

IPO Details

Opening Date	May 24, 2023
Closing Date	May 26, 2023
Stock Exchange	NSE SME
Lot Size	160 shares
Issue Price	₹ 771 per share
Issue Size	9,02,000 Equity Shares
Application Amount	₹ 1,23,360
Amount Raised (Issue Type)	₹69.54 Cr (Fresh Issue- ₹51.80 Cr & OFS - ₹17.74 Cr)

IPO Objective

1. Funding working capital requirements of the Company.
2. Funding working capital requirements of their material subsidiary namely, Prov Foods Private Limited; and.
3. General Corporate Purposes.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	25,43,386	92.29%
Public	2,12,382	7.71%

Promoter of the Company

1. Mr. Durga Prasad Jhawar
2. Mr. Deepak Kumar Agrawal
3. Mr. Shalin Sanjiv Khanna
4. Shree JMD Investment Advisors LLP

Competitive Strengths

1. Diversified product portfolio focused on various consumer segments and markets.
2. Established and stable sourcing base.
3. Using dry fruits broken and shells and skins of the raw material to derive maximum value realisation.
4. Experienced Promoters and Management team.

Company Background

- Proventus Agrocom Limited was incorporated in the year 2015 headquartered in Mumbai-Maharashtra.
- The company is an integrated health food brand with presence in entire range of dry fruits, nuts, seeds and berries and healthy snacking products across the value chain.
- In 2017, company launched the brand “ProV” and currently they have 100+ SKUs offering through subsidiaries, ProV Foods and Proventus Retail, that include the premium quality of dry fruits including almonds, cashews, walnuts, raisins and pistachios, sourced from the orchards across India and abroad.
- The motto of Proventus is to create expertise in healthy food products and build the revenue stream by moving across the value chain from origination to distribution and creating an integrated business model – “from farm to homes”
- As on date of filing of Red Herring Prospectus, company have 20 employees on their payroll.

Financial Summary

For the Period Ended	(INR In Lacs.)		
	Mar-21	Mar-22	Dec-22
Total Assets	8,843.36	10,131.13	9,735.37
Net Assets	5,160.50	5,282.75	5,483.32
Total Borrowings	2,940.72	3,444.05	3,061.13
Total Revenue	30,173.92	40,434.57	31,909.63
Profit After Tax	187.90	114.03	189.82

Tentative Timeline

Opening Date	May 24, 2023
Closing Date	May 26, 2023
Basis of Allotment	May 31, 2023
Initiation of Refunds	June 01, 2023
Credit of Shares to Demat	June 02, 2023
Listing Date	June 05, 2023

Table of Contents

1.	Company Overview.....
2.	Industry Charts.....
3.	Investment Overview.....
4.	Promoter & Promoters' Profile.....
5.	Financial Analysis.....
6.	Key Risk Factors.....
7.	Track Record of Lead Manager.....
8.	Recommendation.....
9.	Disclaimer.....

Company Overview

Proventus Agrocom Limited is an integrated health food brand with presence in entire range of dry fruits, nuts, seeds and berries and healthy snacking products across the value chain. Their approach in the space focuses on diversifying across the baskets and intensifying their presence across the value chain; in the end, being a ‘one-stop shop’ for consumers. The motto of Proventus is to create expertise in healthy food products and build the revenue stream by moving across the value chain from origination to distribution and creating an integrated business model – “from farm to homes”. The fundamental cornerstone of their approach is to capture the demand and supply stream by developing a strong base of sourcing and distribution. In 2017, company launched the brand “ProV” and today they have 100+ SKUs offering through their subsidiaries, ProV Foods and Proventus Retail, that include the premium quality of dry fruits including almonds, cashews, walnuts, raisins and pistachios, sourced from the orchards across India and abroad.

