

### IPO Details

<b>Opening Date</b>	Apr 28, 2023
<b>Closing Date</b>	May 03, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	1600 shares
<b>Issue Price</b>	₹ 78 per share
<b>Issue Size</b>	27,13,600 Equity Shares
<b>Application Amount</b>	₹ 1,24,800
<b>Amount Raised (Issue Type)</b>	₹21.17 Cr (Fresh Issue)

### IPO Objective

1. Working Capital Requirements.
2. General Corporate Purposes.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	73,59,775	98.00%
Public	1,50,225	2.00%

### Promoter of the Company

1. Mr. Balakrishnan Sukumarbalakrishnan

### Competitive Strengths

1. Experience and Track Record.
2. Experienced Promoter and Management team.
3. Established relationship with existing customers.
4. Comprehensive Marketing Services.
5. Progressive Employer.

### Company Background

- Innokaiz India Limited was incorporated on January 11, 2013 headquartered in Chennai, Tamil Nādu.
- The company provides corporate services and solutions.
- Innokaiz India Limited offers a comprehensive range of services covering Advertising and Marketing Solutions including Digital Marketing, Corporate Travel Arrangements, Gifting Solutions, Event Management etc.
- Recently, they have also ventured into new business vertical i.e., E-Commerce Business.
- As on date of filing of this Red Herring Prospectus, company have 35 employees on their payroll.

### Financial Summary

For the Period Ended	(INR In Lacs.)		
	Mar-21	Mar-22	Oct-22
<b>Total Assets</b>	3,871.07	4,972.47	4,763.15
<b>Net Assets</b>	1,051.09	1,842.72	2,453.00
<b>Total Borrowings</b>	103.52	132.17	93.62
<b>Total Revenue</b>	18,506.21	28,609.08	14,883.52
<b>Profit After Tax</b>	509.15	791.63	610.28

### Tentative Timeline

<b>Opening Date</b>	Apr 28, 2023
<b>Closing Date</b>	May 03, 2023
<b>Basis of Allotment</b>	May 08, 2023
<b>Initiation of Refunds</b>	May 09, 2023
<b>Credit of Shares to Demat</b>	May 10, 2023
<b>Listing Date</b>	May 11, 2023

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## Company Overview

Innokaiz India Limited was incorporated on January 11, 2013 headquartered in Chennai, Tamil Nādu, since inception they have successfully scaled up their capabilities and evolved as one stop solution for various corporate needs. The company provides corporate services and solutions, wherein they offer a comprehensive range of services covering Advertising and Marketing Solutions including Digital Marketing, Corporate Travel Arrangements, Gifting Solutions, Event Management etc. Recently, they have also ventured into new business vertical i.e., E-Commerce Business.

## Analysis

Being in operations since 2013, the company has a decent track record of existence but only one promotor has a decent experience in the industry. Until March, 2022 company use to generate its revenue from 3 different cities namely, Chennai, Hyderabad and Mumbai. Whereas from 31<sup>st</sup> March 2022 to 31<sup>st</sup> Oct 2022 they have generated all its revenue only from Mumbai.

Innokaiz India Limited revenue bifurcation: -

(Rs. In lacs)

Particulars	For the period ended 31.10.2022	Contribution	For the year ended 31.03.2022	Contribution	For the year ended 31.03.2021	Contribution
<u>Sales of Services</u>						
<u>Contract Charges Received</u>						
Chennai Sales	14,863.59	100.00%	15,835.39	55.38%	14,324.22	77.45%
Hyderabad Sales	0	0.00%	313.01	1.09%	300.34	1.62%
Mumbai Sales	0	0.00%	12,444.29	43.52%	3,870.45	20.93%
Total	14,863.59	100.00%	28,592.69	100.00%	18,495.01	100.00%

