



C P S SHAPERS LIMITED

IPO Note



IPO Details		Company Background			
Opening Date	Aug 29, 2023	<ul style="list-style-type: none"> ○ C P S Shapers Limited was incorporated in the year 2012 and has its registered office in Mumbai, Maharashtra. ○ The company is engaged in the business of manufacturing Shapewear for Men and Women. ○ The company is present in 28 states and 8 Union territories, and its export section caters to 5 countries namely Canada, Germany, Australia, the United Kingdom, United States of America. ○ As of March 23, the Company has 335 employees on its payroll. 			
Closing Date	Aug 31, 2023				
Stock Exchange	NSE, SME				
Lot Size	600 Shares				
Issue Price	₹ 185 per share				
Issue Size	Aggregating up to 11.10 Cr.				
Fresh Issue	Aggregating up to 11.10 Cr.				
Offer for Sale	-				
Application Amount	₹ 1,11,000				
IPO Objective		Market Capitalization (In Cr.)			
Working Capital Requirements.		Pre-Issue		Post-Issue	
Purchase of Plant and Machinery, and Commercial Vehicle.		₹ 28		₹ 39	
Upgradation of existing IT Software.					
Repayment and pre-payment of borrowings.		Financial Summary (In Lacs)			
Capital expenditure.		For the Period Ended	Mar-21	Mar-22	Mar-23
General corporate purposes.		Total Assets	1,102.02	1,275.48	1,751.20
Pre-Issue Shareholding		Net Assets	-228.03	-70.97	175.12
Category	No. of Shares	% of Total Shares	Total	947.57	935.58
Promoter & Promoter Group	14,97,000	99.80 %	Borrowings		
Public	3,000	0.20%	Total Revenue	1,441.71	2,668.84
			Profit After Tax	38.04	157.05
					246.08
Promoter of the Company		Tentative Timeline			
1	Abhishek Kamal Kumar		Opening Date		Aug 29, 2023
2	Rajendra Kumar		Closing Date		Aug 31, 2023
Competitive Strengths		Basis of Allotment		Sept 05, 2023	
1	Customer base across geographies		Initiation of Refunds		Sept 06, 2023
2	E-retailing and online distribution network		The credit of Shares to Demat		Sept 07, 2023
3	Product portfolio		Listing Date		Sept 08, 2023
4	Brand Equity				
5	Customer centric business model				
6	Quality assurance				

Company Background and Analysis

The Company was originally incorporated on June 01, 2012. C P S Shapers Limited is engaged in the business of manufacturing Shapewear for Men and Women like V-Shaper, Saree Shapewear, Active Pants, ShapeX Denim, etc. The company distributes these products both, by e-retail and offline model, and has developed a sustainable business model over the period. The compression garments fabric is specially designed from a skin-friendly blend of cotton, polyester, and spandex. The company's product mix has evolved over the years. Currently, it includes Saree Shapewear, Mini Shaper, Sports Bra, All Mini Corset, Tummy Reducer, All Zenrik, Slimmer, Active Pants, Denim, Mask, and other Shapewears.

The company follows an offline distribution model for the sale of the products and has distributors spread across the country who in turn sell the company's products through various retailers. The company also follows an online sales model for the supply of the products and the company's products are registered on various online platforms such as Amazon, Ajo, Flipkart, Myntra, Nykaa Fashion, Nykaa Retail, and Snapdeal.

The company to meet the timely supply of the products through online sales has one manufacturing facility situated at Meerut, two warehouses situated at Vasai, Maharashtra and Tiruppur, Tamil Nadu, respectively and one branch office situated at Tiruppur, Tamil Nadu, and one virtual office situated at Bengaluru. to ensure timely delivery of the products to customers across the country, they have received No objection from Amazon for using the additional place of business situated at different locations, respectively at Bengaluru (Two), Thane (Two), Lucknow, Coimbatore and Thiruvallur, Tamil Nadu.

The company through its brand "Dermawear" is present in the country and outside the country. The company is present in 28 states and 8 Union territories, and the export section caters to 5 countries namely Canada, Germany, Australia, United Kingdom, United States of America.

