

IPO Details	
Opening Date	Apr 19, 2023
Closing Date	Apr 24, 2023
Stock Exchange	BSE SME
Lot Size	4000 shares
Issue Price	₹ 30 per share
Issue Size	3,700,000 Equity Shares
Application Amount	₹ 1,20,000

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

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	82,64,000	80.70%
Public	19,76,000	19.30%

Promoter of the Company	
1.	Mr. Rakesh Dommati
2.	MS. Rajitha Koyyada

Competitive Strengths	
1.	Company has an excellent marketing team.
2.	Sells their products in Business to Business (B2B) category.
3.	Double Quality Checks.
4.	Core Technical Structure.
5.	Existing Supplier Relationship.
6.	Providing high quality with local prices.

Company Background	
○	Retina Paints Limited was established in the year 2010 headquartered at Hyderabad, Telangana.
○	The Company was established with the objective of manufacturing of Decorative Paints like Distempers, Primers, Wall Care Products, Emulsions, etc and further sell them to different Distributors.
○	Currently Company works on B2B Business Model, with an exposure in the markets of Telangana, Andhra Pradesh and Odissa.
○	They have water-based products in their basket, and are also aiming for oil-based products.
○	The company has setup a new manufacturing unit at Sy. No. 19, Rayaraopet Village and GP, Bibinagar Mandal, Yadadri-Bhongir Dist. Telangana.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Nov-22
Total Assets	3,418.27	5,899.95	7,075.71
Net Assets	95.41	219.74	1,240.73
Total Borrowings	614.11	588.01	433.44
Total Revenue	685.98	647.25	533.88
Profit After Tax	4.55	11.33	39.99

Tentative Timeline	
Opening Date	Apr 19, 2023
Closing Date	Apr 24, 2023
Basis of Allotment	Apr 27, 2023
Initiation of Refunds	Apr 28, 2023
Credit of Shares to Demat	May 2, 2023
Listing Date	May 3, 2023



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Company Overview

Retina Paints Limited was established in the year 2010 headquartered at Hyderabad, Telangana. Company is into manufacturing of Decorative Paints like Distempers, Primers, Wall Care Products, Emulsions, etc and further sell them to different Distributors. They source their raw materials at present indigenously for manufacturing of Paints. Their water-based paints are used for residential and for commercial buildings.

Company currently operates on B2B Business Model, wherein they sell their products to the dealers and distributors and then they sell it to the end customers. They have a huge network of Distributors in the markets of Telangana, Andhra Pradesh and also have presence in Odisha. They are planning to expanding in other states as well.

Analysis

Being in operations since 2010, the company has a decent track record of existence and promoters also have a decent experience in the industry. Company currently only produces water-based paints products and is aiming to produces oil-based products in future. Oil based products are applied on wood, iron, etc. which can help company increase their revenue substantially. Currently company is generating its revenue only from two cities i.e., Hyderabad and Vijayawada.

Retina Paints Ltd. revenue can be bifurcated as: -

Particulars (INR in Lacs)	For the year ended 31.03.2022	For the period from 01.04.22 to 30.11.22
Sale of Products		
Gross Sales - Hyderabad	568.23	677.17
Gross Sales - Vijayawada	114.22	49.74
Less: Interbranch Sales	(154.78)	(88.64)
Total	527.67	638.27

Product Portfolio:

Company has a few range of products in three main categories:

1. Paints- EXPO ULTIMAX, EXPO EXTERIOR EMULSION, GLOW PREMIUM, GLOW PREMIUM, ETC.



2. Textures- SPRAY PLASTERS.

3. Wall Putty- WALL CARE.



Capacity and Capacity Utilization:

Unit: Sy. No. 19, Rayaraopet Village and GP, Bibinagar Mandal, Yadadri-Bhongir Dist. Telangana

Capacity Utilisation Calculation for 2021-22		
Products	Textures (in tons)	Wall Putty (in tons)
Installed Capacity	10	10
Production (MT / Annum)	8	8
Capacity Utilisation	80%	80%

