

IPO Details

Opening Date	Mar 08, 2023
Closing Date	Mar 10, 2023
Stock Exchange	BSE SME
Lot Size	2000 Shares
Issue Price	₹ 61 per share
Issue Size	12,26,000 Equity Shares
Application Amount	₹ 1,22,000

IPO Objective

Repayment of Unsecured Loans.
 Long-term working capital requirement.
 Meeting Public Issue Expenses.
 General Corporate Purpose.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	25,33,500	88.44%
Public	3,31,000	11.56%

Promoter of the Company

- Mr. Vimal Mishra
- Mrs. Priyanka Mishra

Competitive Strengths

- Experienced Promoter.
- Existing client relationship.
- Strategically located manufacturing facilities with modern machines.
- Quality Service.

Company Background

- Company was incorporated in the year 2022 in Ahmedabad, Gujarat.
- In 2015, Vimal Mishra with his wife has started partnership firm named "M/s Fortune Exports" to get into the international trade of "Agro Products".
- In the year F.Y. 2021, the partnership firm had started the cashew processing plant of 150 ton per annum nearby Ahmedabad.
- The Company is in the business of trading of cashew in to B2B Market.
- The Company is selling the Cashew to the wholesalers in the state of Gujarat only.
- Company also sells Cashew Nut shell which is the basic raw material to produce CNSL Oil.
- As of November 30, 2022, Company had 8 employees on its payroll.

Financial Summary

For the Period Ended	Nov-22	Mar-22	(In Lacs)
			Mar-21
Total Assets	977.07	1.05	-
Net Assets	293.70	0.85	-
Total Borrowings	363.56	0.05	-
Total Revenue	839.98	0	-
Profit After Tax	52.85	(0.15)	-

Tentative Timeline

Opening Date	Mar 08, 2023
Closing Date	Mar 10, 2023
Basis of Allotment	Mar 15, 2023
Initiation of Refunds	Mar 16, 2023
Credit of Shares to Demat	Mar 17, 2023
Listing Date	Mar 20, 2023

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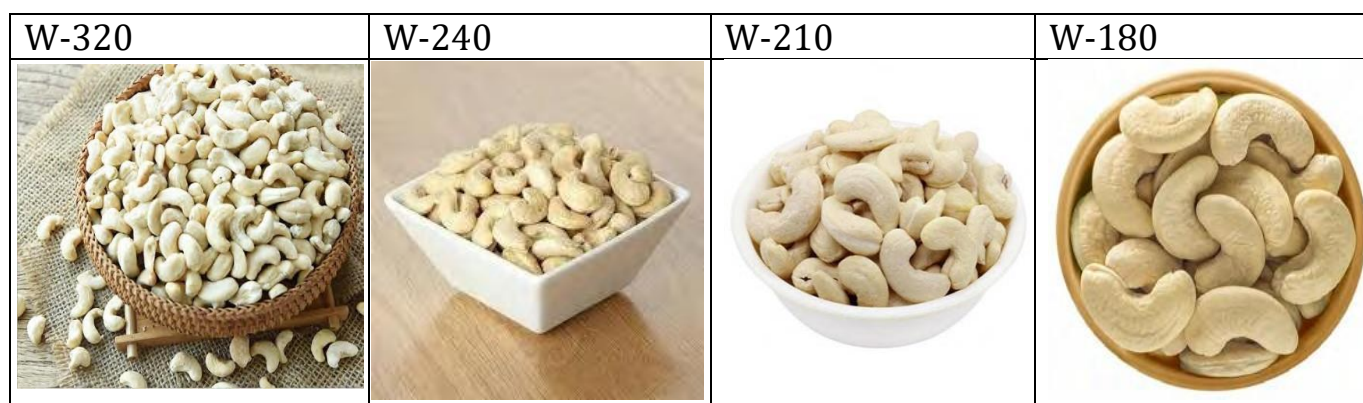
Company Overview

Prospect Commodities Limited was incorporated in the year 2022 in Gujarat. The Company had taken over the running business of partnership firm “M/s Fortune Exports” on 1st April, 2022. In the year F.Y. 2021, the partnership firm had started the cashew processing plant of 150 ton per annum nearby Ahmedabad. The Company is in the business of trading of cashew in to B2B Market. The Company is selling the Cashew to the wholesalers in the state of Gujarat only. The Company had instead of importing the RCN (Raw Cashew Nut) from other countries, which require to import in larger quantity and blocking of the Working Capital Fund, started buying the RCN from Gujarat who are importing from other countries and also from Kolam, Tuticorin and Mangalore. Company’s product includes Cashews of different grades and packed in 10 KG tin pack. The cashew husk which is after processing RCN is also by product and the same is also sold to Tannery Industries by the Company. Company also sells Cashew Nut shell which is the basic raw material to produce CNSL Oil.