Product-wise revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below -

(Amount in Lakhs)

Product-Wise Sales	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Saree Shapewear	369.30	25.66	1,041.06	39.01	1,559.90	42.37
Other Shapewear	263.00	18.28	457.33	17.14	617.83	16.78
Mini Shaper	150.74	10.47	293.77	11.01	380.69	10.34
All Mini Corset	118.47	8.23	292.62	10.96	352.45	9.57
All Zenrik	103.70	7.21	176.15	6.60	283.86	7.71
Tummy Reducer	107.03	7.44	140.00	5.25	139.67	3.79
Sports Bra	145.07	10.08	116.66	4.37	95.14	2.58
Slimmer	89.64	6.23	45.88	1.72	80.93	2.20
Active Pants As	48.23	3.35	55.04	2.06	38.56	1.05
Denim	38.63	2.68	50.23	1.88	123.67	3.36
Women T-shirt	5.31	0.37	-	-	8.75	0.24
Total	1,439.12	100.00	2,668.74	100.00	3,681.45	100.00

To conclude, the company was originally incorporated in the year 2012. The company is engaged in the business of manufacturing Shapewear for Men and Women. The majority of the sales are made through the saree shapewear for the company. The majority of the amount raised through the IPO is to be utilized for the working capital requirements of the company aggregating to 36.54% of the total gross proceeds.

Business Strategies

1. Expansion and upgradation of manufacturing facility.

The company intends to increase the production capacity by way of installation of new plant and machinery at the existing manufacturing facility. The company believes the investment in this plant and machinery will add to current installed capacity, thus, enabling them to cater to the growing demand from the customers and add new products to the existing product portfolio. The company intends to replace some of the plants and machinery with new ones and partly install new plants and machinery at their manufacturing facility.

2. Enhancing the Brand Image.

The company is highly conscious about its brand image and intends to have the brand building exercise by providing quality products and 120 services to the satisfaction of the customers and seeks to further strengthen the brand by increasing its visibility through marketing initiatives and supplying qualitative products at competitive prices.

3. Widen the product portfolio.

The company aims to expand and diversify its product portfolio by increasing its product base and introducing a new range of product lines. The company intends to explore opportunities to expand its operations by developing new products and services within the existing lines of business.

4. Leveraging the marketing skills and initiatives.

The company continue to leverage the power of varied advertising mediums for product-specific and brand-building campaigns in offline as well as online mediums including targeted advertising, social media campaigns, and influencer partnerships. To upscale the marketing efforts, the company will continue investing in brand communication content, be it advertising films, advertising photo shoots, or product shoots to create visually captivating and brand-appropriate content that resonates with the target audience and elevates the brand perception.

5. Improving Functional Efficiency.

The company intend to implement process improvements across the organization, streamlining internal operations, optimizing inventory management, and enhancing logistics and distribution network. The company's comprehensive business strategy encompasses enhancing the brand image, strengthening the customer base, widening the product basket, expanding, and upgrading our manufacturing facility, leveraging our marketing initiatives, and improving functional efficiency.

Competitive Scenario and Peer Mapping

Competition

The company faces competition from a range of domestic and international players. The industry inside India is fragmented with a significant presence of unorganized and regional suppliers. The industry in which the company operates generally has fewer barriers to entry. The bargaining power with the suppliers is high.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	C P S Shapers Limited	Page Industries Limited	Lux Industries Limited	Dollar Industries Limited	K.P.R Mill Limited	Arvind Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	6.68%	11.92%	5.76%	4.16%	13.16%	5%
EBITDA Margin	13.07%	18.04%	9.00%	7.10%	20.59%	10%
Return on Capital Employed	53.87%	52.40%	12.90%	11.05%	25.74%	14%
Return on Equity	140.52%	41.65%	9.42%	8.09%	21.96%	12%
EPS (INR)	16.41	512.15	47.23	10.27	23.82	15.47

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	C P S Shapers Limited	Page Industries Limited	Lux Industries Limited	Dollar Industries Limited	K.P.R Mill Limited	Arvind Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.89%	13.82%	14.72%	10.87%	17.46%	3%
EBITDA Margin	8.96%	20.25%	20.60%	16.23%	25.28%	10%
Return on Capital Employed	46.18%	61.66%	33.73%	29.22%	27.79%	14%
Return on Equity	-221.29%	49.36%	25.78%	21.63%	26.43%	8%
EPS (INR)	10.47	481.02	112.95	25.72	24.47	9.14