Unit: Plot No 8 / 1 / B, IDA Nacharam, Road Number 9, IDA Nacharam, Hyderabad, Medchal Malkajgiri, Telangana -500076

Product Name	Installed	Actual			Utilization (%)
		2019-20	2020-21	2021-22	
Paints (in tons)	8,000	1,600	1,500	1,400	17.50%
Textures (in tons)	1,000	200	150	100	10.00%
Wall `Putty (in tons)	1,000	200	150	100	10.00%



To conclude, company operates in a very competitive atmosphere. Wherein, major organised players such as, Asian paints, Berger paints, etc., enjoy a major market share. Whereas company have also put in decent efforts in creating some competitive strengths and developing business strategies.

Industry Charts

Exhibit 1: Global Paints & Coatings Market Size

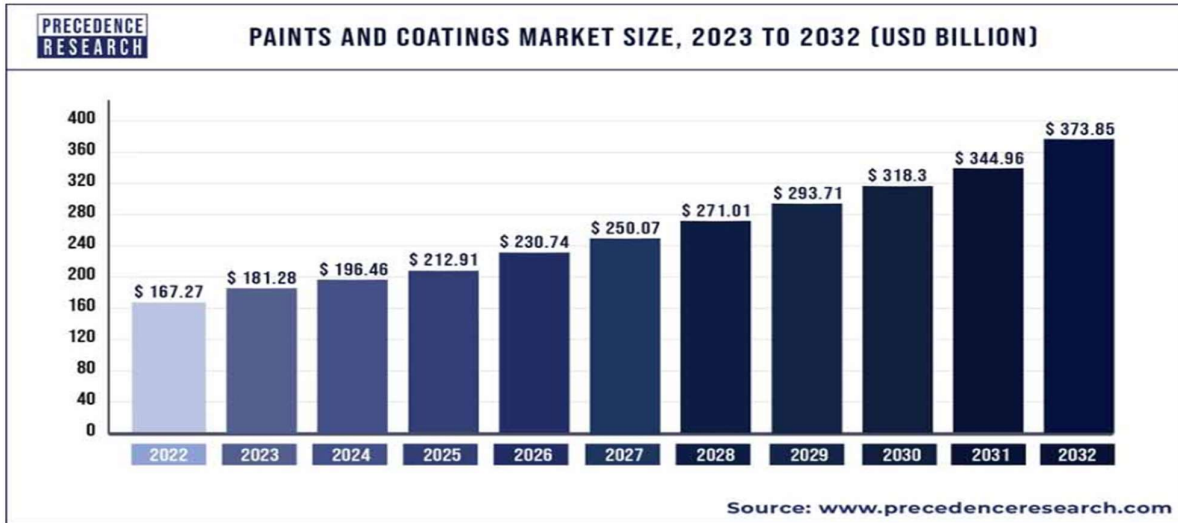


Exhibit 2: Paints and Coatings Revenue India



(Source- www.precedenceresearch.com)

Investment Overview

INDIAN PAINT INDUSTRY OUTLOOK 2025

The Indian paint industry has been witnessing a gradual shift in the preferences of people from the traditional whitewash to high quality paints like emulsions and enamel paints, which is providing the basic stability for growth of Indian paint industry. Besides, it is creating a strong competitive market, where players are utilizing different strategies to tap the growing demand in the market for a larger share. Moreover, rise in disposable income of the average middle class coupled with increasing investment on education; urbanization; development of the rural market; and various launches of many innovative products, like friendly, odour free, and dust & water-resistant paints, are major drivers that are propelling the growth of the paint market in India.

As per the report “India Paint Industry Outlook 2025”, provides study of Indian paints industry by value and volume, which is expected to grow at a CAGR of around 10% during 2021-22 to 2024-25 in value terms. The reports provide an in-depth detailed insight on the Indian decorative and industrial paint segment. This research is an outcome of extensive primary & secondary research, where industry trends are being identified. For the study, we have analysed industry expert insights from paint manufacturers, regional dealers and raw material suppliers, in order to build a macro and micro level understanding of the overall market and to explore opportunity in the prevailing market.