Analysis

The company was incorporated in the year 2022, however the promoters had set up a Partnership firm in FY 2015 named “M/s Fortune Exports” to get into the international trade of “Agro Products”. “M/s Fortune Exports” was acquired by the company on 1st April, 2022. In the year F.Y. 2021, the partnership firm had started the cashew processing plant of 150 ton per annum nearby Ahmedabad.

Company’s product includes Cashews of different grades and packed in 10 KG tin pack. The Grade of the cashew nuts are on the basis of size of the cashew nuts and colour of the cashew nuts. The cashew husk which is after processing RCN is also by product and the same is also sold to Tannery Industries by the Company. Company also sells Cashew Nut shell which is the basic raw material to produce CNSL Oil which is useful in many industries like Paint / Oil / Laminates etc. During the Production the company also get the Broken cashew nuts, split cashew nuts which are also sold in the market. Company has following premium grades such as W400, W320, W240, W210 and W180, DW and SW.



CAPACITY UTILIZATION:

Processing Capacity	Up to November 30, 2022	2021-22	2020-21
Cashew Nut			
Installed Capacity (in Tonnes)	1200	600	150
Utilised Capacity (in Tonnes)	600	390	105
Capacity Utilisation (in %)	60	65	70

To conclude, although the company has acquired a partnership firm which was formed in 2015 but has recently started the business of processing of Cashews in FY 2021. Company is very new into the market with a revenue generation experience of only 1 year. The company is mainly dependent on one product i.e. Cashew which is a risky segment. During COVID-19, the price of cashew fell to the lowest it has been in the last 10-12 years. The value addition activities were affected negatively as a disrupted distribution channel tends to lower the value of end-products of cashew nuts in the market.

Industry Charts

Exhibit 1: State-Wise Share of Cashew Production in India (2021-2022)

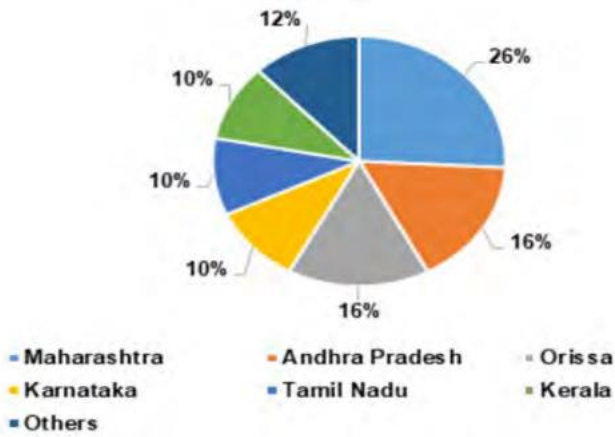


Exhibit 2: India’s Cashew Export Trend (Us \$ Million)

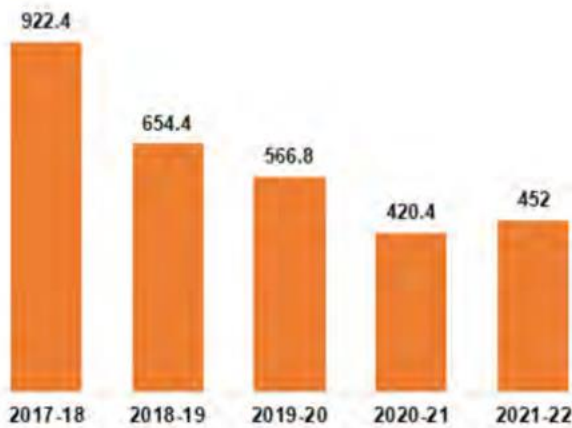
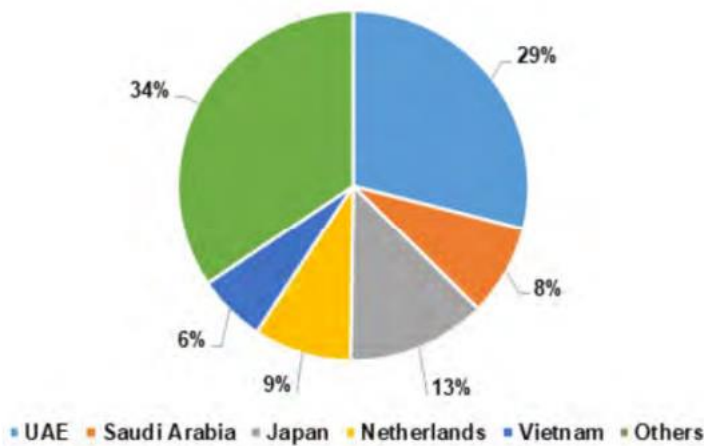


