

### IPO Details

<b>Opening Date</b>	June 23, 2023
<b>Closing Date</b>	June 27, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	2000 shares
<b>Issue Price</b>	₹82 to ₹87 per share
<b>Issue Size</b>	61,63,200 Equity shares
<b>Application Amount</b>	₹ 1,39,200
<b>Amount Raised</b>	₹53.62 Cr

### IPO Objective

1. Funding Capital Expenditure towards the installation of additional plant and machinery, and the construction of the factory building.
2. Funding of working capital requirement.
3. General Corporate Expenses

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
<b>Promoter &amp; Promoter Group</b>	1,71,08,640	100%
<b>Public</b>	0	0%

### Promoter of the Company

- 1 Sukhlal Jain
- 2 Praveen Kumar Sukhlal Jain
- 3 Vikas Kumar Sukhlal Jain
- 4 Hitesh Kumar Jain

### Competitive Strengths

- 1 A one stop shop for kitchen solutions with a diverse range of products across consumer preferences.
- 2 Emerging player in some of the key verticals.
- 3 Widespread, well connected distribution network with a presence across multiple retail channels and online e-commerce platforms and a dedicated after-sales network.
- 4 Strong manufacturing capability with efficient backward integration.

### Company Background

- Greenchef Appliance Limited was incorporated in the year 2010, headquartered in - Bangalore, Karnataka.
- Company has three manufacturing facilities located at Bangalore, Karnataka and one manufacturing facility located at Parwanoo, Himachal Pradesh.
- Company is engaged in the business of manufacturing and marketing of wide range of kitchen appliances under the brand name of Greenchef.
- As on date of filing of Red Herring Prospectus, company have 1,400 employees on their payroll.

### Financial Summary

	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Dec-22
<b>Total Assets</b>	14,223.39	17,953.59	20,329.62
<b>Net Assets</b>	5,093.27	5,170.68	6,062.39
<b>Total Borrowings</b>	5,182.38	6,682.81	6,027.47
<b>Total Revenue</b>	23,929.32	33,578.47	25,482.78
<b>Profit After Tax</b>	251.34	76.54	1,021.55

### Tentative Timeline

<b>Opening Date</b>	June 23, 2023
<b>Closing Date</b>	June 27, 2023
<b>Basis of Allotment</b>	July 03, 2023
<b>Initiation of Refunds</b>	July 04, 2023
<b>Credit of Shares to Demat</b>	July 05, 2023
<b>Listing Date</b>	July 06, 2023

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## Company Overview

Company is engaged in the business of manufacturing and marketing of wide range of kitchen appliances under the brand name of Greenchef. They manufacture the majority of core products like: railing pipe, mixing tube, brass burner, pan support etc required in Gas Stoves, weight valve and vent tube required in pressure cookers, mixi motor and jars required in Mixer Grinders etc. For certain product categories and sub-categories, they engage in sourcing from third party manufacturers both domestically and from outside India. As of December 31, 2022 service team comprised of 130 service technicians across 13 states. Further they have also appointed 107 authorized service providers across 15 states.

## Analysis

Company has three manufacturing facilities located at Bengaluru, Karnataka and one manufacturing facility located at Parwanoo, Himachal Pradesh. Parwanoo facility is focussed on manufacturing of Gas Stoves and hose pipes for which Company has also entered into marketing agreement with oil companies like: Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited. Under these agreements, they authorize them to use their logo on products like Gas Stove, Hose pipe, Trolley etc. Company pay channel access fee to the oil companies and for every product sold, they pay a commission to these oil companies. As of December 31, 2022, manufacturing facilities are well connected with five strategically located C&F agents in the state of Rajasthan Maharashtra, Uttar Pradesh, Gujarat and Bihar. Additionally, as on December 31, 2022 they have around 450 distributors in 22 states and 3 union territories of India. The C&F agents and distributors are, in turn, connected with a dealer network for sale of products through their respective retail outlets. Further, they are approved vendors of various modern retail chains such as DMART, Reliance Retail Limited, StarBazaar for the sale of products from several of their retail outlets in India. Products are also sold online through e-commerce platforms such as Flipkart India Private Limited, Jiomart, Bigbasket and Amazon Seller Services Private Limited.