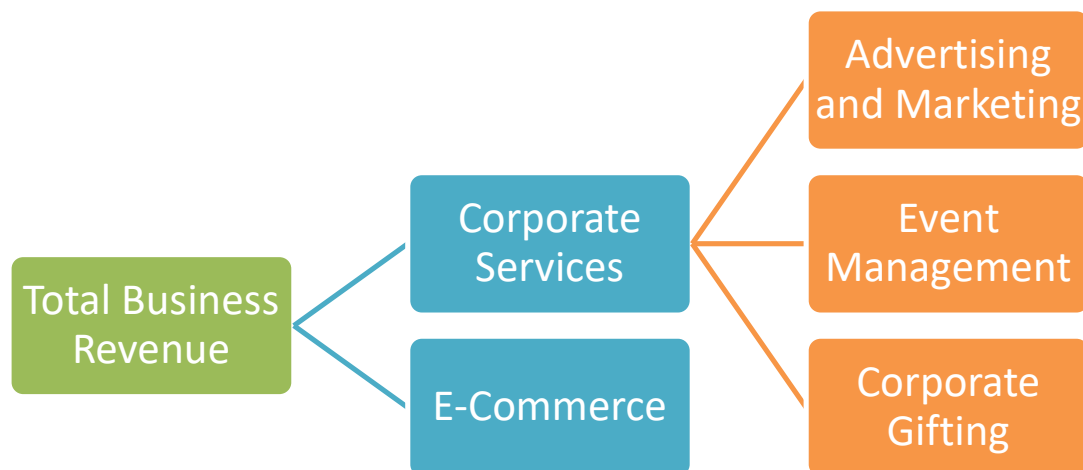
The company provides corporate services and solutions, wherein they offer a comprehensive range of services. Their spectrum of services are as follows: -

1. Advertising And Marketing Services.

- a. Outdoor Advertisements.
- b. Digital Marketing Services.
2. Event Management.
3. Corporate Gifting.

They have also ventured into new business vertical i.e., E-Commerce Business.

Innokaiz India Limited revenue model is summarized as below: -



To conclude, company operates in a very competitive atmosphere, whereas the business segment in which company operates has good prospect in the future and they are also planning to get into different verticals for growth in revenue. The company's revenue in current year till 31<sup>st</sup> Oct 2022 is only limited to one city.