Exhibit 3: Country-Wise Share of India’s Cashew Exports (2021-2022)



(Source: Prospectus)

Investment Overview

INDIA CASHEW INDUSTRY

India is among the largest cashew-producing countries in the world. The cashew industry has large economic significance as it employs more than 10 lakh people on farms and factories in rural areas. The cultivation of cashew in India covers a total of 0.7 million hectares of land, and the country produces over 0.8 million tonnes (MT) annually. Between 2019-20 and 2021-22, India's cashew nut production grew from 0.70 million tonnes (MT) to 0.77 million tonnes (MT). In India, cashew cultivation spread along the coastal regions of the peninsula. Cashew is mainly grown in states like Maharashtra, Kerala, Karnataka, Tamil Nadu, Andhra Pradesh, Goa, Odessa, West Bengal, and some parts of the North-Eastern region. According to data published by the National Horticulture Board (NHB), Maharashtra stands first in annual cashew nut production during 2021-22 at 0.20 million tonnes (MT), growing from 0.19 million tonnes cashew nut produced in 2020-21.

Besides the vast scale of cashew production, India is also known for pioneering cashew processing and exporting cashew kernels across the globe. The cashew processing industry was earlier concentrated in Kollam (Kerala), Mangalore (Karnataka), Goa, and Vettapalam (Andhra Pradesh), but now it is spread across many states of India. Over the years, India has emerged as the global processing hub for the cashew industry.

India is the largest cashew exporter, with more than 15% of the world's export share. India primarily exports Cashew Kernels and very small quantities of Cashewnut shell liquid. During 2021-22, the cashew exports by value grew from US\$ 420 million in 2020-21 to US\$ 452 million in 2021-22, witnessing a growth of 7%. Between April-August 2022, cashew exports stood at US\$ 134.38 million. In terms of volume, India's cashew exports recorded an increase of 9% from 70.5 million kg in 2020-21 to reach 76.8 million kg in 2021-22. Between April-August 2022, cashew exports volume stood at 18 million kg. In March 2022, the country exported cashews worth US\$ 40.0 million, up from US\$ 33.6 million in February 2022.

(Source: Prospectus)

Addressable Market for Prospect Commodities Limited

At present the Company is in B2B Segment and also doing business in Gujarat Only. The company intends to enter into B2C business segment and semi wholesale to various restaurants. The company over a period of five years intends to enhance capacity from 600 tonnes to 2,500 tones and start the supplying in the state of Maharashtra, Madhya Pradesh, Rajasthan and Delhi. Company intend to cater to the increasing demand of the existing customers and also to increase the existing customer base by enhancing the distribution reach of the products in different parts of the country.

Competition

Company operates in competitive environment having large number of organised and unorganised players. All the cashew nut producing companies face competition at the National and International Level. The entry of new entrant is low as the capital requirement is high.

Peer Analysis

As Mentioned in the prospectus, the company has 1 listed company as its peer viz. Empyren Cashews Limited. A summary on the key financial parameters of the company is given in the table below –

Company	Prospect Commodities Limited	Empyren Cashews Limited
Net Profit (INR Cr)	0.53	3.31
EBITDA (INR Cr)	1.24	7.39
Return on Capital Employed	19.12%	11.80%
Return on Equity	17.99%	7.87%
EPS#(INR)	4.70	1.93
P/E* (Times)	12.97	109.34

*PE as on 07/03/2023

#EPS is based on post-IPO

Note: The figures for Prospects Commodities Limited are based on the restated standalone financial statements for the period ended on November 30,2022. The figures for Empyren Cashews Limited are based on financial statements for the period ended on March 31, 2022. Therefore, it is not possible to provide an industry comparison.

Promoters' Profile and Management Analysis**Mr. Vimal Mishra**

- Vimal Mishra aged 37 years, is Promoter and Managing Director of the Company.
- He has completed Bachelor of Commerce from Gujarat University in the year 2006.
- He has over all more than 17 years of experience in different fields.
- He been associated with the Company since its inception.

Mrs. Priyanka Mishra

- Priyanka Mishra aged 39 years, is the Promoter, Chairman & Non-Executive Director of the company.
- She has Completed Post Graduate Diploma in Business Administration, specialized in Finance management from Symbiosis Center for Distance Learning, Pune in the year 2009.
- She has overall more than 10 years of experience in the handling the Administration work, monitoring the Marketing and Financing team.