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	C P S Shapers Limited	Page Industries Limited	Lux Industries Limited	Dollar Industries Limited	K.P.R Mill Limited	Arvind Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.64%	12.04%	13.77%	8.39%	14.60%	-1%
EBITDA Margin	11.88%	18.64%	19.56%	13.31%	23.53%	9%
Return on Capital Employed	69.15%	47.06%	35.03%	22.24%	26.65%	5%
Return on Equity	-16.68%	38.53%	26.71%	16.05%	21.91%	-1%
EPS (INR)	2.54	305.35	107.47	15.39	14.97	-0.64

Industry Overview

Exhibit 1: Quarterly estimates of GVA at current prices (US\$ billion)

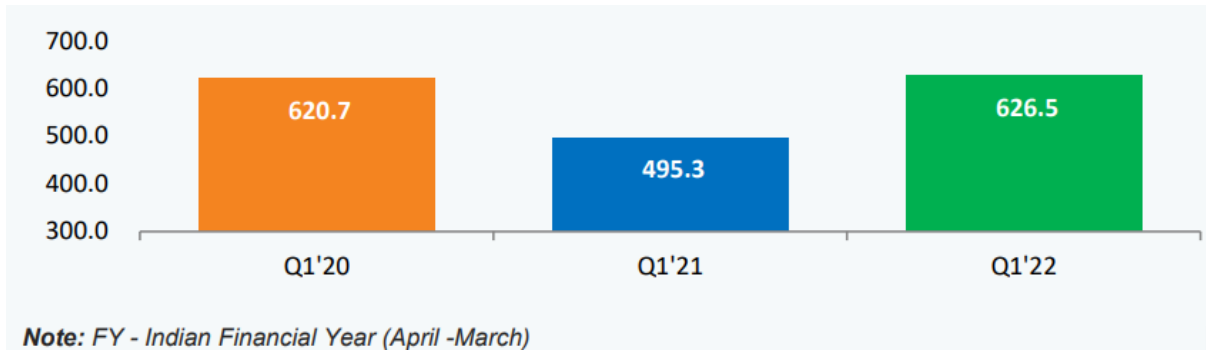


Exhibit 2: Capacity Utilization in Manufacturing Sector (%)

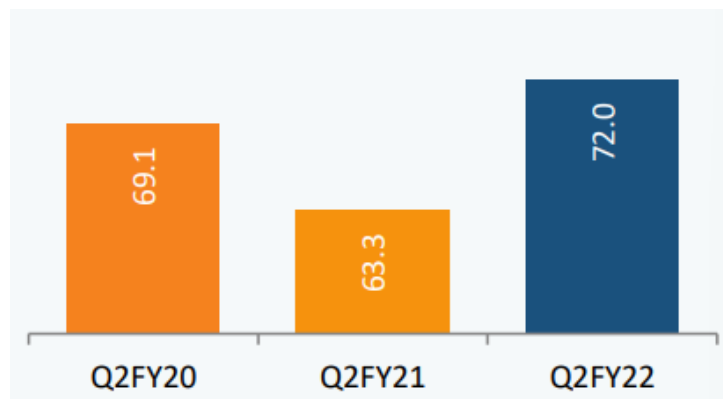
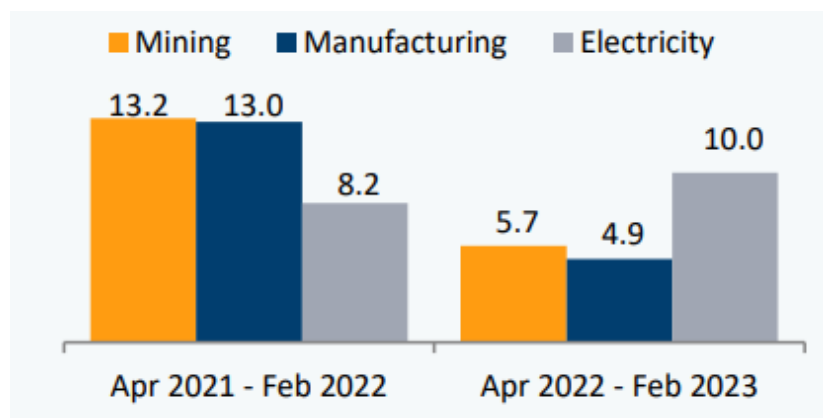


Exhibit 3: Annual Growth Rates of IIP (%) at Sectoral level



(Source: ibef.com)



Global Manufacturing Industry -

Manufacturing is the use of labour, goods, and machines to produce goods for use or sale. The manufacturing sector covers work performed in the electronics industry, mechanical industry, energy industries, food and beverage industries, plastic industry, metalworking industries, transport, and telecommunications industries, and chemical or physical transformation of materials, substances, or components into new products. The process of assembling of components or parts of manufactured products also falls into the bracket of manufacturing unless the activity is appropriately put into construction. Construction on the other hand primarily covers works encompassing the construction of buildings or assembling of infrastructure (e.g., highways and utility systems). All those companies performing work in the preparation of sites for new construction and those involved in subdividing land for sale as building sites also are included in construction.