**Emerging player in some of the key verticals:**

Sr. No	Products	Total Domestic Market		Greenchef's Market Share
		In Volume (In "000")	In Value (In USD Mn.)	
1	Gas Stoves & Hob	-	386	5.44 %
2	Kettle	1,035	21	17.75%
3	Induction Cooktop	2,604	81	6.87%
4	Wet Grinder	376	25	6.40%
5	Non-Stick Cookware	6,067	88	6.39%
6	Pressure Cooker	31,250	336	2.08%
7	Mixer Grinder	19,024	670	1.55%
8	Electric Rice Cooker	2,176	64	1.16%

Greenchef is an emerging player in the Indian Kitchen Appliances like Gas Stoves, Pressure Cooker, Wet Grinder, Non-stick cookware, Induction Cooktop, Kettle and Rice Cooker. Set forth below is the summary of key product segments and market share in India.

**Revenue from sale of Online and Offline mode**

(Amount in Lakhs)

Online & Offline Sales				
Sales Channels	December 31, 2022	March 31, 2022	March 31, 2021	March 31, 2020
Online Sales	4,818.23	5,436.39	2,118.74	294.7
Offline sales	20,664.55	27,776.62	21,766.12	23,454.94
<b>Total</b>	<b>25,482.78</b>	<b>33,213.01</b>	<b>23,884.86</b>	<b>23,749.64</b>

Revenue from online has increased and the offline revenue is stable. Company is trying to strengthen existing product portfolio and diversify into products with attractive growth and profitability.

**Industry Charts**

Exhibit 1: Indian Kitchen Appliances Market Estimation and Forecast Analysis, 2022 - 2026 (in Volumes).

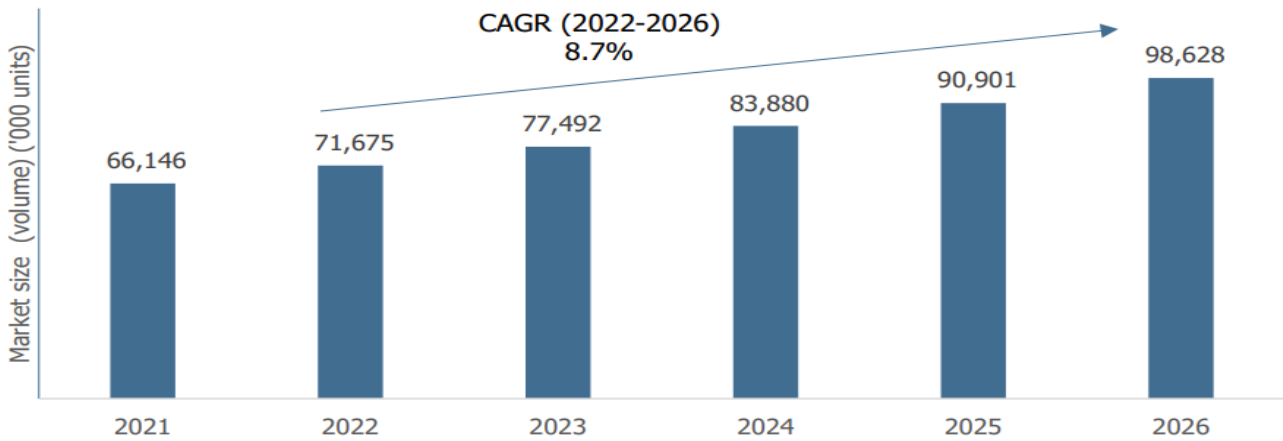


Exhibit 2: Indian Kitchen Appliances Market Estimation and Forecast Analysis, 2022 - 2026 (in Value)