**Industry Charts**

Exhibit 1: Global Advertising Market

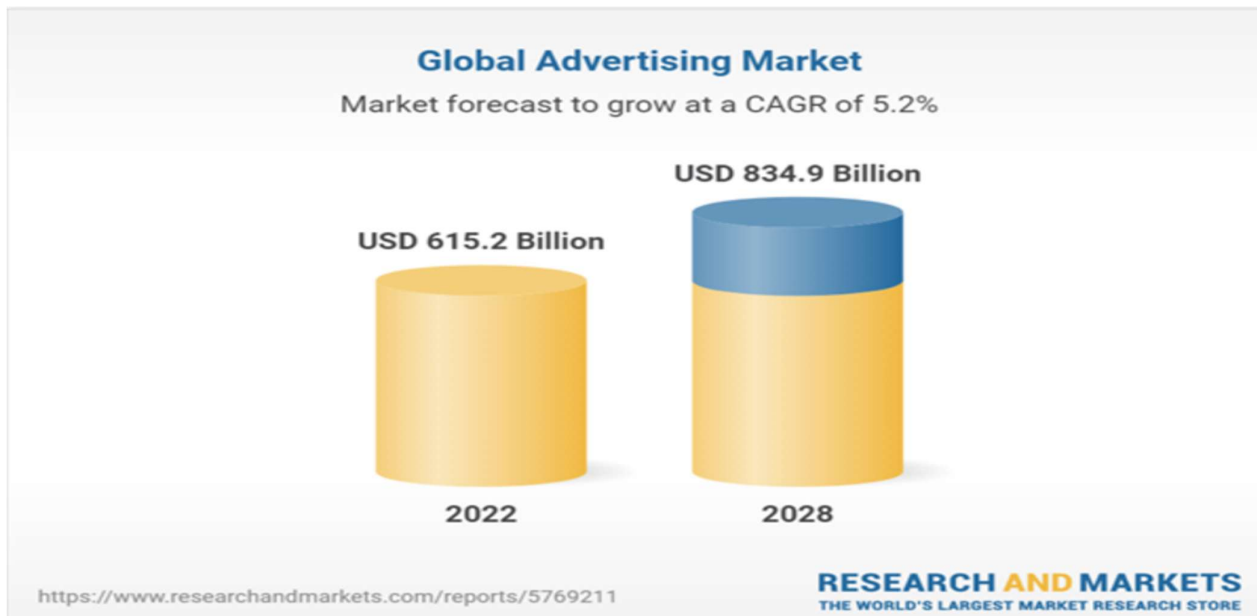


Exhibit 2: Global Events Industry Market



(Source- [www.alliedmarketresearch.com](http://www.alliedmarketresearch.com))

## Investment Overview

### **ADVERTISING AND MARKETING INDUSTRY IN INDIA**

The chances of achieving objectives and goals are greater when a company has an effective marketing strategy in place. Though there is always room for traditional strategies such as targeting the audience through television or radio, the modern consumer is progressively using other methods (the Internet, mobile phones, etc.) to access information. Here, social media marketing is vital, especially in a country like India which is one of the youngest in the world demographically and has a growing broadband market. It is not far-fetched to suggest that marketing strategies are the blood line of any business and that a company's long-term goals are dependent on their efficacy.

### **Marketing Industry Dynamics**

Marketers in India typically utilize television, print and the Internet for marketing their offerings. Some key figures related to these sub-segments are given below: The Indian media and entertainment (M&E) industry grew from Rs 728 billion (US\$ 11.74 billion) in 2011 to Rs 820 billion (US\$ 13.22 billion) in 2012, a growth of 12.6 per cent. Total advertising expenditure (Addax) across the media sector stood at Rs 327.4 billion (US\$ 5.28 billion) in 2012, while advertising revenues grew by 9 per cent. Print continued to dominate, accounting for 46 per cent of the advertising revenue at Rs 150 billion (US\$ 2.42 billion). Television led in the M&E industry while new media segments (like animation/VFX) and Films and Music segments also recorded discernible growth. Radio is projected to record a compounded annual growth rate (CAGR) of 16.6 per cent in the period 2012-17, post the roll out of Phase 3 licensing. The Indian M&E industry is expected to grow 11.8 per cent to garner revenues worth Rs 91,700 crore (US\$ 14.79 billion) in 2013, according to an industry report. Traditional media such as television, print and radio continue to dominate. However, other segments such as animation, visual effects, films and music are quickly gaining acceptance due to their content and the advantages of digitization. Conventional media such as television and newspapers remain the masses' preferred source for information and entertainment; they account for over four-fifths of the advertising revenue. However, the Internet has gradually been increasing its share in the advertising pie. Spends on digital media hovered just above 1 per cent of the total advertising

expenditure in 2005; in 2012, it stood at a respectable 7 per cent.

### **E-COMMERCE INDUSTRY IN INDIA**

In 2022, the Indian e-commerce market is predicted to increase by 21.5%, reaching US\$ 74.8 billion. E-commerce has transformed the way business is done in India. The Indian E-commerce market is expected to grow to US\$ 188 billion by 2025 from US\$ 46.2 billion as of 2020. By 2030, it is expected to reach US\$ 350 billion. India's ecommerce market is expected to reach US\$ 111 billion by 2024 and US\$ 200 billion by 2026. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. The number of internet connections in 2021 increased significantly to 830 million, driven by the 'Digital India' programme. Out of the total internet connections, ~55% of connections were in urban areas, of which 97% of connections were wireless.

The E-commerce industry has been directly impacting micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. Indian Ecommerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in the E-commerce sector will also boost employment, increase revenues from export, increase tax collection by exchequers, and provide better products and services to customers in the long term. The rise in smartphone usage is expected to rise 84% to reach 859 million by 2022

*(Source- Prospectus)*

### **Addressable market for Innokiaz India**

Company offers a comprehensive range of services covering Advertising and Marketing Solutions including Digital Marketing, Corporate Travel Arrangements, Gifting Solutions, Event Management etc. Recently, they have also ventured into new business vertical i.e., E-Commerce Business. Services that company offers has very less limitations in geographical outreach, which makes it easier for company to increase its presence. Currently, they are providing services majorly to Banks, Insurance Companies, Asset Management Companies. They should emphasis on scaling of their operations by increasing client base shall provide them with attractive opportunities to grow and also increased number of client relationships will add stability to their earnings.

