

IPO Details

Opening Date	June 12, 2023
Closing Date	June 15, 2023
Stock Exchange	BSE SME
Lot Size	800 shares
Issue Price	₹175 per share
Issue Size	24,12,000 Equity Shares
Application Amount	₹ 1,40,000
Amount Raised (Issue Type)	₹42.21 Cr (Fresh Issue- ₹42.21 Cr)

IPO Objective

1. Setting up Retail store.
2. Repayment of loan.
3. Working capital requirement.
4. General Corporate Purpose, and Meeting Public Issue Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	56,27,600	99.99 %
Public	400	0.01%

Promoter of the Company

1. Sanjay Gupta
2. Sangita Aggarwala

Competitive Strengths

1. Designing Capabilities.
2. Experienced management Team.
3. Distribution Network.
4. Established Marketing Setup and Diversified Customer Base.

Company Background

- Bizotic Commercial Limited was incorporated in the year 2016 and is headquartered in – Rajasthan, Ajmer.
- Company is engaged into the business of manufacturing, designing and marketing of readymade garments offering diverse range of men's Formal Wear, Casual Wear, Party Wear, Fit Wear, Sports Wear etc.
- Company has 4 own showrooms and 17 Franchisee Showrooms.
- As on date of filing of Red Herring Prospectus, company have 41 employees on their payroll .

Financial Summary

(INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	dec-22
Total Assets	1,897.65	3,738.37	3,872.95
Net Assets	63.60	123.17	865.52
Total Borrowings	84.42	256.48	369.39
Total Revenue	1,679.97	5,341.97	3,748.26
Profit After Tax	34.08	59.57	290.28

Tentative Timeline

Opening Date	June 12, 2023
Closing Date	June 15, 2023
Basis of Allotment	June 20, 2023
Initiation of Refunds	June 21, 2023
Credit of Shares to Demat	June 22, 2023
Listing Date	June 23, 2023



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Company Overview

Company is engaged into the business of manufacturing, designing and marketing of readymade garments offering diverse range of men's Formal Wear, Casual Wear, Party Wear, Fit Wear, Sports Wear, Comfort Wear, Ethnic Wear, Winter Wear. Company serves customers through the channels of retail stores and e-commerce. Garment manufacturing process includes cutting, stitching, sewing, finishing, inspection and packing. Company outsources the entire garments manufacturing on job work basis from third party contractors from time to time and provides the technical specifications such as designs, pattern, quality, fabric etc. In initial days, the Company was in business of trading of Fabric, based in Ahmedabad only. Within a year they started manufacturing and trading of garments in Rajasthan.

Analysis

Company opened their first outlet in the Financial Year 2017-2018, under their own brand name "URBAN UNITED" in Ajmer, Rajasthan. From 2017 to 2020, they have opened approximately 40 outlets on franchisee basis in Rajasthan and Haryana Only. Because of the adverse impact of Covid -19 Lock down, many of Franchisee holders couldn't sustain due to heavy rent charges of the stores. Almost 28 franchised stores on rented premises were closed in Covid-19 period. Currently, they have 20 stores in different cities of Rajasthan and 1 in Bihar on ongoing business out of which 17 stores are on franchisee basis and 4 stores are owned by Company itself. Company owned 4 Stores are located at Jaipur, Jodhpur, Bhilwada and Chittorgarh in Rajasthan. Company have entered into supply agreement with some of the e-commerce players very recently. Through these e-commerce websites, Company has grown business from Rajasthan to Pan India level. They operate their business on a FOB Model (Free on Board) and ensure that all products must trade on a similar price on e-commerce platform and from showrooms, to ensure customers trust in their prices and products. After filling the Draft Prospectus, Company has issued new 4 LOI to open the stores/showrooms on a franchisee basis in Shaheen Bagh (New Delhi), Green City Square (Bhatinda), Akola (Maharashtra) and Bhucho Mandi (Punjab). As on date of the Prospectus, the above stated stores are not yet inaugurated.

