

IPO Details	
<b>Opening Date</b>	September 26, 2023
<b>Closing Date</b>	September 29, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	6000 Shares
<b>Issue Price</b>	₹25 per share
<b>Issue Size</b>	Aggregating up to 15.00 Cr.
<b>Fresh Issue</b>	Aggregating up to 15.00 Cr.
<b>Application Amount (@ upper band for retail Investors)</b>	₹ 1,50,000

IPO Objective	
1.	To meet Working Capital requirements.
2.	General corporate purposes.
3.	To meet issue expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	89,24,480	86.50%
Public	13,92,280	13.50%

Promoter of the Company	
1.	Kaupilkumar Hasmukhbhai Shah
2.	Shitalben Kaupilkumar Shah

Competitive Strengths	
1.	Organizational stability along with management expertise.
2.	Smooth flow of operations.
3.	Well-defined organizational structure.
4.	Existing Supplier Relationship.
5.	Wide range of Products.

Company Background	
○	City Crops Agro Limited was incorporated in the year 2013 and has its registered office in Ahmedabad, Gujarat.
○	The company is engaged in the business of trading of products like seeds, agricultural produces mainly Rice, Wheat, Onions, Potato, Tomato, Isabgol, and Pulses.
○	Company has an integrated online platform which includes products such as cereals, oil seeds, pulses, and vegetables.
○	The Company is also engaged in contract manufacturing for agricultural produce such as Cucumber, Onion and Castor.
○	As on date of Prospectus, the company had 09 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹26	₹41

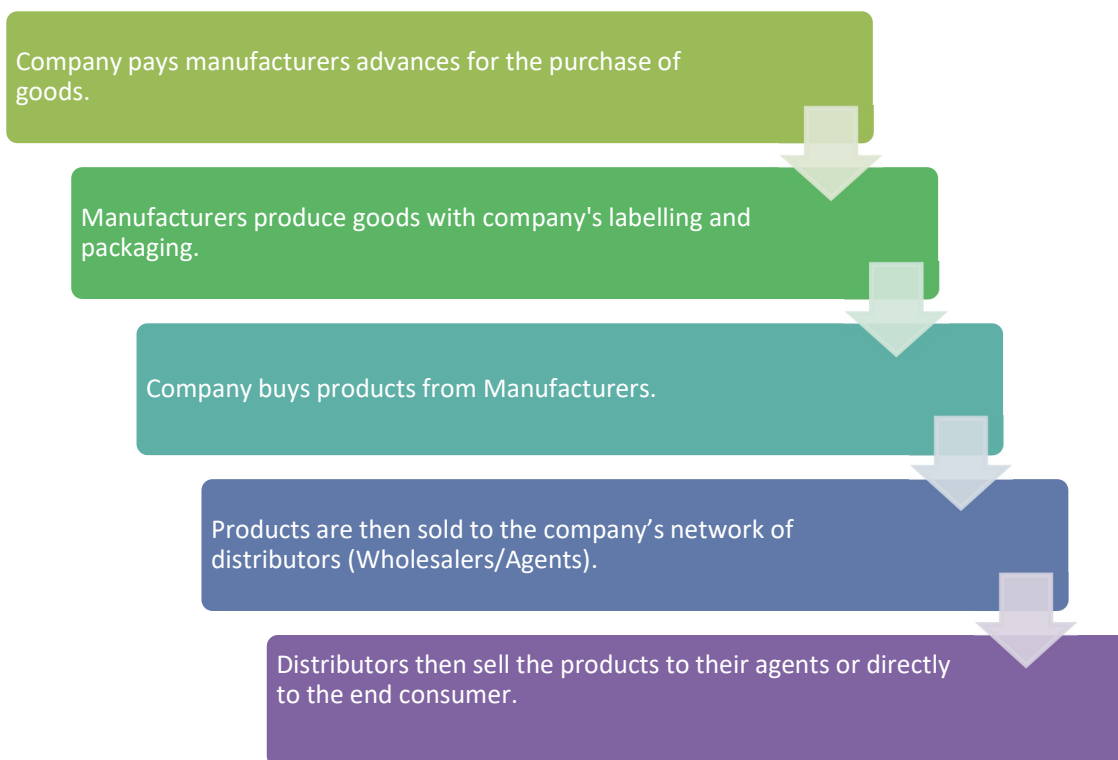
Financial Summary (In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	246.99	1,298.96	1,402.71
<b>Net Assets</b>	5.08	1,077.14	1,194.25
<b>Total Borrowings</b>	0.51	5.01	2.01
<b>Total Revenue</b>	348.90	1,775.69	2,462.50
<b>Profit After Tax</b>	4.32	48.41	117.08