As per the report findings, decorative paints have the maximum demand. Thus, in the report a thorough study has been done on this segment, which has been segmented by application, by product class, by technology, by demand, by composition, by region and by tier cities.

The research also depicts key trends and drivers of the industry. Moreover, the report also includes business overview of key industry players, such as Asian Paints, Kansai Nerolac, Berger Paints, Akzo Nobel and Shalimar, along with comprehensive outlook of the sector’s present and future scenario. Overall, the report is a result of extensive research and prudent analysis that will be offering suitable knowledge base to those who are interested in this industry.

India Paints & Coatings Market Analysis

The Indian paints and coatings market is expected to reach around USD 7,645 million by the end of this year, and it is expected to register a CAGR of more than 7% during the forecast period of 2023-2028.

The COVID-19 outbreak had both short-term and long-term effects on several businesses, including a substantial impact on the construction industry, which is reflected in the market for paints and coatings throughout the country. As the government lifted limitations in 2021, the market began to grow steadily.

Growing demand from the construction industry, coupled with recovering automotive industry, is driving the need for the market studied. On the flip side, fluctuation in raw material prices is estimated to hamper the market's growth. The use of nanotechnology in the paints and coatings industry is expected to offer various market growth opportunities during the forecast period.

India Paints & Coatings Industry Segments

Paints and coatings are utilized in the architectural, automotive, wood, industrial, transportation, and packaging industries. They are intended for several applications, such as corrosion resistance, damage prevention, decorative reasons, and others. The Indian paints and coatings market is segmented by technology, resin type, and end-user industry. Through technology, the market is segmented into water-borne coatings, solvent-borne coatings, powder coatings, and radiation cured coatings. Through resin type, the market is segmented into acrylic, alkyl, polyurethane, epoxy, polyester, and other resin types. By end-user industry, the market is segmented into architectural, automotive, wood, protective coatings, general industrial, transportation, and packaging. For each segment, the market sizing and forecasts have been done based on revenue (USD million).

India Paints & Coatings Market Recent Developments

In October 2022, Asian paints announced that it would invest INR 2,650 crore (~USD 324.20 million) to set up a manufacturing facility for vinyl acetate plant monomer in India. This investment will help the company in backward integration.

In November 2021, Asian paints announced an investment of INR 9600 million (118.72 USD million) to expand the manufacturing capacity of its Ankleshwar,

Gujarat, facility. This expansion will aid in fulfilling the country's demand for paints and coatings.

(Source- Prospectus)

Addressable market for Retina Paints LTD

As a part of their growth strategy company focus is on increasing sales volume through expansion, diversification and spread in geographical outreach. Company is currently catering mainly in Telangana, Andhra Pradesh and Odisha because of capacity constraints but have started connecting to other states to understand their requirement. The company is pursuing lot of opportunities to increase its production capacity. With this increased production capacity, they shall grow their client base geographically.

Competition

The Indian decorative paint industry has historically been dominated by major entities, which aggregates major market share, as the industry presents significant entry barriers. These market entry barriers include the development of an extensive distribution network through long-term relationships with dealers, the ability to set up tinting machines with dealers, as well as significant marketing costs and the establishment of a distinct brand to gain product acceptance.

Company competes with few of the major players from the Organized Market and few from the Unorganized Market in the Paint Industry.

India Paints & Coatings Market Top Players

- 1 Akzo Nobel N.V.
- 2 Asian Paints
- 3 Berger Paints India Limited
- 4 Kansai Nerolac Paints Limited
- 5 Nippon Paint Holdings Co. Ltd

*Disclaimer: Major Players sorted in no particular order

India Paints and Coatings Market Concentration



Source: Mordor Intelligence



PEER ANALYSIS

Company	RETINA PAINTS LIMITED	Asian Paints Limited	Indigo Paints Limited
Net Profit (INR Cr)	0.11	3085.00	84.00
EBITDA (INR Cr)	0.54	5045.25	146.87
Return on Capital Employed	0.81%	30.00%	19.00%
Return on Equity	5.16%	23.00%	14.00%
EPS (INR)#	0.43	31.59	17.67
P/E (Times)	69.72*	70.60	43.70

* Leading P/E as on 14/04/2023

#EPS is based on post-IPO

Promoters' Profile and Management Analysis

Mr. Rakesh Dommati



- Mr. Rakesh Dommati, aged 38 years, is the Promoter and Managing Director of the Company.
- He has a degree in Master of Business Administration completed in the year 2008 from Kakatiya University
- He has around 12 years of experience across sectors in Business Development, execution of orders, etc.