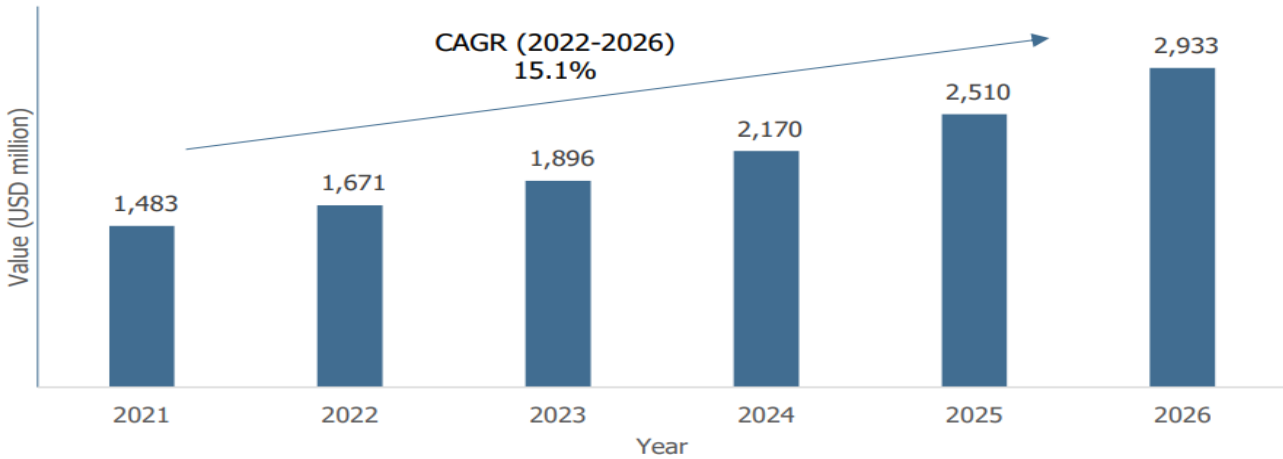
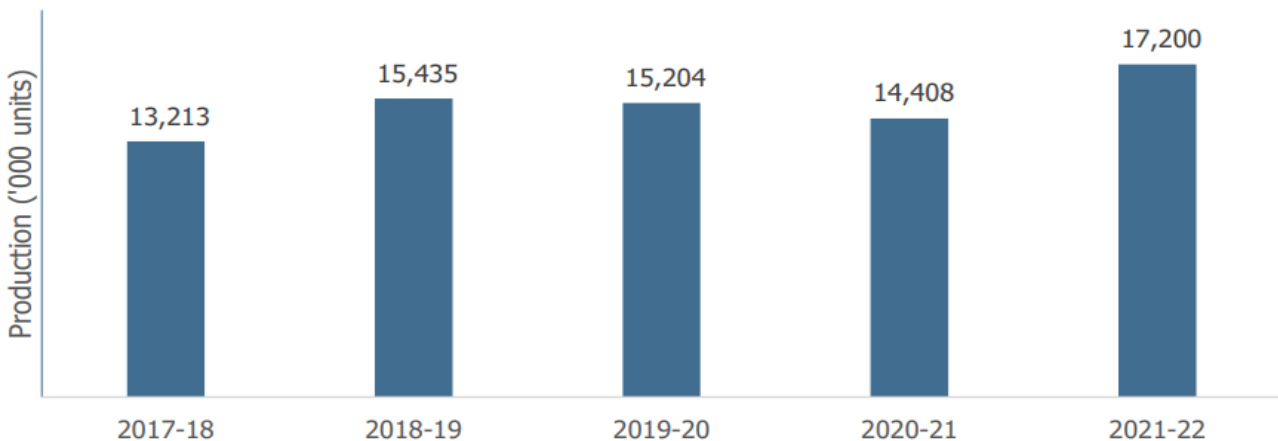


Exhibit 3: Production trend of kitchen appliances industry



(Source: prospectus)

## Investment Overview

The Indian consumer durables market is broadly segregated into urban and rural markets and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class and a small economically disadvantaged class. The sector includes consumer electricals such as fans, kitchen and cooking appliances, lighting devices, as well as white goods such as washing machines, televisions, refrigerators, and air conditioners. Market share in the consumer durables industry is moving from the unorganised to the organised sector. According to estimates, 30% of the total market is still unorganised, which provides listed Indian players with a significant opportunity to further increase their market share going forward. Artificial intelligence and manufacturing automation will be important future trends as consumer awareness increases regarding technology advancements and their applications across multiple sectors. In order to increase production efficiency of various consumer durables, Industry 4.0 will stimulate investments in R&D, technology infrastructure, and manufacturing processes. Global corporations view India as one of the key markets from where future growth is likely to emerge. The growth in India's consumer market would be primarily driven by a favorable population composition and increasing disposable income.