Manufacturing uses raw materials that are products of agriculture, bakery, fishing, forestry, mining, and other products of manufacturing operations. Plants, factories, or mills that use power-driven machines and materials-handling equipment, transform the raw materials into new finished products and components requiring further manufacturing.

The world manufacturing industries in a capitalist economy indulge in mass production and make them available as earning profits. Manufacturing in the collectivist economy is guided by a state-run agency for making available the manufactured goods depending on the requirement. The manufacturing industry in a modern economy operates under regulations framed by the Government.

Indian Manufacturing Industry -

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest-growing sectors. The machine tool industry was the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market.

Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity. Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

(Source: prospectus)

Key Managerial Personnel

Abhishek Kamal Kumar, aged 42, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his bachelor's degree in computer applications and holds an advanced certificate in Export Management from the Foreign Trade Development Centre. He has around 15 years of experience in the same industry. He looks after the management and operations of the company and is involved in bringing about innovation in the operations and products of the Company. He is responsible for the entire management and administration of the Company.

Rajendra Kumar, aged 75, is one of the Promoters, and Non-Executive Director of the company. He has completed a Bachelor of Science. He has around 15 years of experience in the industry. He looks after R&D and the development of new products.

Bhawna Kumar, aged 42, is the Whole-Time Director of the Company. She has completed a Bachelor of Art and Master of Art. She is currently responsible for looking after the Human Resources department of the Company. She holds an experience of around 11 years in the same industry.

Abhav K Kumar, aged 18, is the Non-Executive Director of the Company. Presently he is pursuing a BBA (Hons.) Family Business. He is a fresher and has been appointed to provide insights into the new ideas and new-age techniques to the Company.

Sandeep Avdesh Dubey, aged 34, is the Non-Executive Independent Director of the company. He has passed the Professional Competence Examination conducted by The Institute of Company Secretary of India. He holds a certificate of practice from The Institute of Company Secretary of India

Vijay Mukesh Thakkar, aged 28, is the Non-Executive Independent Director of the company. He has passed the Professional Competence Examination conducted by The Institute of Company Secretary of India and an Associate member of the Institute of Company Secretaries of India. Currently, he working as a Company Secretary and Compliance Officer at Jakharia Fabric Limited.

To conclude, the company has 2 promoters, and have good experience in the industry in which the company operates in. The non-executive director is a fresher and does not have much experience. The remaining directors have decent experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	1,439.12	2,668.35	3,681.45
Other Income	2.59	0.49	14.71
Total Income	1,441.71	2,668.84	3,696.16
Expenses			
Cost of materials consumed	468.79	1,259.19	1,915.79
Changes in Inventories	77.59	49.72	-401.95
Employee benefits expense	360.86	555.19	692.90
Finance costs	106.03	85.62	98.99
Depreciation and Amortization expense	30.87	30.55	51.72
Other expenses	360.95	565.21	993.50
Total Expenses	1,405.09	2,545.48	3,350.95
Earnings Before Interest, Taxes, Depreciation & Amortization	170.93	239.04	481.21
EBITDA Margin	12%	9%	13%
Profit/(Loss) before tax	36.62	123.36	345.21
Tax Expense			
Current Tax	-	-	27.62
Earlier year tax	-	-	-
Deferred tax (net)	-1.42	-33.69	71.51
Total Tax Expense	-1.42	-33.69	99.13
Profit/(Loss) for the year	38.04	157.05	246.08
Net Profit Margin	3%	6%	7%

Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	202.09	279.93	357.86
Intangible assets	5.33	3.70	2.48
Loans	21.83	55.52	-
Deferred Tax Assets (net)	13.82	24.20	10.07
Total Non-Current assets	243.07	363.35	370.41
Current Assets			
Inventories	551.57	550.27	911.37
Trade Receivables	221.69	263.26	258.52
Cash and Cash Equivalents	27.26	20.47	20.03
Loans	45.86	78.13	190.87
Other current assets	12.57	-	-
Total Current assets	858.95	912.13	1,380.79
Total Assets	1,102.02	1,275.48	1,751.20
EQUITY AND LIABILITIES			
Equity			
Share Capital	50.00	50.00	50.00
Other Equity	-278.03	-120.97	125.12
Total Equity	-228.03	-70.97	175.12
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	404.34	489.15	571.19
Deferred tax liabilities (Net)	-	-	15.99
Long term provisions	26.25	33.29	34.97
Total Non-current liabilities	430.59	522.44	622.15

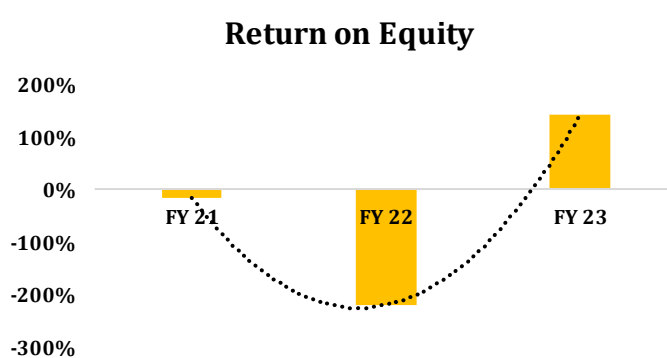
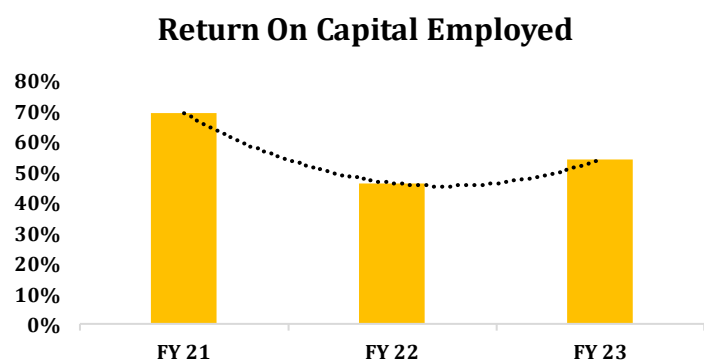
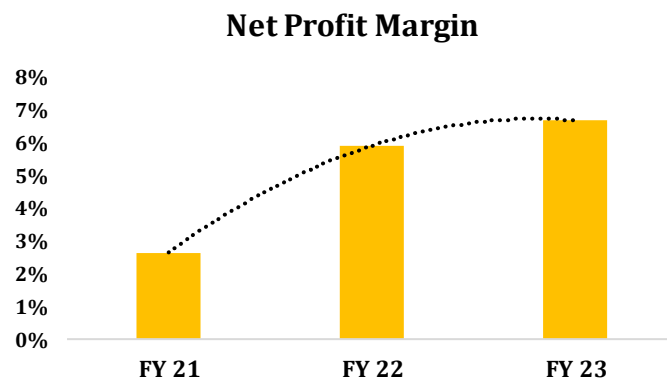
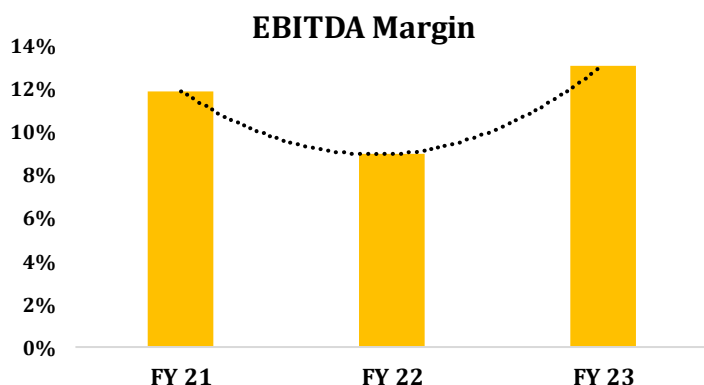


Balance Sheet			(In Lacs)
Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	543.23	446.43	472.47
(ii) Trade Payables	-	-	-
i) Due to micro and small enterprises	-	165.22	199.44
ii) Due to other than micro and small enterprises	309.89	147.22	167.13
Other Current Liabilities	40.06	52.61	82.02
Short-Term Provisions	6.28	12.54	32.87
Total Current liabilities	899.46	824.02	953.93
Total Liabilities	1,330.05	1,346.46	1,576.08
Total Equity and Liabilities	1,102.02	1,275.49	1,751.20