Analysis

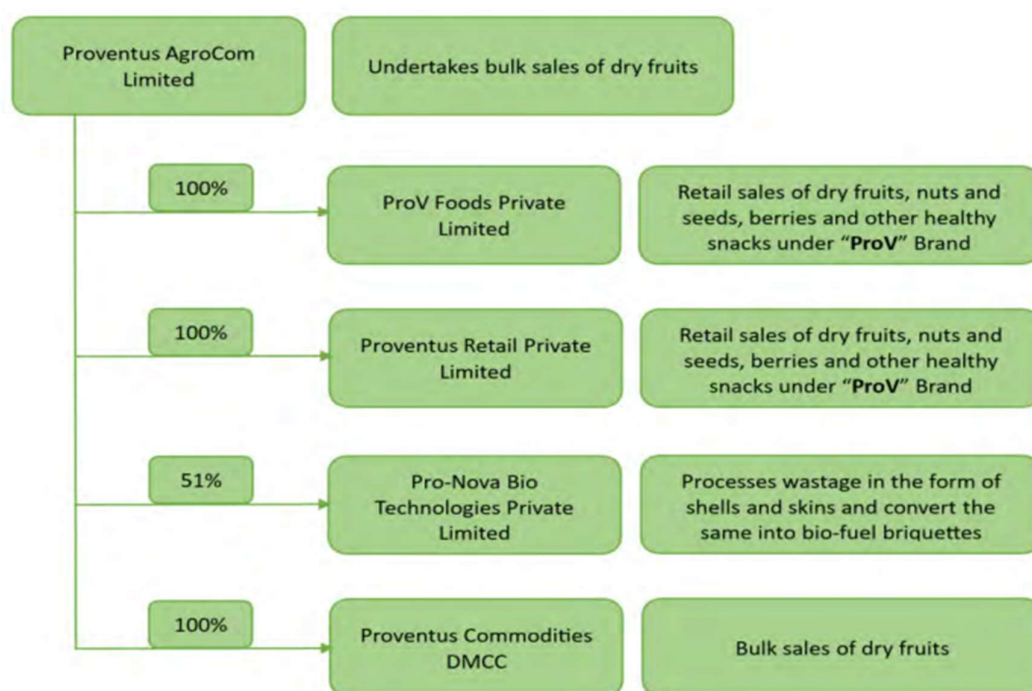
Being in operations since 2015, the company has a decent track record of existence, all the promoters of the company also have a decent experience in the industry. Company generates its revenue by outsourcing its entire range of products from 45+ growers and / or suppliers across the globe including California, Chile and Afghanistan and further selling it in two major forms one is through Bulk sales & white labelling (dry fruits, nuts & seeds) and “ProV” brand sales (Retail packaging), both contributing almost equally in the revenue.

Proventus Agrocom Ltd revenue bifurcation: -

Particulars	For the Period Ended Dec 31,22		For the year ended March 31					
			2022		2021		2020	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Bulk sales & white labelling	15,322.84	48.36%	29,687.88	73.72%	23,748.90	79.08%	38,540.86	43.00%
ProV brand sales	15,207.75	47.99%	7,676.15	19.06%	4,982.72	16.59%	3,505.01	3.91%
Bulk sales (other commodities)	1,156.63	3.65%	2,727.17	6.77%	1,299.02	4.33%	47,490.55	52.99%
Sale of shares	-	0.00%	178.90	0.44%	-	0.00%	83.71	0.09%
Total	31,687.22	100.00%	40,270.10	100.00%	30,030.64	100.00%	89,620.13	100.00%

Products sold by company are, Almonds, Pistachios, Cashews, Walnuts, Raisins, Trail mix and Other Dry Fruits, Nuts, Seeds & Berries. Company imports these products from different countries and as of December 31, 2022 the countries company import's from are, United States of America (61.18%), United Kingdom (22.60%), Afghanistan (14.26%), Chile (0.98%) and Dubai (0.98%). Further, they sell these products domestically and top 5 states contributing to their sales are Kerala, Maharashtra, Tamil Nadu, Karnataka and Gujarat.

Business Structure of Proventus Agrocom Ltd is as shown below: -



To conclude, the market for business segment company deals in is highly competitive. In the last few years, there has been a shift in consumer preference from unbranded / loose produce to branded products all the way down to Tier 2 city kirana stores also. As consumer preference gravitates towards better quality branded produce, they are looking for a trustworthy brand offering innovative products from natural to flavour augmented healthy snacks - this is where 'ProV' can be positioned, and company can take advantage of this to increase its revenue.