## Market Size

Indian appliances and consumer electronics industry stood at US\$ 9.84 billion in 2021, and is expected to more than double to reach Rs. 1.48 lakh crore (US\$ 21.18 billion) by 2025. Electronics hardware production in the country stood at US\$ 63.39 billion in 2021. In FY21, the television production in India stood at US\$ 4.24 billion. The total active DTH subscriber base stood at 67.04 million in June 2022. As of 2021, the refrigerator, washing machines and air conditioner market in India were estimated at around US\$ 3.82 billion, US\$ 8.43 billion and US\$ 3.84 billion, respectively. The market size of air conditioners is expected to grow to 165 lakh units by 2025 from 65 lakh units in 2019, while refrigerators' market size is expected to grow to 275 lakh units by 2025 from 145 lakh units in 2019. India's smartphone shipments witnessed YoY growth of 11% in 2021, with 169 million units shipped. India's smartphone market revenue crossed US\$ 38 billion in 2021 with a 27% YoY growth, with the leader being Xiaomi with a 24% shipment share.

## **Road Ahead**

According to a number of consumer durable businesses, rural India presents the next significant growth potential for the industry, driven by increased penetration. The government's effort to electrify rural areas has improved power supply during the past few years in tier 3/4 towns and villages, paving the way for the use of electrical products. According to FICCI, India's TV production is expected to reach US\$ 10.22 billion by FY26 at a CAGR of 20%. The headset market revenue in India is projected to reach US\$ 77 million by 2027 at a CAGR of 4.7%, driven by rising adoption of wireless headsets among consumers. The dishwasher market in India is expected to surpass US\$ 90 million by 2025-26, driven by rising demand from metro cities such as Mumbai, Hyderabad, Delhi and Bangalore. According to India Cellular & Electronics Association (ICEA), India has the potential to achieve a value of US\$ 100 billion in manufacturing of laptops and tablets by 2025. The Indian mobile phone market is predicted to generate Rs. 2.4 trillion (US\$ 29.38 billion) in revenue by FY26.

(Source: ibef.org)

## **Addressable market for Greenchef appliance Limited**

Company should continually seek to enhance addressable market through network of C&F agents, distributors and dealers across the country and gradually intend to expand business operations to other regions of the country. Company should plan to continue strategy of diversifying and expanding presence in these regions for the growth of business. Through further diversification of operations geographically & hedge against risks of operations in only specific areas and protection from fluctuations resulting from business concentration in limited geographical areas.

## **Competition**

The Indian kitchen appliances market is highly competitive segment. There is competition from a number of regional, unorganized manufacturers and retailers as well. The key areas of competition in this industry are product range, quality and features, design, price, delivery, general customer experience, time to market, availability of after-sale services. There are many established players and competitive rivalry like TTK Prestige Limited, Hawkins Cookers Limited, Butterfly Gandhimati Appliances Limited, Stove Kraft Limited who is holding good market share in kitchen appliance market.



