19/09/2022	41.50
14.	Containe Technologies Ltd	2.62	15/-	30/09/2022	68.35

### #CMP is taken as on 1<sup>st</sup> December 2022

This is the 32nd IPO of the Lead Manager, 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 has vast experience in Consumer Electronics Market and also has advantage of Geographical Location, Company have manufacturing facility very near to its market, and have strong presence in tier 2 and tier 3 market. Company operates in highly Competitive Industry with number of organised players.

The Revenue of the company has shown some good strength in recent years and has been growing at a CAGR of around 37.10% and with the increment in the new manufacturing facility for fans, the Revenue of the company is estimated to increase more. The company has however, shown some lack of profitability margins due to increase in the expenses.

The management outlook of the company is also good, and the promoters have good amount of experience in the field of business operations.

The company is getting listed at a PE of around 11.76 times on Post IPO basis making it a fairly priced IPO.

To conclude, with growing E- Commerce market, and having OEM clients, company have good opportunity for B2B and D2C market, which may increase company's profitability. The company has good prospect but faces competition from reputed brands and also the product base is good but not unique. Company may also take few years to gain Customer trust therefore it gives a mixture of reviews and so **risk averse investors should wait and risk seekers may apply.**

## 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.**