The financial performance of our Company for last three Financials Years are as stated under:

Amount (Rs in Lacs)

Particulars	December 31, 2022	2021-22	2020-21	2019-20
Sales	3748.26	5341.39	1679.95	1113.64
Other Income	1.14	0.58	0.02	0.33
Total Income	3749.4	5341.97	1679.97	1113.97
Net Profit	290.27	59.57	34.08	16.34

Despite all challenges company faced during the corona period their sales has increased with a good rate. However, their net profit have increased quite substantially.

Industry Charts

Exhibit 1: Textiles and Apparel Industry

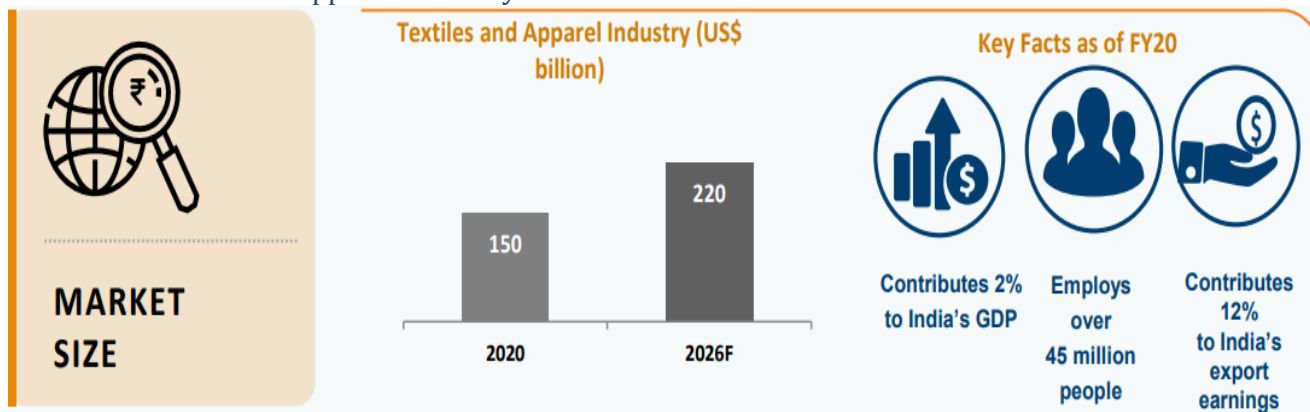
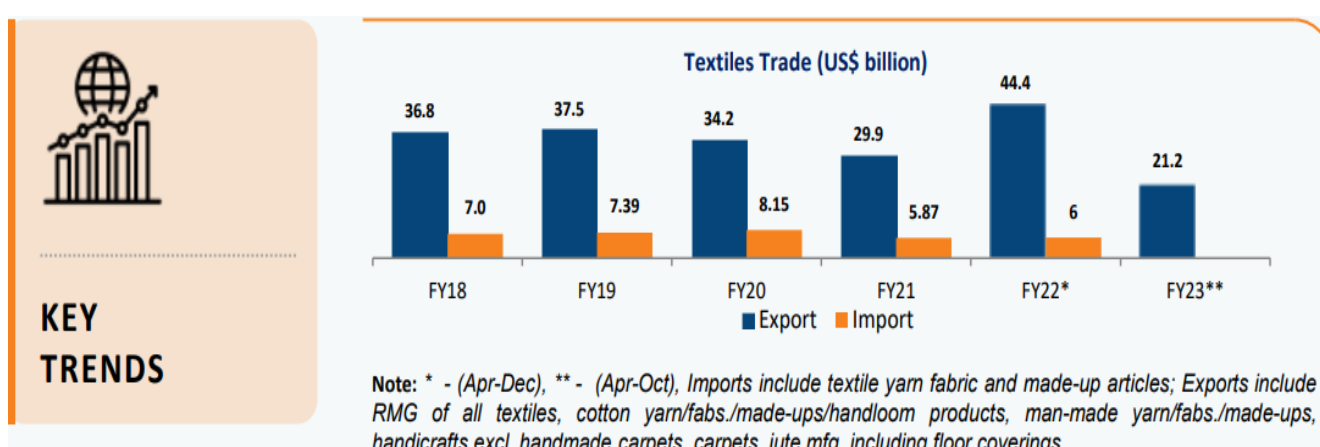


Exhibit 2: Share of India's textiles exports and Fabric production



Exhibit 3: Textiles Trade



(Source- IBEF)

Investment Overview

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool, to synthetic/man-made fibres like polyester, viscose, nylon and acrylic. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world. In order to attract private equity and employ more people, the government introduced various schemes such as the Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) and Mega Integrated Textile Region and Apparel (MITRA) Park scheme.