## Peer Analysis

As mentioned in the prospectus there are 4 peer company viz. TTK Prestige Limited, Hawkins Cookers Limited, Stove Kraft Limited, and Butterfly Gandhimathi Appliances Limited. An analysis of the same has been given below–

Particulars	Greenchef Appliances Limited			TTK Prestige Limited			Hawkins Cookers Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	0.23%	1.05%	0.47%	12%	12%	10%	9%	11%	11%
EBITDA Margin	2%	4%	3%	16%	15%	14%	13%	14%	15%
Return on Capital Employed	6%	8%	7%	21%	18%	17%	44%	0%	0%
Return on Equity	1%	5%	2%	17%	16%	15%	39%	46%	52%
EPS (INR)	0.45	1.47	0.65	21.18	16.97	14.32	158.65	152.5	137.09

Particulars	Stove Kraft Limited		
	Mar-22	Mar-21	Mar-20
Net Profit Margin	5%	9%	0%
EBITDA Margin	8%	13%	5%
Return on Capital Employed	19%	29%	13%
Return on Equity	15%	27%	-5%
EPS (INR)	17.1	24.91	1.15

Based on the above analysis the ROE and RoCE of the company are low when compared to its peers. The margins are also very low when compared to its peers. The EPS of Greenchef Appliances Limited are also very low when compared to its peers for all the three consecutive years.

## Greenchef Appliances Limited

- PE on post IPO basis – 14.86 times
- Post IPO EPS – 5.85



## Promoters' Profile and Management Analysis

### Mr. Sukhlal Jain



- Mr. Sukhla Jain, aged 71, is the Promoter, Chairman and Whole Time Director of the Company.
- He has completed his Secondary School and has an overall work experience of around 51 years.
- He is a visionary entrepreneur and plays a pivotal role in business planning and development along with the overall management of the Company

### Mr. Praveen Kumar Sukhlal Jain



- Mr. Praveen kumar sukhla jain, aged 42, is the Promoter and Managing Director of the Company.
- He has an experience of over 20 years. He has completed his Secondary School Certification.
- He looks after marketing and financial activities of the company.

### Mr. Vikas Kumar Sukhlal Jain



- Mr. Vikas kumar sukhla jain, aged 46, is the Promoter and Whole Time Director of the Company.
- He has an experience of over 22 years. He has completed his Bachelor of Engineering.
- He looks after production, raw material procurement and quality control activities of the company.

**Mr. Hitesh Kumar Jain**



- Mr. Hitesh Kumar Jain, aged 34, is the Promoter and Whole Time Director of the Company.
- He has an experience of more than 12 years in the Kitchen and Home appliances industry. He has completed his Bachelor of Commerce.
- He looks after the day-to-day operations and after sales services of the Company.

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

**Sukhlal Jain**, aged 71, is the Promoter, Chairman and Whole Time Director of the Company. He has completed his Secondary School and has an overall work experience of around 51 years.

**Praveen Kumar Sukhlal Jain**, aged 42, is the Promoter and Managing Director of the Company. He has an experience of over 20 years. He has completed his Secondary School Certification. He looks after marketing and financial activities of the company.

**Vikas Kumar Sukhlal Jain**, aged 46, is the Promoter and Whole Time Director of the Company. He has an experience of over 22 years. He has completed his Bachelor of Engineering. He looks after production, raw material procurement and quality control activities of the company.

**Hitesh Kumar Jain**, aged 34, is the Promoter and Whole Time Director of the Company. He has an experience of more than 12 years in the Kitchen and Home appliances industry. He has completed his Bachelor of Commerce and looks after the day-to-day operations and after sales services of the Company.

**Kavitha Kumari**, aged 42, is the Non-Executive Director of the Company. She has an overall work experience of 12 years Kitchen and Home appliances industry. She has completed her Bachelor of Science in Chemistry, Botany and Zoology.

**Japna Choudhary**, aged 35 years, is an Independent Director of the Company. She has a work experience of 12 years as a practising Company Secretary.

To conclude, the company has 4 promoters, and all the promoters have vast knowledge and experience in the industry. All the remaining directors also have good experience in the fields which help in the growth of the business.