### **Competition**

Company faces competition from other big and small size players in the same industry throughout the country. As they also propose to enter into new location. They are likely to face additional competition from those who have better capitalized their resources. There is not much barrier to entry as such if a new company or a firm wants to enter the market. Company also has very low bargaining power, this might impact future profit and profit margins.



## **PEER ANALYSIS**

As mentioned in the prospectus there are only 2 peer companies viz. DAPS Advertising Limited, Brandbucket Media & Technology Limited. An analysis of the same has been given below: -

<b>Company</b>	<b>Innokaiz India Limited IPO</b>	<b>DAPS Advertising Limited</b>	<b>Brandbucket Media &amp; Technology Limited</b>
Net Profit (INR Cr)	7.92	1.09	0.23
EBITDA (INR Cr)	11.00	1.80	0.45
Return on Capital Employed	56.19%	20.30%	6.16%
Return on Equity	42.96%	14.00%	4.12%
EPS (INR)#	10.23	3.14	0.73
Leading P/E (Times)	7.62*	13.00	38.20

\*Leading P/E as on 27/04/2023

#EPS is based on post-IPO

## Promoters' Profile and Management Analysis

### Mr. Balakrishnan Sukumarbalakrishnan



- Mr. Balakrishnan Sukumarbalakrishnan, aged 45 years, is the Founder, Promoter and Managing Director of the Company.
- He has a Diploma in Mechanical Engineering from State Board of Technical Education & Training, Tamil Nadu completed in the year 1995.
- He is the Director of the Company since Incorporation of the Company and He was later reappointed as Managing Director with effect from June 29, 2022.

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

**Mr. Balakrishnan Sukumarbalakrishnan**, aged 45 years, is the Founder, Promoter and Managing Director of our Company. He is the Director of the Company since Incorporation of the Company. He was later reappointed as Managing Director with effect from June 29, 2022. He has a Diploma in Mechanical Engineering from State Board of Technical Education & Training, Tamil Nadu completed in the year 1995. He has more than 9 years of experience. He primarily looks after the overall business and day-to-day operations of the Company. In the Company he is responsible for providing strategic advice and guidance to the members of the board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations.

**Mr. Selvaraj Durairaj**, aged 37 years, is the Executive Director of the Company. He was appointed as Additional Director of our Company with effect from July 14, 2018, later was regularised to Executive Director w.e.f. September 30, 2018. He has been associated with company since its incorporation. He has more than 9 years of experience. He has been responsible for the sales and marketing. Currently, he is Director of the Company and operations head and over sees the execution of each service of the company.

**Mr. Kesavapathy**, aged 60 is the Non-Executive Director of the Company. He was appointed as Non-Executive Director with effect from June 29, 2022. His role in the company includes overseeing whether company's programmes are being executed in right direction as per its aim and objectives, recommending business policies to the board governing the company, establishing long-term business plans for supporting the vision and values of the company.

**Ms. Sivagami R**, aged 30 is appointed as an Independent Director of the company with effect from September 06, 2022 for a period of 5 years. She has completed her Degree of Bachelor of Arts in Historical Studies from University of Madras in the year 2019. She has experience in the area of keeping the company up-to-date with latest business trends, developing better business techniques and practices.

**Mr. Ramamoorthy Kumaresan**, aged 38 is appointed as an Independent Director of the company with effect from June 29, 2022 for a period of 5 years ending on June 28, 2027. He has completed his Degree of Bachelor of Arts in Economics from University of Madras in the year 2007. He is guiding the Company with his Independent view and impartial opinion.