MARKET SIZE

The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025-26. India has a 4% share of the global trade in textiles and apparel. India is the world's largest producer of cotton. Estimated production stood at 362.18 lakh bales during cotton season 2021-22. Domestic consumption for the 2021-22 cotton season is estimated to be at 338 lakh bales. Cotton production in India is projected to reach 7.2 million tonnes (~43 million bales of 170 kg each) by 2030, driven by increasing demand from consumers. In FY23, exports of readymade garments (RMG) cotton including accessories stood at US\$ 7.68 billion till January 2023. It is expected to surpass US\$ 30 billion by 2027, with an estimated 4.6-4.9% share globally. Production of fibre in India reached 2.40 MT in FY21 (till January 2021), while for yarn, the production stood at 4,762 million kgs during the same period. Natural fibres are regarded as the backbone of the Indian textile industry, which is expected to grow from US\$138 billion to US\$195 billion by 2025. India's textile and apparel exports (including

handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. During April-October in FY23, the total exports of textiles stood at US\$ 21.15 billion. India's textile and apparel exports to the US, its single largest market, stood at 27% of the total export value in FY22. Exports of readymade garments including cotton accessories stood at US\$ 6.19 billion in FY22.

ROAD AHEAD

The future of the Indian textiles industry looks promising, buoyed by strong domestic consumption as well as export demand. India is working on various major initiatives to boost its technical textile industry. Owing to the pandemic, the demand for technical textiles in the form of PPE suits and equipment is on the rise. The government is supporting the sector through funding and machinery sponsoring. Top players in the sector are achieving sustainability in their products by manufacturing textiles that use natural recyclable materials. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The growth in textiles will be driven by growing household income, increasing population and increasing demand by sectors like housing, hospitality, healthcare, etc. The technical textiles market for automotive textiles is projected to increase to US\$ 3.7 billion by 2027, from US\$ 2.4 billion in 2020. Similarly, the industrial textiles market is likely to increase at an 8% CAGR from US\$ 2 billion in 2020 to US\$ 3.3 billion in 2027. The overall Indian textiles market is expected to be worth more than US\$ 209 billion by 2029.

(Source- IBEF)

Addressable market for Bizotic Commercial Limited

Company has to invest in developing and enhancing recognition of their brands, through brand building efforts, communication and promotional initiatives to enhance the visibility of brands and strengthen their recognition. Developing and expanding the online space may further attract the attention of targeted customers and currently they are operating only in Rajasthan and they are planning to open their stores in Gujarat and other cities. Company is only focused on to men's wear and they should start focusing on women's wear and kids wear.



Competition

Company has significant competition from both organised and unorganised players. In Indian cloth business Bargaining power of buyers is higher than the bargaining of sellers, so its very important for them to keep a track on the peer companies about the quality, price etc. Textile business is highly competitive business, so threat of new entrants in this field is very high and the company should keep improving themselves in every aspect to be in the race.

PEER ANALYSIS

As per the RHP, the company has mentioned 3 companies as its listed peers viz. Trent Limited, Bella Casa Fashion and Retail Limited, and Loernzini Apparels Limited. An analysis on the peer companies has been given below –

Particulars	Bizotic Commercial Limited			Trent Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	1%	2%	1%	1%	-7%	3%
EBITDA Margin	2%	4%	3%	12%	4%	15%
Return on Capital Employed	17%	13%	17%	3%	-3%	5%
Return on Equity	48%	54%	55%	1%	-8%	4%
EPS (INR)	3.79	2.43	2.20	2.98	-4.11	3.54

Particulars	Bella Casa Fashion and Retail Limited			Loernzini Apparels Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	5%	4%	6%	2%	0%	1%
EBITDA Margin	10%	9%	11%	8%	5%	4%
Return on Capital Employed	25%	14%	28%	10%	5%	7%
Return on Equity	16%	10%	15%	4%	1%	3%
EPS (INR)	22.48	4.81	7.98	0.53	0.08	0.36

Based on the above analysis all the margins of the company when compared to its peer is low in the previous years. The ROE and RoCE were on a good note when compared to its peers. The EPS of the company has performed at par when compared to its peers.