**Financial Snapshot**

**(Amount in Lakhs)**

<b>Particulars</b>	<b>As at 31st March, 2021</b>	<b>As at 31st March, 2022</b>	<b>As at 31st, Dec 2022</b>
<b>Profit and Loss</b>			
Revenue from operations	23,899.10	33,578.47	25,482.78
Other income	30.22	126.05	150.69
Total Revenue	23,929.32	33,704.52	25,633.47
Expenses	23,008.84	32,785.47	23,699.45
Depreciation and Amortisation Cost	163.72	250.10	247.95
Finance Cost	380.97	552.81	342.47
Total Expenses	23,553.53	33,588.38	24,289.87
PBT	375.79	116.14	1,343.60
PBT Margin	1.57%	0.35%	5.27%
EBITDA	890.26	793.00	1,783.33
EBITDA Margin	3.73%	2.36%	7.00%
Net Profit	251.34	76.54	1,021.55
Net Profit Margin	1.05%	0.23%	4.01%
<b>Balance Sheet</b>			
Total Borrowings	5,182.38	6,682.81	6,027.47
Net Worth	5,093.27	5,170.68	6,062.39
Fixed Assets	2,253.37	2,982.49	2,866.52
Net Working Capital	6,132.37	5,298.89	5,136.06
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	5.59	5.01	4.01
Receivables Turnover Ratio	3.99	5.18	5.01
Payables Turnover Ratio	6.36	5.27	3.62
Fixed Assets Turnover Ratio	10.61	11.26	13.40
Return on Capital Employed	8.38%	6.13%	14.32%
Return on Equity	4.93%	1.48%	11.58%
Debt-Equity Ratio	1.02	1.29	0.27

## **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has decreased from Rs. 890.26 lacs in 2021 to Rs. 793 lacs in 2022, and as on 31st Dec 2022 it was at Rs. 1,783.33 lacs (standalone), and when annualized it is expected to be around Rs. 2,377.77 lacs growing at a CAGR of 63.43%. The EBITDA margin in 2021 was at 3.73%, 2.36% in 2022, and as on 31st Dec 2022 it was at 7%. The decrease in EBITDA during FY 21 to FY 22 is due a increase in the total expenses. The increase in EBITDA in FY-22 is due to a decrease in the cost of material consumed. The increase in EBITDA margin is due to a decrease in the expenses (Ex. Employee benefit Expenses, and Other Expenses).

## **Net Profit**

The Net Profit of the company has decreased from Rs. 251.34 lacs in 2021 to Rs. 76.54 lacs in 2022, and as on 31st Dec 2022 it was at Rs. 1,021.55 lacs, when annualized it is expected to be around Rs. 1362.07 lacs, growing at a CAGR of 132.79%. The Net Profit margin in 2021 was at 1.05%, 0.23% in 2022 and as on 31st Dec 2022 it was at 4.01%. The increase in Net Profit margin is due to the decrease in percentage contribution in Total Expenses when compared to the decrease in revenue from operations.

## **Finance Cost**

The company's finance cost mainly comprises of Interest on Bank Overdraft, bank loan etc.

## **Financial Measures / Ratios**

The RoCE of the company as on 31st Dec 2022 was at 16.76% vs 6.13% in 2022, and in 2021 was at 8.38%. The increase in RoCE of the company in FY-22 is due to an increase in the EBIT. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

The ROE of the company in 2021 was at 4.93%, 1.48% in 2022, and as on 31st Dec 2022 it was at 16.85%. The increase in ROE of the company is due to increase in the Net Profit. ROE of the company is expected to come down on post IPO basis.

Inventory turnover ratio has decreased in the FY-22 from 5.01 times to 3.01 times, indicating that inventory in hand has increased for the company showing a not so effective management of the inventory.