Industry Charts

Exhibit 1: Indian Snacks Market Share by Type of Players

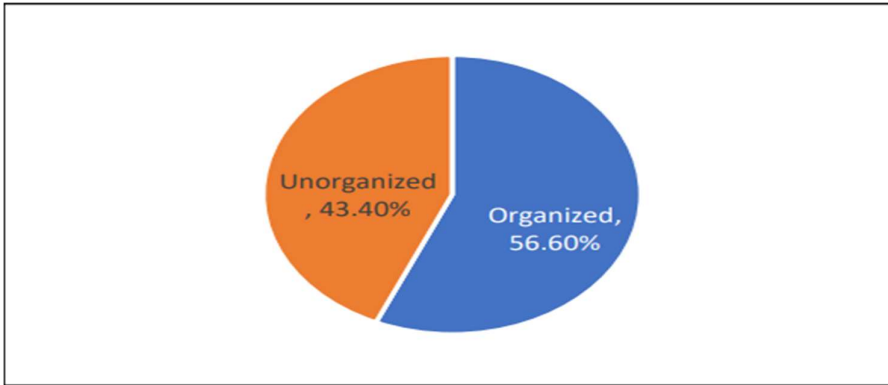


Exhibit 2: Indian Market Size of Nuts, Seeds & Berries (Values in US\$ Billion)

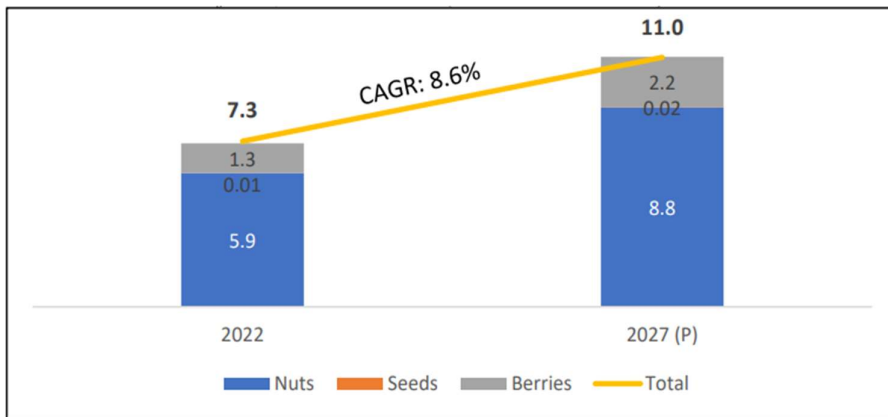
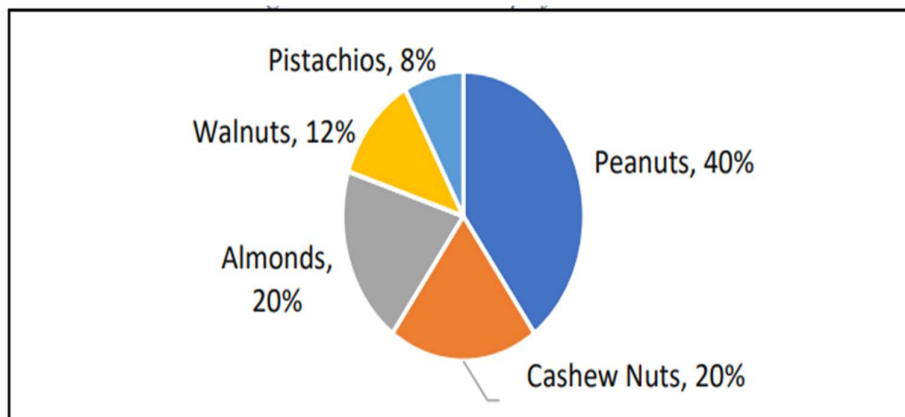


Exhibit 3: Market Breakup of Edible Nuts



(Source- Prospectus)

Investment Overview

INDIAN PACKAGED FOOD & BEVERAGE (F&B) INDUSTRY

The food & beverage industry contributes to 3% of India's GDP and around 2/3rd of the total retail market in India. More than 7.5 million people in India rely on the F&B sector for employment and income. This makes it the single-largest employer in the country. F&B also acts as an engine for other sectors of the economy such as transportation, retail, hospitality services and agriculture. The current market size of the Indian Food and Beverage Industry shows a great potential for higher profit and therefore is attracting enormous foreign investments.

INDIAN SNACK INDUSTRY

The Indian snack food market is estimated to be US\$ 6.6 billion and is growing at a CAGR of 6.3%. Consumers are increasingly replacing meals with snacks and reporting higher likelihood to eat a snack across all three standard mealtimes. With a significant increase in main meal skipping, it is important to note that 40% of consumers “skipped at least one main meal” in 2021 vs. 30% in 2013, with breakfast being the most skipped. Over half (55%) report their households make a meal out of snacks at least weekly. Members of Gen Z (those aged 16 to 24 years) along with slightly older millennials (25- to 34-year-olds), and specifically women within those demographics drive snacking growth.