Bizotic Commercial Limited

- Leading PE on post IPO basis – 36.35 times
- Post IPO EPS – 4.81

Promoters' Profile and Management Analysis**MR. Sanjay Gupta**

- Mr. Sanjay Guptya, aged 49 years, is the Managing Director of company.
- He holds a Bachelor of Science. He has more than 25 years of experience in the field of Textile and Garments.
- He is handling marketing and overall business of the Company.

MRS. Sangita Aggarwala

- Mrs. Sangita Aggarwala, aged 44 years, is Promoter of Company.
- She holds the degree of Master of Arts. She is the pioneer and first director of Company. She has more than 8 years of experience in the garment industry as a promoter of Company.
- She provides her guidance to the Company as and when required.

Analysis on the Company's Promoter and Board of Directors

Mr. Sanjay Gupta, aged 49, is the one of the Promoter and Managing Director of the Company. He holds a Bachelor of Science. He has more than 25 years of experience in the field of Textile and Garments. He is looking marketing and overall business of the Company.

Ms. Sangita Aggarwala, aged 44, is the Promoter of the company. She holds the degree of Master of Arts. She is the pioneer and first director of Company. She has more than 8 years of experience in the garment industry as a promoter of Company. She provides her guidance to the Company as and when required.

Ms. Inderpreet Kaur Gulati, aged 43, is an Executive Director & CFO of the Company. She holds the degree of Bachelor of Science. She has more than 10 years of experience in the field of Textile and Fabric. She is responsible for Business Development and operation of the Company.

Mr. Mohit Agarwal, aged 49, is Non-Executive Director of the Company. He has completed Bachelor of Commerce. He has more than 25 years of experience in the field of finance and risk management. He is looking for the smooth operational transactions and financials of Company.

Ms. Avani Shah, aged 29, is an Independent Director of the Company. She has completed Master degree of Commerce. She has more than 10 years of experience in the field of administration.

Ms. Juhi Sawajani, aged 26, is an Associate member of Institute of Company Secretaries of India. She has also completed her Master degree of Commerce. She will look after for the Compliance Requirement of the Company.

To conclude, there are two promoters of the company and both the promoters have vast experience in the industry which company operates in. The remaining directors of the company also have decent experience in the sector which helps in the growth of business.

Financial Snapshot

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Dec 2022
<u>Profit and Loss</u>			
Revenue from operations	1,679.95	5,341.39	3,748.26
Other income	0.02	0.58	1.15
Total Revenue	1,679.97	5,341.97	3,749.41
Expenses	1,611.37	5,250.09	3,301.74
Depreciation and Amortisation Cost	12.98	9.88	19.18
Finance Cost	8.03	1.38	23.86
Total Expenses	1,632.38	5,261.35	3,344.78
PBT	47.59	80.62	404.63
PBT Margin	2.83%	1.51%	10.80%
EBITDA	68.58	91.30	446.52
EBITDA Margin	4.08%	1.71%	11.91%
Net Profit	34.08	59.57	290.28
Net Profit Margin	2.03%	1.12%	7.74%
<u>Balance Sheet</u>			
Total Borrowings	84.42	256.48	369.39
Net Worth	63.60	123.17	865.52
Fixed Assets	29.62	57.04	87.34
Net Working Capital	379.34	417.81	1,257.97
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	2.27	4.16	2.31
Receivables Turnover Ratio	1.77	2.52	3.72
Payables Turnover Ratio	1.30	1.82	2.47
Fixed Assets Turnover Ratio	56.72	93.64	80.91
Return on Capital Employed	13.38%	16.77%	10.71%
Return on Equity	53.58%	48.36%	7.47%
Debt-Equity Ratio	1.33	2.08	0.07

(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. 68.58 lacs in 2021 to Rs. 91.30 lacs in 2022, and as on 31st Dec 2022 it was Rs. 446.53 lacs and when annualized it is at Rs. 595.36 lacs. The EBITDA on annual basis has grown at a CAGR of 194.64%. The EBITDA margin in 2021 was 4.08%, 1.71% in 2022, and 11.91% up to Dec 2022. The increase in EBITDA margin is due to decrease in Purchase of Stock-In-Trade and other expenses.