To conclude, the company's other directors does not have required qualifications in the industry in which the company belongs to. Mr. Balakrishnan Sukumarbalakrishnan, promotor and manging director of the company is the only board of member who have relevant experience. Roles and responsibility of the management overlaps with each other and this might cause conflicts of opinion.

**Financial Snapshot**

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st Oct, 2022
<b><u>Profit and Loss</u></b>			
Revenue from operations	18,495.01	28,592.69	14,863.59
Other income	11.20	16.39	19.93
Total Revenue	18,506.21	28,609.08	14,883.52
Expenses	17,784.43	27,492.92	14,026.08
Depreciation and Amortisation Cost	7.11	18.40	11.25
Finance Cost	15.07	16.17	7.21
Total Expenses	17,806.61	27,527.49	14,044.54
PBT	699.60	1,081.59	838.98
PBT Margin	3.78%	3.78%	5.64%
EBITDA	710.58	1,099.77	837.51
EBITDA Margin	3.84%	3.85%	5.63%
Net Profit	509.15	791.63	610.28
Net Profit Margin	2.75%	2.77%	4.11%
<b><u>Balance Sheet</u></b>			
Total Borrowings	103.52	132.17	93.62
Net Worth	1,051.09	1,842.72	2,453.00
Fixed Assets	42.90	54.37	43.12
Net Working Capital	790.99	1,498.34	2,075.03
<b><u>Financial Measures (Annualised)</u></b>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	10.45	13.29	11.91
Payables Turnover Ratio	11.89	15.05	9.43
Fixed Assets Turnover Ratio	431.12	525.89	344.70
Return on Capital Employed	63.19%	56.19%	32.80%
Return on Equity	48.44%	42.96%	24.88%
Debt-Equity Ratio	0.10	0.07	0.04

(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 increased from Rs. 710.58 lacs in 2021 to Rs. 1,099.77 lacs in 2022 and on 31<sup>st</sup> Oct 2022 it was Rs. 837.51 lacs and if we annualise the same it would be around Rs. 1,435.73 lacs. The EBITDA has shown good growth when annualised with a CAGR of 42.14%. The EBITDA margin in 2021 was 3.84%, 3.85% in 2022 and 5.63% up to 31<sup>st</sup> Oct 2022. CAGR seems to be sustainable with low EBITDA margins. Increase in EBITDA and its margin from March 2022 to 31<sup>st</sup> Oct 2022 is due to decrease in cost of operation, i.e., percentage contribution of expenses towards EBITDA has decreased and employee benefits expense have also decreased.

### **Net Profit**

The net profit of the company has grown from Rs. 509.15 lacs in 2021 to Rs. 791.63 lacs in 2022 and as on 31<sup>st</sup> Oct 2022 it was Rs. 610.28 lacs and if we annualise the same it would be around Rs. 1,046.19 lacs growing at a CAGR of 43.35%, CAGR seems sustainable. The net profit margin in 2021 was 2.75%, 2.77% in 2022 and 4.11% up to 31<sup>th</sup> Oct 2022. The Net Profit Margin of the company has shown a good growth. Increase in net profit March 2022 to 31<sup>st</sup> Oct 2022 is due to decrease in financial charges.

### **Finance Cost.**

The company's finance cost mainly comprises of Bank Charges, Interest on Term Loan and Loan Process Charges.

### **Financial Measures/Ratios**

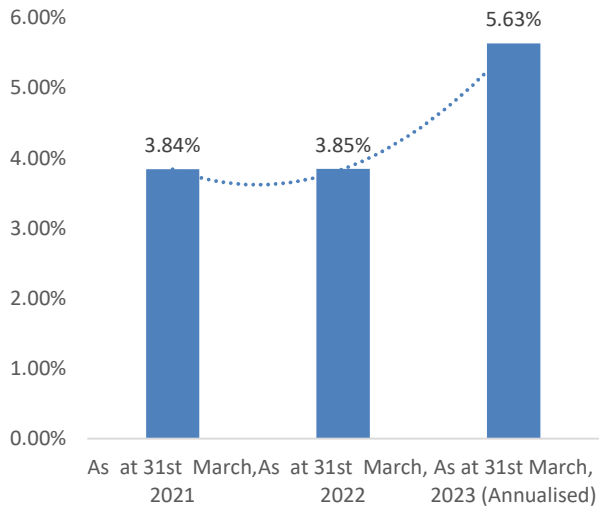
RoCE of the company up to 31<sup>st</sup> Oct 2022 is 32.80% vs 56.19% in 2022 and 63.19% in 2021. If we annualise the RoCE of FY 2022-2023, the ROCE is expected to be around 28.28%. Decrease in RoCE is due to extraordinary increase in Equity Share Capital i.e., from Rs 1lacs in 2021 and 2022 to Rs 751 lacs as of 31<sup>st</sup> Oct 2022.