OVERVIEW OF NUTS, SEEDS & BERRIES

The Indian edible nuts, seeds and berries market size is valued at US\$ 7.3 billion in 2022 and is expected to grow at a CAGR of 8.6%. Nuts have a dominant share in the Indian market.

Edible Nuts: - The Indian edible nuts market size is valued at US\$ 5.9 billion in 2022 and is expected to grow at a CAGR of 6.7%. Peanuts dominates the Indian market with a value share of 40%, followed by cashew nuts and almonds with a value share of 16% each.

Edible Seeds: - The edible seeds category has been nascent in India for the past few years with a growth rate of ~5%. This has been due to the lack of awareness around the category (demand factor) and limited supply because of a few small players in

the market. This trend is pegged to change because of increasing awareness and push by the penetration of online players. The market for edible seeds is pegged to grow at ~10% CAGR in the coming 5 years.

Dried Berries: - The Indian dried berries market size is valued at US\$ 1.3 billion in 2022 and is expected to grow at a CAGR of 10%. Raisins dominates the Indian market with a value share of 80%. Other dried berries (strawberries, prunes, goji berries) have a share of 6% in the Indian market.

CONCLUSION

India's consumption pattern has seen a great shift since the 90's. It went from embracing the regular meal as the only source of nutrition to having tonnes of food options to choose from. This transition was drastic & saw visible health repercussions as people moved to packaged food.

Today, the desire of consumers for self-preservation, enhanced vitality, and preventing the onset of illness in the short and long term is urging them to proactively make lifestyle and product choices that can not only alleviate these concerns, but also their enhance quality of life. They are slowly shifting from not eating just packaged food but healthy packaged food.

Given that dry fruits and nuts are nutritious, gluten-free, vegan, and very friendly to the Indian palate, many derived products such as bars, laddus, and bakery products are already popular. India is expected to witness a massive demand for dry fruits and nuts as healthy snacking alternatives in multiple product formats like on-the-go sachets, snack bars, breakfast bars, bliss balls, and nut butter cups infused with nuts and dried fruits.

(Source- Prospectus)

Addressable market for Proventus Agrocom

The company's pan-India distribution and easy availability of ProV can be used as an advantage of further expansion in other states and also globally. With growing consumer awareness, health and nutrition increasingly forming an inextricable attribute of new-age food culture, our snacking items as well as habits are gravitating towards healthy snacking in general. Also, post the Covid-19 pandemic, the world has evolved - be it business or lifestyle. And since this has not been restricted merely to urban areas and big cities but is also developing demand into rural pockets, healthy snacking has become a top priority.

Competition

The market for business segment company deals in is highly competitive India is a fast-growing health food market and this has given a boost to the Healthy Snacking market, with more and more brands making their way into the category. Brands such as Happilo, Natraj, Tulsi, Farmly, Nutty Gritties, Yoga Bar, etc. have created their presence in the category with their wide product portfolio, allowing their consumers to curb their cravings without giving up on their health goals. There is relatively less barrier to entry as they are mainly in the business of marketing and distribution.

PEER ANALYSIS

As mentioned in the prospectus there is only 1 peer company viz. Krishival Foods Ltd. An analysis of the same has been given below –

Particulars	Proventus Agrocom Limited			Krishival Foods Ltd.		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	0%	1%	-2%	6%	2%	2%
EBITDA Margin	1%	1%	-2%	13%	11%	8%
Return on Capital Employed	4%	4%	-38%	11%	5%	6%
Return on Equity	2%	4%	-44%	8%	3%	5%
EPS (INR)	4.59	7.56	-88.12	9.64	252.98	1,757.89

Based on the above analysis all the margins, and EPS of the company when compared to its peer is very low in the previous years. The RoCE of the company have increased from March-21 to March-22 for the company, and ROE has decreased, whereas both the margins ad returns have decreased for the peer companies.

Proventus Agrocom Limited:

- Leading P/E as on 23/05/2023 - 167.97 times.
- EPS is based on post-IPO – Rs. 4.59 /share.