Net Profit

The Net Profit of the company has increased from Rs. 34.08 lacs in 2021 to Rs. 59.57 lacs in 2022, and as on 31st Dec 2022 it was Rs. 290.28 lacs when annualized it is at Rs. 387.04 lacs growing at a CAGR of 237%. The Net Profit margin in 2021 was 2.03%, 1.12% in 2022, and as on 31st Dec 2022 it was at Rs. 7.74%. The increase in Net Profit is due to increase in EBITDA.

Finance Cost

The company's finance cost mainly comprises of interest expenses – borrowings.

Financial Measures/Ratios

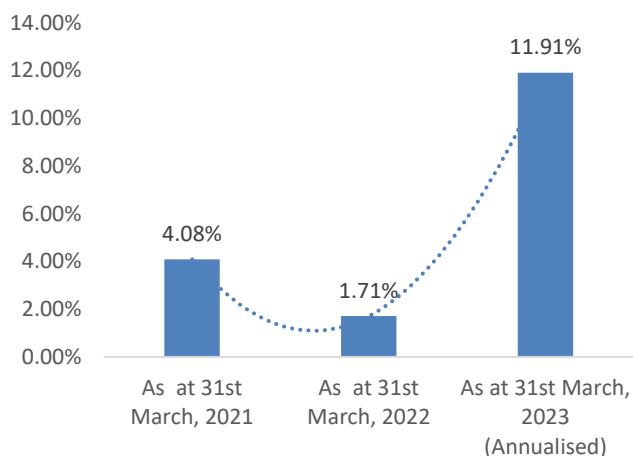
RoCE of the company up to 31st Dec 2022 was 33.82%, vs 16.77% in 2022 and 13.38% in 2021. If we annualize the RoCE of FY 2022-2023, The RoCE is expected to be around 10.71%. With the increase in the equity base of the company through IPO, the ROCE on annualized basis is expected to fall on post IPO basis.

ROE of the company in 2021 was 53.58%, 48.36% in 2022, 33.54% up to Dec 2022, if annualized ROE would be around 7.47%. With an increase in equity base, The ROE is expected to come further down on annualized basis on post IPO basis.

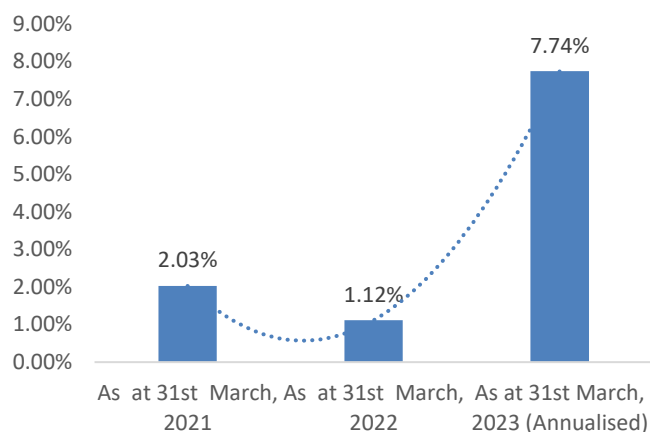
The inventory turnover ratio has decreased in FY 22 indicating that the inventory in hand has increased for the company. Receivables turnover ratio of the company has been on an increasing trend showing effective management of inventory. Payables turnover ratio for the company has increased in FY 22 and is expected to increase furthermore when annualized. Fixed Assets turnover ratio of the company has decreased in FY 22 but is expected to increase to 80.91 when annualized.