ROE of the company in 2021 was 48.44%, 42.96% in 2022 and 24.88% up to Oct 2022, if annualised, ROE would be around 20.90%. Along with RoCE, ROE has also decreased due to increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of only -34.32%.

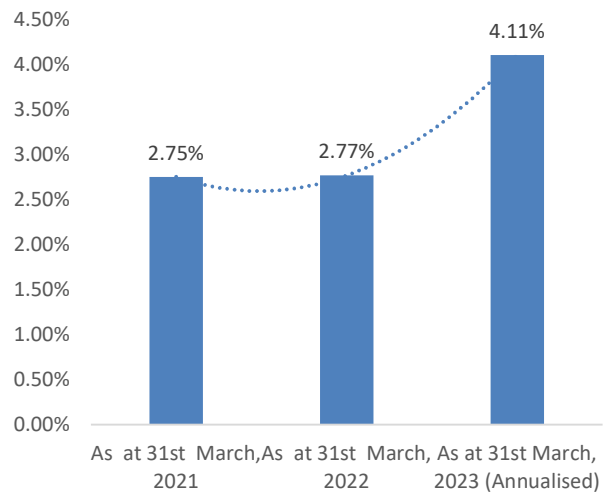
The company has a debt-equity ratio of 0.07 as of 31<sup>th</sup> Mar 2022 which shows the company was not highly leveraged. The debt-equity ratio is going to go down to around 0.04 times post IPO. The long-term borrowing that the company has is majorly due to car loan, this show promoters is not fully utilizing its opportunity such as bank loans in the favour of the company.