Promoters' Profile and Management Analysis

Mr. Durga Prasad Jhawar



- Mr. Durga Prasad Jhawar, aged 48 years, is the Managing Director and CEO of the Company.
- He is a member of the Institute of Chartered Accountant of India (membership is inactive as on date) and holds a bachelor's degree in commerce from the Maharshi Dayanand University, Ajmer.
- He has been a director on the Board of the Company since incorporation and has been last re-designated as Managing Director & CEO w.e.f. March 21, 2023.

Mr. Deepak Kumar Agrawal



- Mr. Deepak Kumar Agrawal, aged 41 years, is the Whole Time Director and CBO of the Company.
- He holds a degree of Master of Management Science from Devi Ahilya Vishwavidyalaya, Indore.
- He has been on the Board of the Company since December 09, 2015 and has been last re-designated as Whole Time Director w.e.f. March 21, 2023.

Mr. Shalin Sanjiv Khanna



- Mr. Shalin Sanjiv Khanna, aged 38 years, is the Whole Time Director and CMO of the Company.
- He holds a degree in Bachelor of Management Studies from the University of Mumbai.
- He has been on the Board of the Company since incorporation and has been last redesignated as Whole Time Director w.e.f. March 21, 2023.

Shree JMD Investment Advisors LLP

- Shree JMD Investment Advisors LLP is a limited liability partnership firm, which was formed as a limited liability partnership firm on February 26, 2016.
- Shree JMD Investment Advisors LLP is currently engaged in the business of holding investments.

Analysis on the Company's Promoter and Board of Directors

Mr. Ranganathan Subramanian, aged 59, is the Chairman and Independent Director of the Company and was appointed on March 21, 2023. He is a member of the Institute of Chartered Accountant of India, Institute of Company Secretaries of India, Institute of Cost and Works Accountant of India and LLB (General Law) and B. Com. He is also the Chairman of the Audit Committee of the Company. He retired as Managing Director of ECL Finance Limited on January 31, 2023, where he was responsible for the NBFC business of the company.

Mr. Durga Prasad Jhavar, aged 48, is the Managing Director, Promoter, and CEO of the Company. He has been a director on the Board of the Company since incorporation and has been last re-designated as Managing Director & CEO. He is a member of the Institute of Chartered Accountant of India (membership is inactive as on date) and holds a bachelor's degree in commerce. He started his career in 1998 in the field of finance. In 2005, he joined Edelweiss Capital Limited as the financial controller, in 2015, he was the acting President and CEO, at the time of leaving Edelweiss Commodity Services Limited.

Mr. Deepak Kumar Agrawal, aged 41, is the Whole Time Director of the Company, Promoter, and designated as Chief Business Officer of the Company. He has been on the Board of the Company since December 2015, and has been last re-designated as Whole Time Director w.e.f. March 21, 2023, He holds a degree of Master of Management Science.

Mr. Shalin Sanjiv Khanna, aged 38, is the Whole Time Director of the Company, Promoter, and Chief Marketing Officer of the Company. He holds a degree in Bachelor of Management Studies. He is responsible for overall marketing strategy of the Company.

Shree JMD Investment Advisors LLP is a limited liability partnership firm, which was formed as a limited liability partnership firm on February 26, 2016. Shree JMD Investment Advisors LLP is currently engaged in the business of holding investments. As on the date of this Prospectus, Shree JMD Investment Advisors LLP holds 21,72,822 Equity Shares, representing 78.85% of the issued, subscribed, and paid-up equity share capital of the Company.

To conclude, the promoters have decent experience in the industry. The independent directors, Non-Independent, and the Whole Time Directors of the company have decent experience in the industry in which the company operates in. Shree JMD Investment Advisors LLP is also a promoter of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31 st March, 2021	As at 31 st March, 2022	As at 31 st Dec, 2022
<u>Profit and Loss</u>			
Revenue from operations	30,087.50	40,326.68	31,798.26
Other income	86.42	107.89	111.37
Total Revenue	30,173.92	40,434.57	31,909.63
Expenses	29,777.00	39,976.78	31,398.83
Depreciation and Amortisation Cost	68.17	88.27	52.09
Finance Cost	80.65	213.09	222.00
Total Expenses	29,925.82	40,278.14	31,672.92
PBT	248.10	156.43	236.71
PBT Margin	0.82%	0.39%	0.74%
EBITDA	310.50	349.90	399.43
EBITDA Margin	1.03%	0.87%	1.26%
Net Profit	187.90	114.03	189.82
Net Profit Margin	0.62%	0.28%	0.60%
<u>Balance Sheet</u>			
Total Borrowings	2,940.72	3,444.05	3,061.13
Net Worth	5,160.50	5,282.75	5,483.32
Fixed Assets	250.64	254.07	229.56
Net Working Capital	4,863.53	5,403.67	5,392.75
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	11.82	10.78	14.38
Receivables Turnover Ratio	15.66	20.65	13.02
Payables Turnover Ratio	37.05	17.23	14.21
Fixed Assets Turnover Ratio	120.04	158.72	264.81
Return on Capital Employed	4.12%	4.09%	4.04%
Return on Equity	3.64%	2.16%	2.36%
Debt-Equity Ratio	0.57	0.65	0.28