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	105.46	197.59	112.31
Net Cash Flow from Investing Activities	-9.53	-106.76	-122.37
Net Cash Flow from Financing Activities	-87.54	-97.62	9.62

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.54	10.47	16.41
BV per share	-10.86	-3.38	8.34
Operating Ratios (%)			
EBITDA Margins	12%	9%	13%
PAT Margins	3%	6%	7%
Inventory days	139.89	75.27	90.36
Debtor days	56.23	36.01	25.63
Creditor days	217.28	87.21	71.36
Return Ratios (%)			
RoCE	69%	46%	54%
RoE	-17%	-221%	141%
Valuation Ratios (x)			
EV/EBITDA	4.05	3.53	2.49
Market Cap / Sales	2.70	1.46	1.06
P/E	72.83	17.67	11.27
Price to Book Value	-17.04	-54.74	22.18
Solvency Ratios			
Debt / Equity	-4.16	-13.18	5.96
Current Ratio	0.95	1.11	1.45
Quick Ratio	0.34	0.44	0.49
Asset Turnover	1.31	2.09	2.10
Interest Coverage Ratio	1.32	2.44	4.34

Financial Charts



Key Risk Factors

1. There are certain outstanding litigations involving the Company, an adverse outcome of which may adversely affect the business, reputation, and results of operations. 7 Taxation matters against the company amounting to Rs. 12.05 lakhs, 2 Taxation litigations against the group companies amounting to Rs. 0.65 lakhs.
2. The company derive a significant part of its revenue from the top 10 customers and does not have long-term contracts with these customers. If one or more of such customers choose not to source their requirements from the company, the business, financial condition, and results of operations may be adversely affected. The top 10 customers contributed approximately 72.03%, 73.86% and 75.97%, respectively to the company's revenue.
3. The Group companies have incurred losses in the past financial years. CP&S Orthotics Private Limited had losses for FY 2020, 2021, and 2022. Dayal Hoseiry Private Limited had losses for FY 2020, 2021, and 2022.

Track Record of Lead Manager

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

Shreni Shares Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	AccelerateBS India Limited	5.69	90.00	July 19, 2023	243.65
2.	Global Pet Industries Limited	13.23	49.00	July 10, 2023	82.80
3.	Veefin Solutions Limited	46.73	82.00	July 05, 2023	221.45
4.	Sancode Technologies Limited	5.15	47.00	April 18, 2023	80.50
5.	Bright Outdoor Media Limited	55.48	146.00	March 24, 2023	491.95
6.	Srivasavi Adhesive Tapes Limited	15.50	41.00	March 09, 2023	153.90
7.	Arihant Academy Limited	14.72	90.00	December 29, 2022	150.75
8.	PNGS Gargi Fashion Jewellery Limited	7.80	30.00	December 20, 2022	199.00
9.	Amiable Logistics (India) Limited	4.37	81.00	November 16, 2022	74.00
10.	DAPS Advertising Limited	5.10	30.00	November 14, 2022	33.90**

*CMP for all the above-mentioned companies is taken as of 24th August 2023.

**DAPS Advertising Limited CMP mentioned as of 23rd August 2023.

As per the offer document, Shreni Shares Private Limited has had 19 mandates in the last three fiscal years. For Shreni Shares Private Limited out of the 10 mentioned above, 1 opened at a discount and the rest all opened at premiums ranging from 2.73% to 60.43% on the listing day.



Recommendation

The company has been in the industry since 2012 and thus has good experience in the industry. The topline and bottom line of the financials has seen consistency in its growth perspective. The overall financials look decent but raise concerns about the solvency with the company having accumulated the previous year's losses but having seen an increase in its profitability/reserves and surplus for FY 2023.

The PE on an annualised and post-IPO basis is around 15.79 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a competitive segment. The company's management outlook is good, and the company has seen consistent growth in the profitability aspect but raises concerns about the above-mentioned point regarding the accumulated previous year's losses this places the company in a risky position and the D/E ratio being almost 6 times makes this a risky buy. The recommendation is for long-term perspective Thus, **Risk Averse Investors should wait, and Risk Seekers should apply.**



Disclaimer

We are not a registered research analyst with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.