Tentative Timeline	
<b>Opening Date</b>	September 26, 2023
<b>Closing Date</b>	September 29, 2023
<b>Basis of Allotment</b>	October 05, 2023
<b>Initiation of Refunds</b>	October 06, 2023
<b>Credit of Shares to Demat</b>	October 09, 2023
<b>Listing Date</b>	October 10, 2023

### Company Background and Analysis

Being incorporated in the year 2013, City Crops Agro Limited have a decent track record of existence in the business. Company is engaged in the business of trading of products like seeds, agricultural produces mainly Rice, Wheat, Onions, Potato, Tomato, Isabgol, and Pulses. Company has an integrated online platform which includes products such as cereals, oil seeds, pulses, and vegetables. The company is also engaged in contract manufacturing for agricultural produce such as Cucumber, Onion and Castor.

Company sources the agricultural products from the manufacturers by paying an advance payment with its labelling and then these products are sold to the network of distributors. Owing to company's presence in the market for decades, company has built strong relationships with both the farmers as well as with the wholesaler/retailers' community. Further, the company's overall process is shown below: -



In contract manufacturing, company leases an agricultural land on lease and cultivate Cucumber, Onion and Castor for meeting the demand in the market. This gives the company control over the entire process and getting the agricultural produces at better rates as compared to the market. A part of the yield is shared with the farmers working on contractual basis on the leased land, which further helps the local farmers' community. Company currently has around 47.31 acres of land for agricultural production.

To conclude, the company operates only in the domestic market and has shown decent growth. As India is one of the major players in the agriculture sector worldwide, company can explore other countries for further growth.

## **Business Strategies**

### **1. Increase geographical presence.**

Going forward company plans to establish its presence in the more geographical potential regions. Company emphasis is on expanding the scale of operations as well as growing its supply chain network, which will provide attractive opportunities to grow client base and revenues.

### **2. Leverage and enhance company's brand name.**

Company intends to leverage the brand equity that it enjoys. Also, plans to leverage its existing brands, which have good recall with customers to introduce a wider range of services.

### **3. Improving operational efficiencies.**

Company aims to improve operational efficiency, by addressing the increase in operational output through continuous process improvements, quality check and technology development.

### **4. Leveraging on Market skills and Relationships.**

This is a continuous process in an organization and the skills that company impart in its people give importance to customers. Company aims to do this by leveraging on its marketing skills and relationships and further enhancing customer satisfaction. Company plans to increase its customer base by meeting contracts in hand on time, maintaining customer relationship and renewing relationship with existing buyers.

## **Competitive Scenario and Peer Mapping**

### **Competition**

The company operates in a highly competitive industry. There are no entry barriers in this industry which puts company to the threat of competition from new entrants. There are numerous players operating in the industry. Company faces tough competition in the business from a large number of unorganized and a few organized players. The principal factors affecting competition in this business include client relationships, reputation, the abilities of employees, market focus and the relative quality and price of the services and products.

### **Peer Analysis**

The peers list given in the offer document operates in a different business segment, hence they cannot be compared with the company. Therefore, no peer analysis has been performed.

**Industry Overview**

Exhibit 1: Gross Value Added by Agriculture and Allied sectors.