Analysis on the Company's Promoter and Board of Directors

Mr. Vimal Mishra, aged 37 years, is Promoter and Managing Director of the Company. He has completed Bachelor of Commerce from Gujarat University in the year 2006. He has over all more than 17 years of experience in different field like sales in charge, project manager and working with the logistic company. He is Expertise in Negotiations, handling Operations, team building, Administration & Finance Sectors. He handles the overall affairs of the Company

Mrs. Priyanka Mishra, aged 39 years, is the Promoter, Chairman & Non-Executive Director of the company. She has Completed Post Graduate Diploma in Business Administration, specialized in Finance management from Symbiosis Center for Distance Learning, Pune in the year 2009. She has overall more than 10 years of experience in the handling the Administration work, monitoring the Marketing and Financing team and motivates them to achieve the target industry in which the company is presently engaged. Currently she is looking after Admin / HR Activities of the company along with financial controller.

Mrs. Riddhi Vasita, aged 38 years, is Non-Executive Director of the Company. She had studied Bachelor of Arts from the Christ Church College, Kanpur. She has overall 23 years of experience in the Finance and loan department. She has been associated with the Company since December 23, 2022.

To conclude, the company's promoters and board of directors are well educated and experienced in the field in which company operates. Mr. Vimal Mishra handles the overall affairs of the company. The Non-Executive director and independent directors of the company does not seem to have experience in the relevant field.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2022	As at 30th Nov, 2022
Profit and Loss		
Revenue from operations	-	839.98
Other income	-	-
Total Revenue	-	839.98
Expenses	0.15	715.49
Depreciation and Amortisation Cost		31.47
Finance Cost		18.72
Total Expenses	0.15	765.68
PBT	-0.15	74.30
PBT Margin	-	8.85%
EBITDA	-0.15	124.49
EBITDA Margin	-	14.82%
Net Profit	-0.15	52.85
Net Profit Margin	-	6.29%
Balance Sheet		
Total Borrowings	0.05	363.56
Net Worth	0.85	293.70
Fixed Assets	-	134.90
Net Working Capital	0.90	350.12
Financial Measures (Annualised)		
Inventory Turnover Ratio		7.50
Receivables Turnover Ratio		2.19
Payables Turnover Ratio		9.04
Fixed Assets Turnover Ratio		14.37
Return on Capital Employed	-16.67%	11.07%
Return on Equity	-17.65%	7.42%
Debt-Equity Ratio	0.06	0.34

(The data has been taken and calculated from the financials given in the prospectus)

As the Company was incorporated in 2022 financial comparison of the company for previous years cannot be done.

Financial Charts

As the Company was incorporated in 2022 financial chart comparison of the company for previous years cannot be done.

Key Risk Factors

1. Company is involved in 1 litigation amounting to Rs. 38.95 lacs, which if determined against the company, can affect financial conditions of the company.
2. In the FY 2022-23 (up to November 30, 2022) the Revenue from top Five customers was 97.13% of the total turnover (including tax).
3. The procurement of raw material is subject to seasonal factors.
4. Company have experienced negative cash flows in previous year.
5. Company is fairly new in terms of revenue generation.

Track Record of Lead Manager

The lead manager to the issue is Interactive Financial Services limited and the previous issue details have been taken from 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	Listing date	CMP#
1.	Bhatia Colour Chem Limited	40.00	80.00	March 24,2022	45.25
2.	Global Longlife Hospital and Research Ltd	49.00	142.00	May 04,2022	45.50
3.	Rachana Infrastructure Ltd	76.28	135.00	June 10,2022	481.30
4.	Dipna Pharmachem Limited	15.21	38.00	September 08,2022	14.40
5.	Pace E-Commerce Ventures Limited	66.53	103	October 20, 2022	20.98
6.	Patron Exim Limited	16.69	27	March 06, 2023	26,98

#CMP is taken as on 07th March 2023

This is the 7th IPO of the Lead Manager, out of the last 6 listings, 1 opened at par, 4 at discount and rest at premium.

Recommendation

The company has a poor track record of experience with being incorporated in the year 2022 and generating proper revenues from FY 22-23. Company has limited Geographical Presence in the market. Our operations are limited to the state of Gujarat.

The product of the company seems to have a good prospect but one thing to also consider is that the company is entirely dependent on a single product i.e. Cashews. And at present the Company is in B2B Segment only.

The management of the company is although educated but lack experience in the field of operations and the responsibilities that they are handling.

The company is getting listed at a Post IPO PE of around 12.97 times which seems decently priced, looking at the peer company.

To conclude, the company is operating in a good product segment, but lack of experience and geographical presence makes it look unattractive and therefore one should wait as of now and **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.