Ms. Rajitha Koyyada



- Ms. Rajitha Koyyada is the Promoter and Whole Time Director of the Company.
- She is aged 41 years, holding a Degree of Master of Science from Osmania University, in the year 2008.
- She is associated with the Company since its Incorporation.

Analysis on the Company's Promoter and Board of Directors

Mr. Rakesh Dommati, aged 38 years, is the Promoter and Managing Director of the Company. He has a degree in Master of Business Administration completed in the year 2008 from Kakatiya University. He is the Founder and one of the First Directors of the Company, later he was designated as the Managing Director of the Company with effect from December 01, 2022 till November 30, 2027 for a period 5 years. He has around 12 years of experience across sectors in Business Development, execution of orders, etc.

Ms. Rajitha Koyyada, is the Promoter and Whole Time Director of the Company. She is aged 41 years, holding a Degree of Master of Science from Osmania University, in the year 2008. She was appointed as Non-Executive Director of the Company with effect from September 14, 2018, later she was Designated as Whole Time Director of the Company with effect from December 01, 2022 till November 30, 2027 for a period 5 years. She is associated with the Company since its Incorporation. She looks after the Production in the Company and overall management of the Company.

To conclude, the company's individual promoters have decent experience in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Nov, 2022
Profit and Loss			
Revenue from operations	685.76	638.28	527.67
Other income	0.22	8.97	6.21
Total Revenue	685.98	647.25	533.88
Expenses	635.87	584.25	446.99
Depreciation and Amortisation Cost	6.01	10.25	7.72
Finance Cost	35.33	32.75	20.04
Total Expenses	677.21	627.25	474.75
PBT	8.77	20.00	59.13
PBT Margin	1.28%	3.13%	11.21%
EBITDA	49.89	54.03	80.68
EBITDA Margin	7.28%	8.46%	15.29%
Net Profit	4.55	11.33	39.99
Net Profit Margin	0.66%	1.78%	7.58%
Balance Sheet			
Total Borrowings	614.11	588.01	433.44
Net Worth	95.41	219.74	1,240.73
Fixed Assets	304.91	373.51	958.23
Net Working Capital	234.09	254.79	517.70
Financial Measures (Annualised)			
Inventory Turnover Ratio	2.67	1.94	2.05
Receivables Turnover Ratio	1.88	1.73	2.17
Payables Turnover Ratio	2.29	2.03	2.30
Fixed Assets Turnover Ratio	2.25	1.71	0.84
Return on Capital Employed	1.47%	0.81%	4.58%
Return on Equity	4.77%	5.16%	2.53%
Debt-Equity Ratio	6.44	2.68	0.10

(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. 49.89 lacs in 2021 to Rs. 54.03 lacs in 2022 and on 30th Nov 2022 it was Rs. 80.68 lacs and if we annualise the same it would be around Rs. 121.02 lacs. The EBITDA on annualised basis has grown at a CAGR of 55.75%. The EBITDA margin in 2021 was 7.28%, 8.46% in 2022 and 15.29% up to 30th Nov 2022. CAGR seems healthy along with good EBITDA margins.

Net Profit

The net profit of the company has grown from Rs. 4.55 lacs in 2021 to Rs. 11.33 lacs in 2022 and as on 30th Nov 2022 it was Rs. 39.99 lacs and if we annualise the same it would be around Rs. 59.99 lacs growing at a CAGR of 263.09%. The net profit margin in 2021 was 0.66%, 1.78% in 2022 and 7.58% up to 30th Nov 2022. The Net Profit Margin of the company has increased drastically by roughly 7 folds.