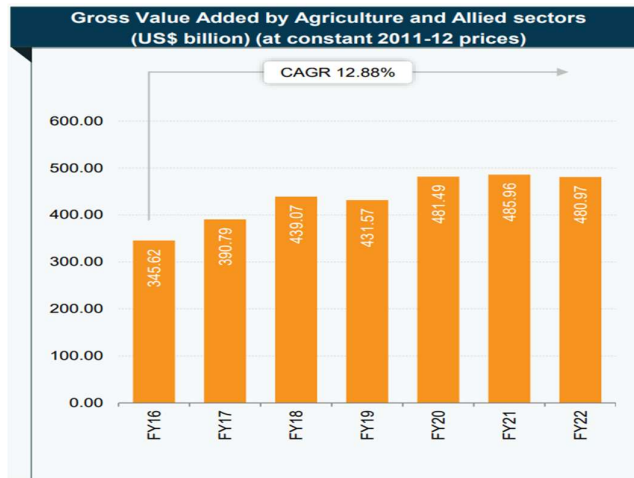


Exhibit 2: Agricultural Exports from India.

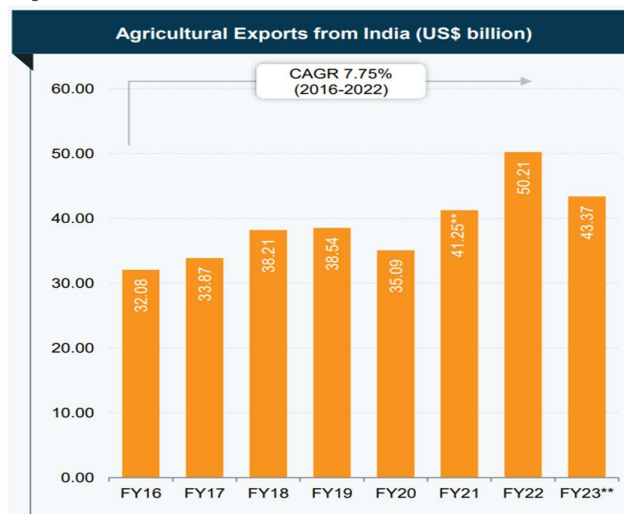
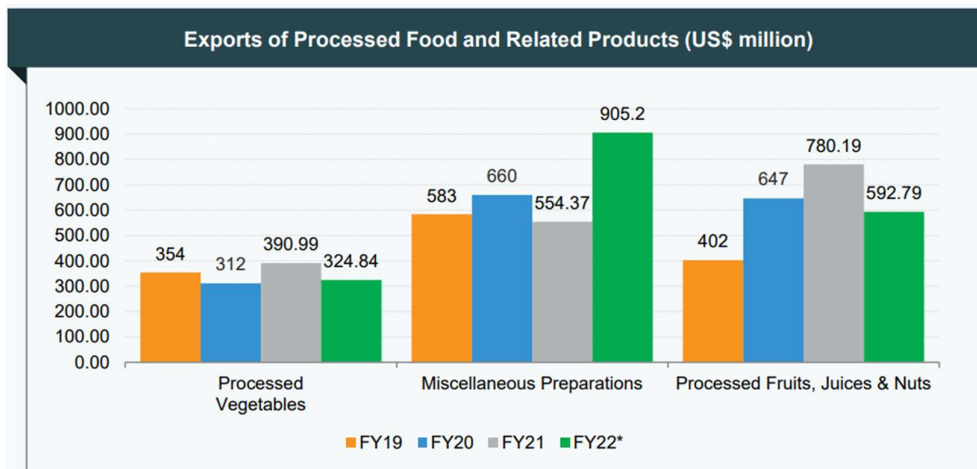


Exhibit 3: Exports of Processed Food and Related Products.



(Source: ibef.org)

## **Agriculture and Allied Industries**

India is one of the major players in the agriculture sector worldwide and it is the primary source of livelihood for about 58% of India's population. India has the world's largest cattle herd (buffaloes); largest area planted to wheat, rice, and cotton, and is the largest producer of milk, pulses, and spices in the world. It is the second-largest producer of fruit, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cotton, and sugar. Agriculture sector in India holds the record for second-largest agricultural land in the world generating employment for about half of the country's population. Thus, farmers become an integral part of the sector to provide us with means of sustenance.