## Financial Charts

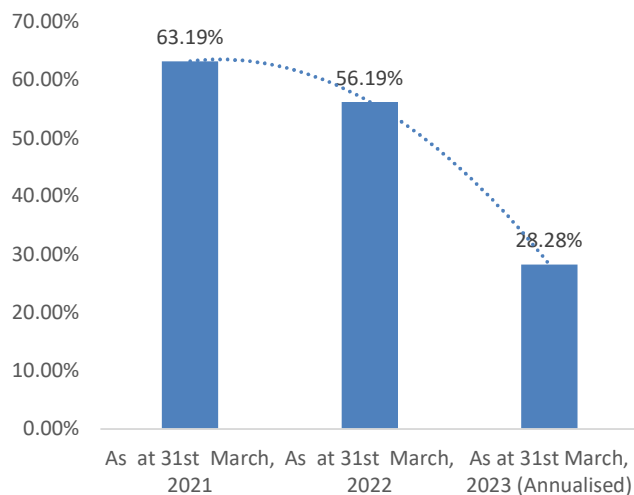
### EBITDA Margin



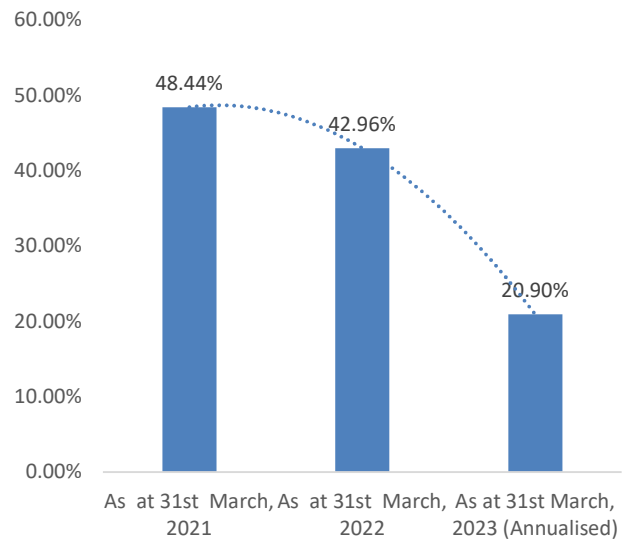
### Net Profit Margin



### Return on Capital Employed



### Return on Equity





## Key Risk Factors

1. There were Search conducted at the company's offices by Income Tax Authorities and Directorate General of GST Intelligence. The same matter is still pending before the Income Tax Authorities. The company have already made a payment of the amount Rs 50.00 Lacs towards the said matter but the case is yet to be concluded and it may draw financial penalty as well.
2. There are outstanding legal proceedings involving Company, Promoter, Directors and Group Companies. Any adverse decision in such proceeding may have a material adverse effect on Their business, results of operations and financial condition. Currently, all the legal proceedings are amounting to Rs. 9.05 lacs.
3. There is a litigation against the Company and the managing director Sukumar Balakrishnan u/s 406, 420 of Indian Penal Code, 1860. Currently the matter is notified for hearing. If the final order is decided against them, it may lead to a financial loss and criminal liability to the company.
4. Promoters and Key Managerial Personnel knowledge and experience play vital role in the functioning and operations of the business, whereas in this company the other directors are ill-equipped with required qualification and experience in the sector the company belongs.
5. The company has a negative cash flow from operating activity for the period ended as of Oct 31<sup>st</sup>, 2022 amounting to Rs. (493.48) lacs.

## Track Record of Lead Manager

The lead managers to the issue are Gretex Corporate Services Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Managers in recent times –

### Share India Capital Services Private Limited: -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Sudarshan Pharma Industries Ltd	50.10	73.00	Mar 22, 2023	72.33
2.	ResGen Limited	28.20	47.00	Mar 13, 2023	55.30
3.	Steelman Telecom Limited	26.02	96.00	Oct 10, 2022	62.80
4.	Reetech International Cargo and Courier Ltd	11.71	105.00	Oct 10, 2022	154.00
5.	Shantidoot Infra Services Limited	4.02	81.00	Sep 19, 2022	83.00
6.	B Right Realestate Limited	44.36	154.00	Jul 13, 2022	210.00
7.	Jayant Infratech Limited	6.19	67.00	Jul 13, 2022	74.41
8.	Sailani Tours N Travels Limited	1.90	15.00	Jul 08, 2022	35.00
9.	Goel Food Products Limited	7.21	72.00	Jun 28, 2022	130.45
10.	Clara Industries Limited	3.02	43.00	Dec 29, 2021	220.45

### #CMP is taken as on 27<sup>th</sup> April 2023

As per the offer document this is Gretex Corporate's 17th mandate in the last four fiscals (including the ongoing one). Out of the last 10 listings, 1 opened at discount, 1 at par and the rest listed at premiums ranging from 0.47% to 67.71% on the listing date. Thus, it has a decent track record.

## Recommendation

The company has been into this industry since 2013 and have a decent track record. However, the company has also managed to increase its revenue exponentially, but it has very low EBIT margins and net profit margins.

The company has been in an industry which is highly competitive and fragmented segment with many big players dominating the sales. Their revenue is also now limited to only 1 city from 3 cities previously.

The management outlook of the company is not so promising, as they have only one person in the top management with required work experience relating to the company operates in. Whereas the other directors have no similar background and knowledge.

The company is getting listed with a leading P/E of around 7.62 times which seems fairly priced, looking at the performance of the company over the past years.

In conclusion, given that with an exponential growth of revenue, along with very low EBIT margins and net profit margins, which can be sustained going forward looking at the company's growth strategy. But the company's promoters do not seem promising looking at their previous experiences and litigations against them, making this stock risky bet and one should wait and **Avoid** applying for this 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.**