Finance Cost.

The company's finance cost is mainly due to short terms borrowings and long-term borrowings availed by the company.

Financial Measures/Ratios

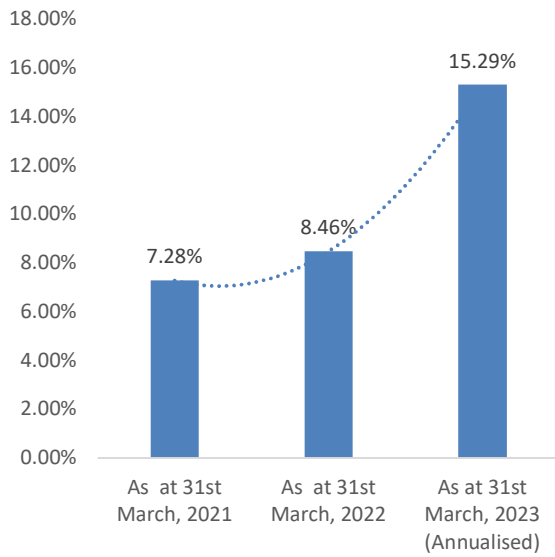
RoCE of the company up to 30th Nov 2022 is 1.13% vs 0.81% in 2022 and 1.47% in 2021. If we annualise the RoCE of FY 2022-2023, the ROCE is expected to be around 4.58%. Increase in RoCE is due to increase in EBIT margins.

ROE of the company in 2021 was 4.77%, 5.16% in 2022 and 3.22% up to Nov 2022, if annualised, ROE would be around 2.53%. The ROE in contrast RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -27.16%.

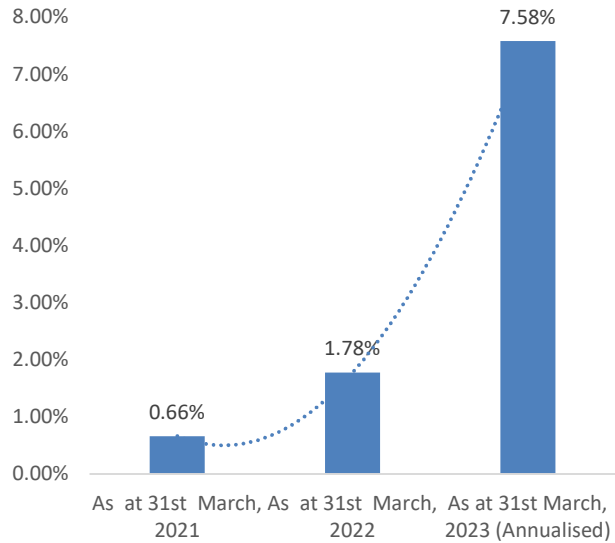
The company has a debt-equity ratio of 2.68 which shows the company was leveraged properly. The debt-equity ratio is going to go down to around 0.10 times post IPO.