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food processing industry accounts for 32% of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

According to Inc42, the Indian agricultural sector is predicted to increase to US\$ 24 billion by 2025. Indian food and grocery market is the world's sixth largest, with retail contributing 70% of the sales. As per First Advance Estimates for FY 2022-23 (Kharif only), total foodgrain production in the country is estimated at 149.92 million tonnes. Rapid population expansion in India is the main factor driving the industry. The rising income levels in rural and urban areas, which have contributed to an increase in the demand for agricultural products across the nation, provide additional support for this. In accordance with this, the market is being stimulated by the growing adoption of cutting-edge techniques including block chain, artificial intelligence (AI), geographic information systems (GIS), drones, and remote sensing technologies, as well as the release of various e-farming applications.

Agriculture and allied activities recorded a growth rate of 3.9% in FY 2021-22 (until 31 January, 2022). Gross Value Added by the agriculture and allied sector is 18.8% in FY2021-22 (until 31 January, 2022). As per the Budget 2022-23, Rs. 1.24 Lakh Crore (US\$ 15.9 billion) has been allocated to Department of Agriculture, Cooperation and Farmers' Welfare. Between April 2020-February 2021 and April 2021-February 2022, agricultural & processed food product exports stood at US\$ 22.07 billion. Between April 2000-March 2022, FDI in agriculture services stood at US\$ 2.55 billion. In the Rabi marketing season 2021-22, the government purchased a record 43.33 MT of wheat. As of October 27, 2021, the total Rabi area stood at 0.53 Lakh hectares.

## **Road Ahead**

India is expected to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investment in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to concerted effort of scientists to get early maturing varieties of pulses and the increase in minimum support price. In the next five years, the central government will aim US\$ 9 billion in investments in the fisheries sector under PM Matsya Sampada Yojana. The government is targeting to raise fish production to 220 Lakh tonnes by 2024-25. Going forward, the adoption of food safety and quality assurance mechanisms such as Total Quality Management (TQM) including ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP) and Good Hygienic Practices (GHP) by the food processing industry will offer several benefits. The Agri export from India is likely to reach the target of US\$ 60 billion by the year 2022.

(Source: prospectus)

### Key Managerial Personnel

**Kaupilkumar Hasmukhbhai Shah**, aged 46 years, is executive director and Promoter of the company. He holds Bachelor's Degree in Commerce from Gujarat University. He has been instrumental in taking major policy decision of the Company. He is playing vital role in formulating business strategies and effective implementation of the same. He is responsible for the expansion and overall management of the business of the Company. He is presently in charge of finance, macro management, and strategic matters of the company.

**Shitalben Kaupilkumar Shah**, aged 42 years, is executive director and Promoter of the company. She has earned her Bachelors in Commerce and Law from Gujarat University. She is playing vital role in formulating business strategies and effective implementation of the same. She is responsible for the expansion and overall management of the business of the Company. She has handled Business operations for many small ventures and has hands on experience in managing Human resource, brand building, brand development, marketing and compliance.

**Shivangi Bipinchandra Gajjar**, aged 31 years, is heading executive operations at the Company. She holds membership of Institute of Company Secretaries of India and also has earned her Bachelors in Commerce from Gujarat University. She has handled Business operations for many small ventures and has hands on experience in managing Human resource, brand building, brand development, marketing and compliance.

**Dharman Manoj Mehta**, aged 32 years, is the Whole time Director and CFO of the company. He is a Chartered Accountant and has worked as an associate for 2 years in Price Waterhouse Coopers, Mumbai. Thereafter he has been associated with the company since 2017 and looks after sales and marketing and finance operations of the company.

**Priyanka K Gola**, aged 30 years, is the Independent Director of the Company. She is a qualified Company Secretary from The Institute of Company Secretaries of India and holds Bachelor's degree in Law (LLB). She also has a Bachelor's Degree in Commerce from Saurashtra University. She has an experience of Compliance Officer of listed entity as well as also appointed as a nodal Officer for the link between Stakeholder & the Company.