(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. 310.50 lacs in 2021 to Rs. 349.90 lacs in 2022 and on 31st Dec 2022 it was Rs. 399.43 lacs and if we annualise the same it would be around Rs. 532.57 lacs. The EBITDA on annualised basis has grown at a CAGR of 30.97%. The EBITDA margin in 2021 was 1.03%, 0.87% in 2022, and 1.26% up to Dec 2022. The EBITDA Margin has increased from March 2022 to Dec 2022 due to a percentage decrease of other expenses by 34.33% with Marketing, Rates & taxes, and Transports adding highest contribution by a decrease of 96%, 78.93%, and 53.96% respectively when compared to a percentage decrease of revenue from operation.

Net Profit

The net profit of the company has fallen from Rs 187.90 lacs in 2021 to Rs. 114.03 lacs in 2022 and as on 31st Dec 2022 it increased to Rs. 189.82 lacs and if we annualise the same it would be around Rs. 253.09 lacs growing at a CAGR of 16.06%. The net profit margin in 2021 was 0.62%, 0.28% in 2022 and 0.60% up to 31st Dec 2022. The increase in Net Profit margin is due to the percentage decrease in the contribution towards expenses majorly from purchase of stock in trade of 53.89% when compared to the percentage increase of other income of 3.22% which led for the margins to be increased to what it almost was in the year 2021.

Finance Cost.

The company's financial cost is only due to Interest on bank, related parties, and other financial charges.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 is 5.74% vs 4.09% in 2022 and 4.12% in 2021. If we annualize the RoCE of FY 2022-2023, the RoCE is expected to be around 5.31%. The increase in RoCE from 4.09% to 5.47% is due to a decrease in the long-term borrowing of the company in 31st Dec 2022. With the increase in the equity base of the company through IPO, the RoCE on annualized basis is expected to fall.

ROE of the company in 2021 was 3.64%, 2.16% in 2022, and 3.46% up to Dec 2022, if annualized ROE would be around 2.36%. The ROE likewise RoCE has seen an increase. With an increase in equity base, The ROE is expected to come further down on annualized basis resulting in an estimated CAGR of -19.50%.

Inventory Turnover Ratio has decreased in the FY 21 - 22. The decrease in inventory in hand for the company is not a good indicator but is expected to increase to 14.38 when annualized.

The Receivables Turnover Ratio decreased significantly in FY 22, indicating that the company converting its receivables to cash has reduced but is expected to increase to 13.02 when annualized.

Payables Turnover Ratio has increased in the FY 21 – 22 but has decreased from March 22 to Dec 22. The company paying back to its creditors in cash has decreased to 10.66 times but is expected to increase to 14.21 when annualized.

The Fixed Assets Turnover Ratio decreased in FY 22, indicating the company is not using its fixed assets effectively but is expected to increase to 264.81 when annualized.

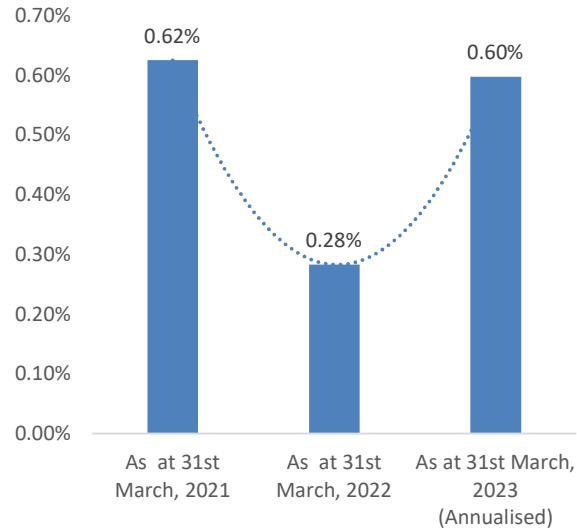
The company has a debt – equity ratio of 0.56 as of 31st Dec 2022 which shows the company is not highly leveraged. The debt – equity ratio is going to go down to around 0.02 times post-IPO. The company is not fully utilizing its debt opportunity.