Financial Charts

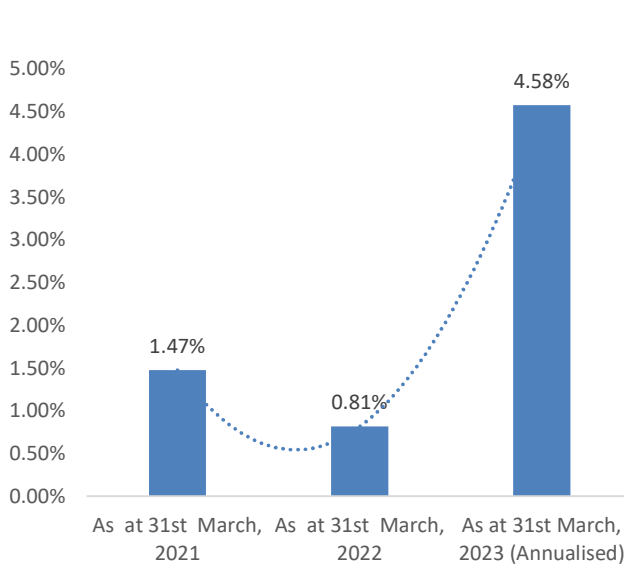
EBITDA Margin



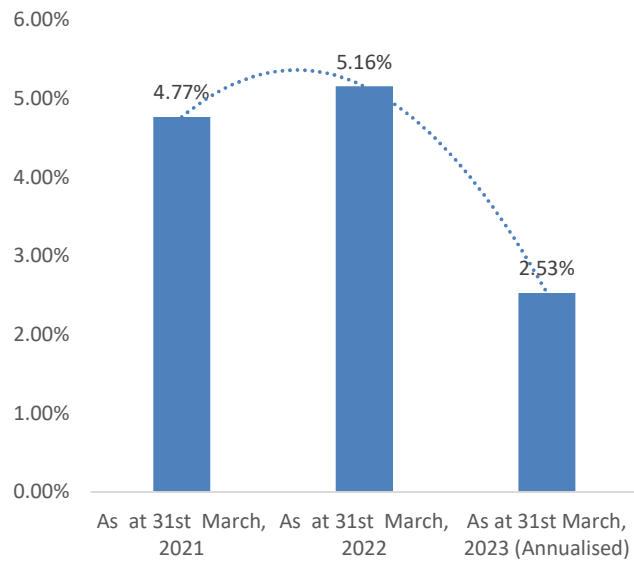
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company is involved in certain litigations including tax related litigations amounting to Rs. 5.77 lacs and 17 unascertainable litigations as well, if determined against the company, can affect financial conditions of the company.
2. Major players such as, Asian paints, Berger paints, etc., have already developed a strong relationship with their dealers and the community of painters. As these relationships plays a major role in business development.
3. Company have only recently introduced tinting machines, whereas its competitors have already established a great network of tinting machines with the help of its dealers.
4. As a paints manufacturing company, they have to deal with some harmful chemicals such as benzene, carcinogens, volatile organic compounds (VOCs), etc., any Inability to meet the quality standard norms prescribed by the central and state governments could result in the sales of products being banned or suspended or becoming subject to significant compliance costs, which could have a material adverse effect on the business growth and prospects, results of operations, financial condition, and cash flows.
5. Also, the uses of above-mentioned chemicals can affect the health of workers, putting them at risk of cancer. In case of no proper precautions, this may pertain to a litigation risk.

Track Record of Lead Manager

The lead manager to the issue is 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 Manager in recent times –

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	69.90
2.	ResGen Limited	28.20	47.00	Mar 13, 2023	54.85
3.	Steelman Telecom Limited	26.02	96.00	Oct 10, 2022	156.00
4.	Reetech International Cargo and Courier Ltd	11.71	105.00	Oct 10, 2022	60.80
5.	Shantidoot Infra Services Limited	4.02	81.00	Sep 19, 2022	84.95
6.	B Right Realestate Limited	44.36	154.00	Jul 13, 2022	210
7.	Jayant Infratech Limited	6.19	67.00	Jul 13, 2022	87.00
8.	Sailani Tours N Travels Limited	1.90	15.00	Jul 08, 2022	32.86
9.	Goel Food Products Limited	7.21	72.00	Jun 28, 2022	136.00
10.	Clara Industries Limited	3.02	43.00	Dec 29, 2021	234

#CMP is taken as on 13rd April 2023

Recommendation

The company has been into this industry since 2010 and have a decent track record. However, the company has only managed to make a small presence in the market by reaching the 6.85 crore turnover mark in 13 years.

Even with not so significant growth in revenue from operations, the net profit margins have increased significantly which raises some concerns.

The management outlook of the company is decent since their qualification related to the educational front is not so strong.

The company is getting listed at a P/E of around 69.72 times on post IPO basis, and also as per prospectus P/E ratio based on the Basic & Diluted EPS, as restated for FY 2021-22 is 176.47 which makes this issue a too pricey.

In conclusion, given that increase in company's net profit margin with not much increase in revenue, which makes it hard to sustain the growth going forward. Along with the P/E makes this IPO too aggressively priced, making this stock unattractive for long term growth 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.