Financial Charts

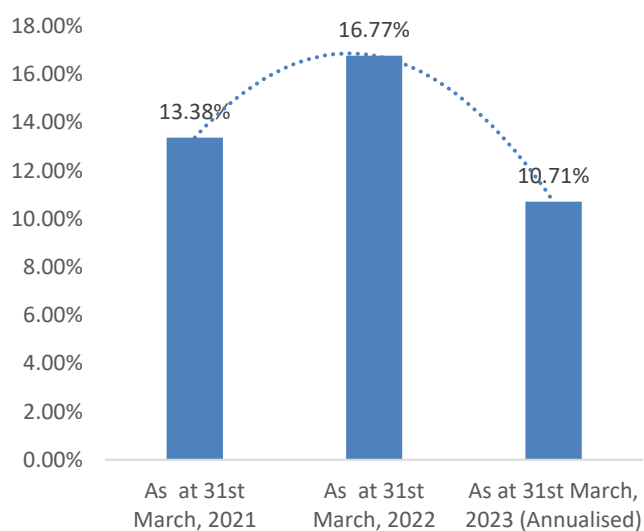
EBITDA Margin



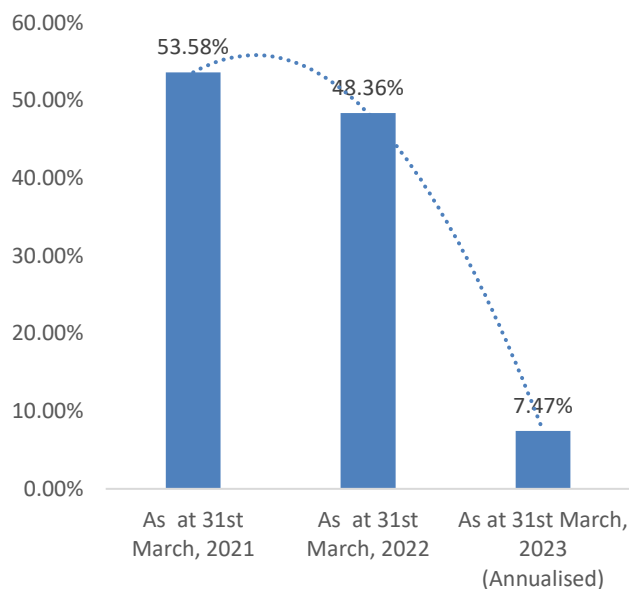
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Substantial portion of revenues has been dependent upon few customers. The loss of any one or more of the major customers would have a material effect on business operations and profitability.
2. Out of Outstanding Debtors as on December 31, 2022 of Rs. 1345.18 Lakhs, the debtors outstanding for more than 3 years are Rs. 62.27 lakhs.
3. Company have not executed Franchisee Agreement with many Franchisees.
4. There are certain outstanding legal proceedings involving Company, Promoter and Director. Any failure to defend these proceedings successfully may have an adverse effect on business prospects, financial condition, result of ongoing operations and reputation. Outstanding cases: 8, amount involved: 49.50 lakhs.
5. Business requires to obtain and renew certain registrations, licenses and permits from government and regulatory authorities and the failure to obtain and renew them in a timely manner may adversely affect business operations.

Track Record of Lead Manager

The lead manager to the issue is Interactive Financial Services Ltd. 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 –

Interactive Financial Services Ltd

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Prospect Commodities Limited	7.48	61.00	March 20, 2023	71.00
2.	Patron Exim Limited	16.69	27.00	March 06, 2023	11.11
3.	Pace E-Commerce Ventures Limited	66.53	103.00	October 20, 2022	21.31
4.	Dipna Pharmachem Limited	15.21	38.00	Sep 08, 2022	16.89
5.	Rachana Infrastructure Limited	76.28	135.00	June 10, 2022	211.40
6.	Global Longlife Hospital and Research Limited	49.00	140.00	May 04, 2022	42.50
7.	Bhatia Colour Chem Limited	40.00	80.00	March 24, 2022	53.00

#CMP is taken as on 08th June 2023

As per the offer document Interactive Financial Services Limited have had 7 mandates in the last two fiscal years. For Interactive Financial Services Limited out of the last 7 that are mentioned above, 1 opened at par, 2 at discount, and the remaining have opened at a premium ranging from 0.79% to 2.22% on the listing date.

Recommendation

The company has been into this industry since 2016 and has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. Company is planning to start new franchises which may help them in increasing their revenue in future.

The management of the company has an overall experience of decades in the field of Textile sector.

The PE at which the company is getting listed is on a higher side considering the size and performance of the company.

Looking at the above-mentioned scenarios, the company looks to be highly risky and one should **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.