**Bhavna Basantbhai Shah**, aged 35 years, is the Independent Director of the Company. She is a qualified Company Secretary from The Institute of Company Secretaries of India and holds Bachelor's degree in Business Administration, Master's Degree in Commerce. She has also cleared PCC Level of Chartered Accountancy Course. Currently serving at IRSS Insurance Group as Compliance Manager. She is a dynamic professional with 6 years of experience in the areas of Capital Market and Corporate laws.

To conclude, the promoters of the company have a decent experience in the industry that company operates in, the remaining directors also have decent knowledge and experience in the different industry and in the fields which will help in the growth of the business.



## Financial Snapshot

<b>Profit and Loss Statement</b>				<b>(In Lacs.)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	348.90	1,774.88	2,461.10	
Other Income	-	0.81	1.40	
<b>Total Income</b>	<b>348.90</b>	<b>1,775.69</b>	<b>2,462.50</b>	
<b>Expenses</b>				
Purchase	337.40	1,680.27	2,373.48	
Changes in inventories	-	-	-108.82	
Employee benefits expense	3.94	13.96	13.88	
Finance costs	-	-	-	
Depreciation and Amortization expense	-	0.44	0.57	
Other expenses	3.39	26.01	47.85	
<b>Total Expenses</b>	<b>344.72</b>	<b>1,720.68</b>	<b>2,326.97</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>4.17</b>	<b>54.63</b>	<b>134.70</b>	
<b>EBITDA Margin</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>4.17</b>	<b>55.01</b>	<b>135.53</b>	
Less: Exceptional Items	-	-	-	
<b>Profit/(Loss) before tax</b>	<b>4.17</b>	<b>55.01</b>	<b>135.53</b>	
<u>Tax Expense</u>				
Current Year	-	5.61	18.49	
Deferred tax	-0.14	0.98	-0.04	
<b>Total Tax Expense</b>	<b>-0.14</b>	<b>6.59</b>	<b>18.46</b>	
<b>Profit/(Loss) for the year</b>	<b>4.32</b>	<b>48.41</b>	<b>117.08</b>	
<b>Net Profit Margin</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
(a) Share Capital	1.00	1,031.64	1,031.68	
(b) Reserves and surplus	4.08	45.50	162.57	
<b>Total Equity</b>	<b>5.08</b>	<b>1,077.14</b>	<b>1,194.25</b>	
<b>2. Non-current liabilities</b>				
(a) Long-term borrowings	0.51	5.01	2.01	
(b) Deferred Tax liability	-	0.07	0.04	
<b>Total Non-current liabilities</b>	<b>0.51</b>	<b>5.08</b>	<b>2.05</b>	
<b>3. Current liabilities</b>				
(a) Short-term borrowings	-	-	-	
(b) Trade payables	241.15	209.83	178.49	
(c) Other current liabilities	0.25	1.30	9.43	
(d) Short-term provisions	-	5.61	18.49	
<b>Total Current liabilities</b>	<b>241.40</b>	<b>216.74</b>	<b>206.41</b>	
<b>Total Liabilities</b>	<b>241.91</b>	<b>221.82</b>	<b>208.46</b>	
<b>Total Equity and Liabilities</b>	<b>246.99</b>	<b>1,298.96</b>	<b>1,402.71</b>	
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
(a) Fixed Assets				
(i) Tangible Assets	-	1.36	0.79	
(b) Deferred tax assets (net)	0.91	-	-	