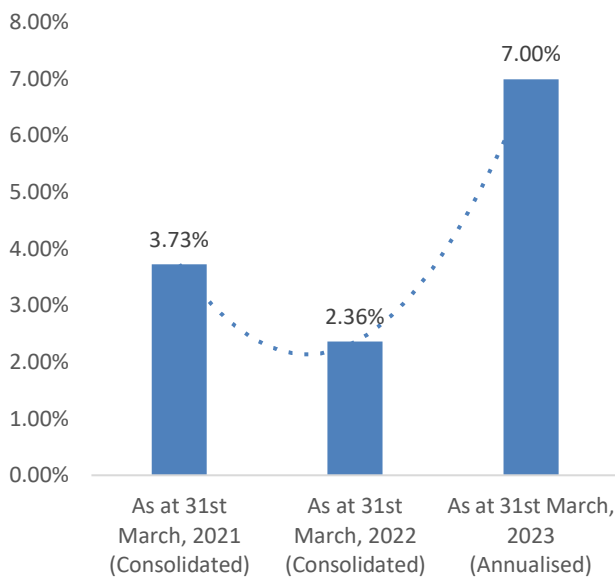
Receivables turnover ratio has increased in FY-22 from 3.99 times in 2021 to 5.18 times in 2022. The Payables turnover ratio has decreased in the FY-22 from 6.36 times in 2021 to 5.27 times in 2022, indicating that the company paying back to its creditors has reduced to 5.27 times, showing an effective working capital management of the company.

The Fixed Asset turnover ratio has decreased for the company in FY-22, indicating that there is a decrease in the fixed assets of the company.

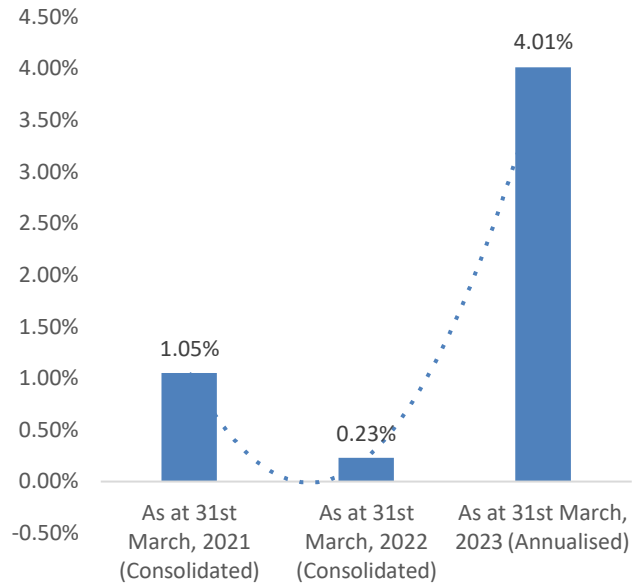
The Debt-Equity ratio as on 31st Dec 2022 was at 0.99 and is expected to decrease to 0.27 on an annualized basis.