Financial Charts

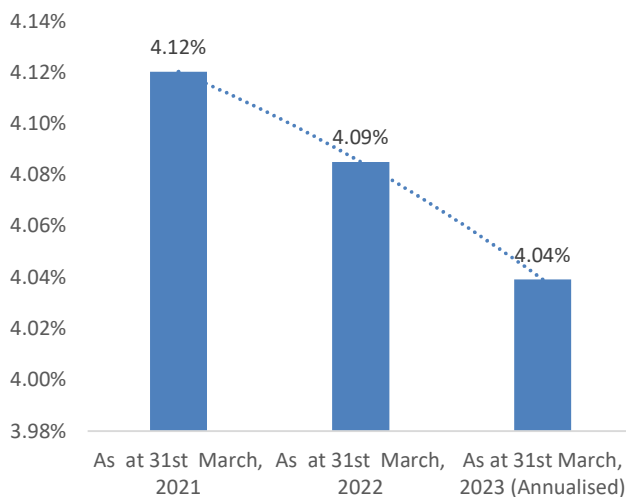
EBITDA Margin



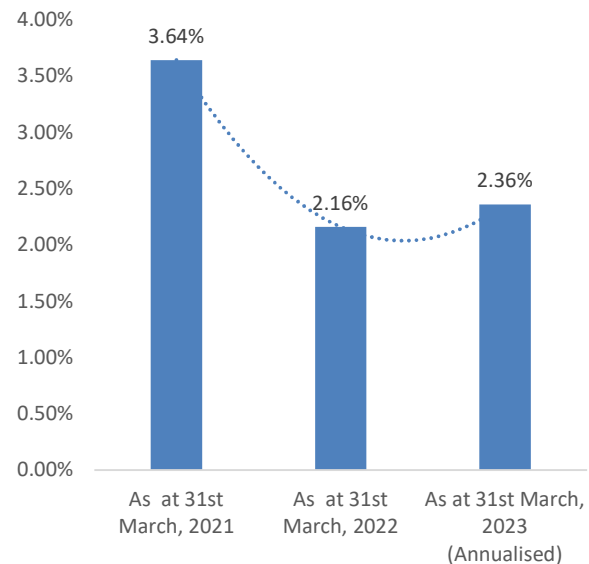
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. A portion of their revenues are derived from top 5 customers who contributed approximately 38.00%, 40.34%, 32.66% and 50.61% as per latest Restated Consolidated Financial Statements for the nine months ended December 31, 2022 and the Fiscal 2022, 2021 and 2020. A significant decrease in revenue from any of those customers or an inability to expand or effectively manage customer base may have an adverse effect on business prospects and financial performance.
2. The Company, its Subsidiaries, its Directors and its Promoters are party to certain litigation and claims. These legal proceedings are pending at different levels of adjudication before various courts and regulatory authorities. Any adverse decision may make them liable to liabilities/penalties and may adversely affect company's reputation, business and financial status. In total there are 4 cases pending, wherein 3 with amount not ascertainable and 1 amounting to Rs. 2.5 Lacs.
3. The company has a negative cash flow from operating activity for the period ended as of Dec 31st, 2022 amounting to Rs. (550.63) lacs.

Track Record of Lead Manager

The lead manager to the issue is Sundae Capital Advisors Private Limited. As per offer document this is Sundae Capital Advisor's first mandate. They have no prior experience in SME IPO.

Recommendation

The company has been into this industry since 2015 and have a decent track record. However, the company has also managed to increase its revenue at a good growth rate, along with a decent growth in EBIT margins and net profit margins.

The company has been in an industry which is highly competitive with the presence of both domestic and international players.

The management outlook of the company is good, as they have almost all the personnel in the top management with required work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a leading P/E of around 167.97 times which makes the stock very highly priced, looking at the performance of the company over the past years.

In conclusion, the company has shown a good growth in revenue, along with decent growth in EBIT margins and net profit margins, which can be sustained going forward. With not much barriers to entry, the company's market share would be easily diverted with some good company coming in. 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.