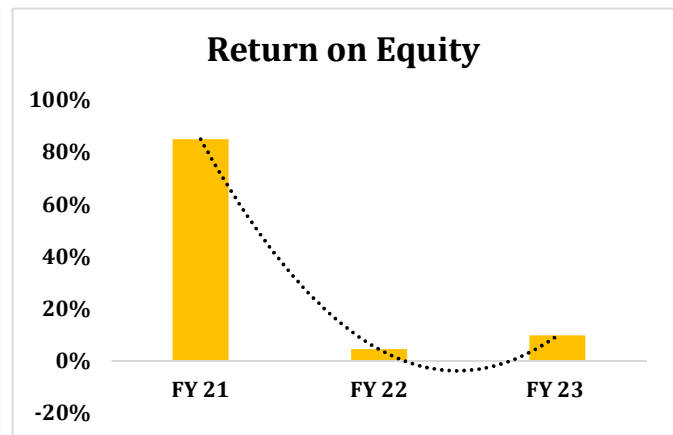
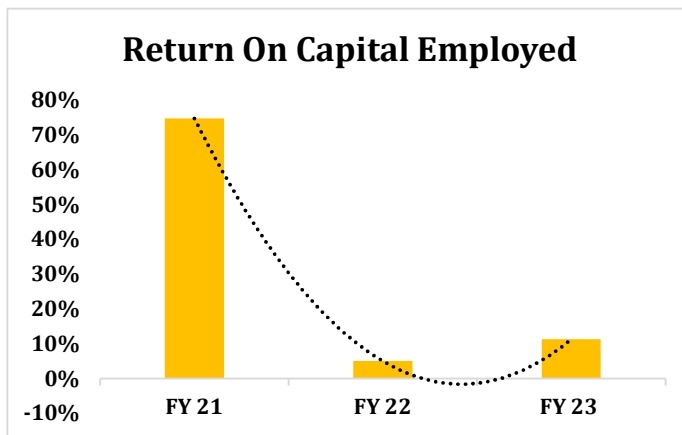
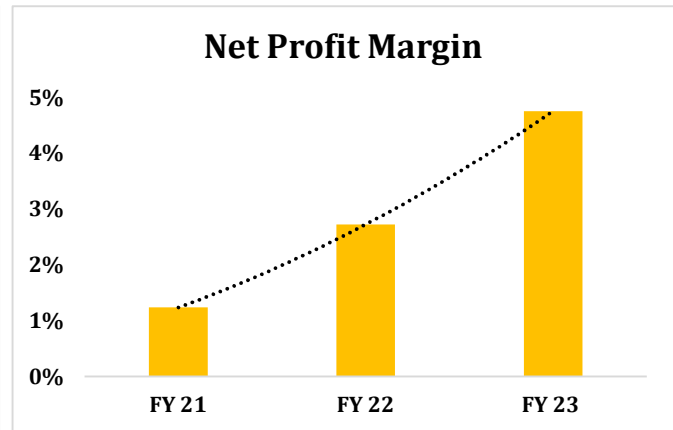
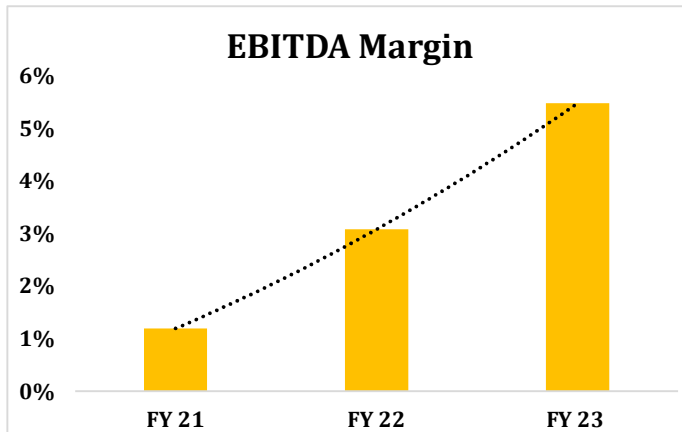