**Financial Charts**

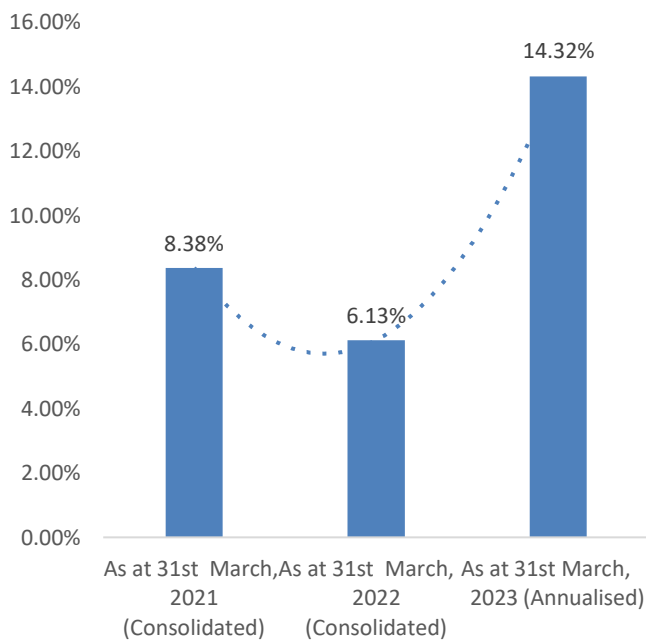
**EBITDA Margin**



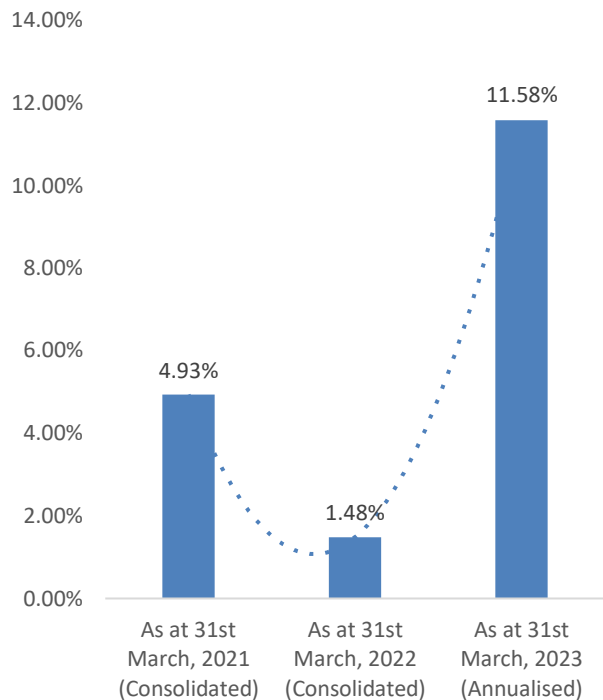
**Net Profit Margin**



**Return on Capital Employed**



**Return on Equity**





## Key Risk Factors

1. Company operates in highly competitive markets, and the scale and resources of some of the competitors may allow them to compete more effectively than them, which could result in a loss of market share and a decrease in net revenues and profitability.
2. Future success depends on ability to promote brand and protect reputation. Failure to establish and promote brand and any damage to reputation will hinder growth.
3. If Company fails to successfully develop and commercialize new products, services and technologies that are well received by consumers in a timely manner, operating results may be materially and adversely affected.
4. Company and Directors are involved in certain legal proceedings and potential litigations. Any adverse decision in such proceedings may render us/them liable to liabilities/penalties/prosecutions and may adversely affect business and results of operations. Company's total Amount in dispute/demanded to the extent ascertainable is 219.89 Lakhs and Directors total Amount in dispute/demanded to the extent ascertainable is 60.23 Lakhs.
5. Company may not be able to optimally utilize backward integration to enhance and support business which may affect operations, reputation and profitability.
6. Operating results could be materially harmed if company is unable to accurately forecast consumer demand for products or manage inventory.

### Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

#### Hem Securities limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Hemant Surgical Industries Limited	24.84	90.00	June 05, 2023	204
2	Vasa Denticity Limited	54.07	128.00	June 02, 2023	250
3	Labelkraft Technologies Limited	4.75	55.00	March 23, 2023	66
4	Vedant Asset Limited	3.00	40.00	October 12, 2022	42**
5	Systango Technologies Limited	34.82	90.00	March 15, 2023	218
6	Lloyds Luxuries Limited	24.00	40.00	October 11, 2022	67.6
7	Macfos Limited	23.74	102.00	March 01, 2023	260
8	Earthstahl & Alloys Limited	12.96	40.00	February 08, 2023	53
9	Chaman Metalics Limited	24.21	38.00	January 16, 2023	56.8
10	Baheti Recycling Industries Limited	12.42	45.00	December 08, 2022	105

**\*CMP is taken as on 20th June 2023.**

**\*\*Vedant Asset Limited CMP mentioned as on 16th June 2023.**

As per the offer document Hem Securities Limited have had 23 mandates in the last three fiscal years (including the ongoing one). For Hem Securities Limited out of the last 10 that are mentioned above, all have opened at premiums ranging from 1.81% to 64.84%. Thus, has a good track record.

## Recommendation

The company has been into this industry since 2010 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. Capacity utilization has improved in Dec 2022 when compared to March 2022.

The management of the company has an overall experience of decades in the field of kitchen appliance market.

The PE of the company is around 14.87 on Dec 31<sup>st</sup> FY22, but based on its FY22 March earnings, the PE stands at 263.64 making it highly priced issue. The business segment the company operates in is highly competitive, it faces competition from both organised and unorganised players in both the retail and distribution business. Looking at the above-mentioned scenarios, Therefore **Risk Averse Investors should wait and only Risk Seekers should apply.**

## 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.**