<b>Balance Sheet</b>				<b>(In Lacs)</b>
(c) Long-term loans and advances	-	425.35	401.17	
<b>Total Non-Current assets</b>	<b>0.91</b>	<b>426.71</b>	<b>401.96</b>	
<b>2. Current assets</b>				
(a) Inventories	-	-	108.82	
(a) Trade receivables	212.64	828.61	887.98	
(b) Cash and cash equivalents	33.44	42.42	2.76	
(d) Other Current Assets	-	1.21	1.19	
<b>Total Current assets</b>	<b>246.08</b>	<b>872.24</b>	<b>1,000.75</b>	
<b>Total Assets</b>	<b>246.99</b>	<b>1,298.96</b>	<b>1,402.71</b>	

<b>Cash Flow Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Net Cash Flow from Operating Activities	32.93	-592.82	-62.28	
Net Cash Flow from Investing Activities	-	-426.34	25.59	
Net Cash Flow from Financing Activities	0.51	1,028.14	-2.96	

<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b><u>Per Share Data</u></b>			
Diluted EPS	43.16	0.75	1.13
BV per share	0.03	6.60	7.32
<b><u>Operating Ratios</u></b>			
EBITDA Margins	1%	3%	5%
PAT Margins	1%	3%	5%
Inventory days	-	-	16.14
Debtor days	222.45	170.40	131.69
Creditor days	260.88	45.58	27.45
<b><u>Return Ratios</u></b>			
RoCE	75%	5%	11%
RoE	85%	4%	10%
<b><u>Valuation Ratios (x)</u></b>			
EV/EBITDA	-6.67	19.03	8.86
Market Cap / Sales	11.69	2.30	1.66
P/E	0.58	33.33	22.12
Price to Book Value	802.34	3.79	3.42
<b><u>Solvency Ratios</u></b>			
Debt / Equity	0.10	0.0047	0.0017
Current Ratio	1.02	4.02	4.85
Quick Ratio	1.02	4.02	4.32
Asset Turnover	1.41	1.37	1.75

## Financial Charts



## Key Risk Factors

1. Company has had defaulted in repayment of loan in the past.
2. One of company's Promoters, Mr. Kaupilkumar Hasmukhbhai Shah had defaulted in payment of Credit Card dues in the past.
3. The Company is dependent on few numbers of customers for sales i.e., top ten customers of the company for FY2022-23, FY 2021-22 and FY 2020-21 contributed for 83.24%, 92.05% and 100.00% respectively of its sales. Loss of any of this large customer may affect its revenues and profitability.
4. Company is highly depending on a few key suppliers who help procure the same i.e., top ten suppliers of the company for FY2022-23, FY 2021-22 and FY 2020-21 contributed for 97.41%, 79.53% and 100.00% respectively of its purchases. In the event company's inability to procure adequate amounts of raw materials, at competitive prices the company's business, results of operations and financial condition may be adversely affected.
5. Company has had negative cash flow from operating activity in two previous fiscal years.

### Track Record of Lead Manager

The lead manager to the issue is Turnaround Corporate Advisors Private Limited. A table has been set below highlighting the details of the IPO of the 2 companies handled by the Lead Managers in recent times -

#### Turnaround Corporate Advisors Private Limited -

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Adishakti Loha and Ispat Limited	2.00	11.00	Oct 13, 2021	11.00
2.	Avon Moldplast Limited	4.51	51.00	Jul 26, 2018	113.40

As per the offer document, Turnaround Corporate Advisors Private Limited has had only 1 mandate in the last three fiscal years and it has opened in premium.

\*CMP for all the above-mentioned companies is taken as on 25<sup>nd</sup> September 2023.

### **Recommendation**

The company has experienced exponential growth with respect to the various financial indicators as well as decent improvement in the balance sheet position in the last three Fiscals, i.e., company has seen an increase in its net worth.

The management outlook of the company is decent, and no proper bifurcation of the roles and responsibilities of its top management is given.

The P/E on an annualised and Post IPO basis is around 12.81 times which seems to be fully priced looking at the performance and size of the company.

The Company has shown an exponential growth in its revenue and profits, which will be difficult to sustain going forward. And also, the business segment in which the company operates is not unique and faces a lot of competition from both organized and unorganised players. Therefore, its recommended to **AVOID** applying for the IPO.

### **Disclaimer**

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