

IPO Details		Company Background				
Opening Date	Sept 27, 2023	<ul style="list-style-type: none"> ○ Vivaa Tradecom Limited was originally incorporated in the year 2010 and has its registered office in Ahmedabad. ○ The Company is engaged in the trading of Textile Fabrics and Readymade Garments. ○ The company directly purchase readymade garments and cotton and Jeans garments from the market and sells them to the customers. ○ As of 31st August 2023, the Company has 4 Employees on its payroll. 				
Closing Date	Oct 04, 2023					
Stock Exchange	BSE SME					
Lot Size	2,000 Shares					
Issue Price	₹ 51 per share					
Issue Size	Aggregating up to 7.99 Cr.					
Fresh Issue	Aggregating up to 7.99 Cr.					
Offer for Sale Application	-					
Amount	₹ 1,02,000					
IPO Objective		Market Capitalization (In Cr.)				
Capital Expenditure of the Company.		Pre-Issue		Post-Issue		
General Corporate Purpose.		₹ 6		₹ 14		
To meet the Issue Expenses.		Financial Summary (In Lacs)				
Pre-Issue Shareholding			For the Period Ended	Mar-21	Mar-22	Mar-23
Category	No. of Shares	% of Total Shares	Total Assets	9,430.20	9,803.46	4,918.80
Promoter & Promoter Group	11,85,750	50.00%	Net Assets	1,118.59	1,162.98	1,211.70
Public	11,85,750	50.00%	Total Borrowings	1,354.90	1,113.05	457.37
Promoter of the Company			Total Revenue	14,734.56	24,728.70	13,402.83
1	Mitesh Adani		Profit After Tax	-6.47	44.40	25.46
Competitive Strengths			Tentative Timeline			
1	Experienced Promoter		Opening Date	Sept 27, 2023		
2	Quality Service		Closing Date	Oct 04, 2023		
3	High level of customer satisfaction		Basis of Allotment	Oct 09, 2023		
4	Established relations with suppliers		Initiation of Refunds	Oct 10, 2023		
5	Existing client relationship		Credit of Shares to Demat	Oct 11, 2023		
6	Expand geographical reach		Listing Date	Oct 12, 2023		

Company Background and Analysis

The Company was originally incorporated in the year 2010. The company is engaged in the trading of Textile Fabrics and Readymade Garments. The Company is engaged in the business of manufacturing as well as trading of Clothes and Garments. The company is selling readymade garments to various reputed clients on a Pan-India basis. The company directly purchases readymade garments and cotton and Jeans garments from the market and sells them to the customers. From April 2022 the major business is with the Ahmedabad-based buyer and seller. In most of the cases, the purchases are based on the order received by the clients. On March 31, 2022, the company has sold the Factory under the Business undertaking on a going concern basis, by way of slump sale to Globe Textiles (India) Ltd. at a consideration of Rs.26.43 crores.

Product Portfolio -

1. Denim -
 - i) Men - supply the denim jeans for men in different colours to buyers who are basically big-ticket retailers and popular brands in the Middle East, Far East, Asia, and the rest of the world.
 - ii) Women - The company holds distinction in the supply of denim garments - i.e., denim jeans and joggings for women.
2. Non-Denim -
 - i) Women - cotton pants are made from 100% cotton or cotton lycra and satin blends to offer soft, stretchy, and skinny looks. Select from a range of hot colours like Purple, Satin, Black Satin, Pink Satin, Beige, Printed, Lycra, Green Printed Lycra, White, Peach puff, Yellow and Blue Satin colours selling under the brand - Indie Girl
3. Printed Fabrics -
 - i) The company was also in the business of manufacturing and trading Jeans and Cotton fabrics. In the fabric segment, the main business activities were in the following fabric: a. Denim b. non-Denim.

Along with trading in the garment industry, the Company has decided to expand the business by entering the trading of other segments as well. For the vertical growth of the Company, the Company has entered into an agreement with Rushil Décor Limited, having a registered office in Ahmedabad, Gujarat, on March 29, 2023, for distributing VIR MDF Boards of various thickness and Prelam MDF Boards, which are used in the furniture industry.

Revenue generation as per the key industries for the Fiscal years ended 2021, 2022, and 2023 is given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Manufacturing	5,637.29	38.51	8,056.80	33.13	-	-
Trading	8,493.97	58.02	15,654.12	64.37	13,401.73	100.00
Job Work Basis	507.71	3.47	609.40	2.51	-	-
Total	14,638.97	100.00	24,320.32	100.00	13,401.73	100.00

To conclude, the company was originally incorporated in the year 2010. The company is engaged in the trading of Textile Fabrics and Readymade Garments. The company discontinued its manufacturing operations in FY 2022.

Business Strategies

1. Improving operational efficiencies.

The Company intends to improve efficiencies to achieve the purchases at a very competitive rate. The company believes that this can be achieved through domestic presence and personal attention.

2. Diversification addition to the trading activities.

The Company intends to open an office in Andhra Pradesh for the Laminated Sheets Trading business. With this diversification in additional business, the company will be able to increase its revenue.

3. Develop cordial relationships with the suppliers, customers, and employees.

The Company believes in maintaining good relationships with the Suppliers and Customers which is the most important factor to keep the company growing.

4. Leveraging the Marketing skills and Relationships.

The Company aims to leverage the marketing skills and relationships and further enhance customer satisfaction. The company plans to increase its customer base by supplying orders in hand on time and maintaining and renewing the relationships with existing clients.

5. Focus on dealing in quality standard products.

The Company is focused on dealing with the products which meet the requisite quality standards as per the applicable regulatory norms. Providing the desired and good quality products helps them enhance the Company's image and maintain long-term relationships with customers.

Competitive Scenario and Peer Mapping

Competition

The company faces competition from other existing traders of Readymade Garments and Denim and Printed Fabrics. The barrier to entry in such a sector is very low. The bargaining power with the suppliers is high and the bargaining power with the customers is high in the sector in which the company operates.

Peer Analysis

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

Particulars	Vivaa Tradecom Limited	Thomas Scott (India) Limited	Bang Overseas Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	0.19%	4.64%	0.85%
EBITDA Margin	0.71%	7.52%	3.39%
Return on Capital Employed	6.04%	12.86%	2.83%
Return on Equity	2.10%	21.85%	1.02%
EPS (INR)	1.07	5.22	0.85

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

Particulars	Vivaa Tradecom Limited	Thomas Scott (India) Limited	Bang Overseas Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.18%	1.97%	6.02%
EBITDA Margin	-0.74%	4.00%	7.23%
Return on Capital Employed	-22.89%	9.47%	3.96%
Return on Equity	3.82%	7.26%	5.15%
EPS (INR)	190.92	1.14	3.64

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

Particulars	Vivaa Tradecom Limited	Thomas Scott (India) Limited	Bang Overseas Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-0.04%	-0.51%	1.75%
EBITDA Margin	0.86%	3.74%	-1.75%
Return on Capital Employed	0.36%	11.74%	-3.13%
Return on Equity	-0.58%	-2.74%	1.09%
EPS (INR)	-27.87	-0.32	1.03

Based on the above analysis, the company has performed lower than its peers in all aspects including the profitability margins, RoCE, ROE, and EPS are low when compared on an average basis with the peer companies for FY 2023.

Industry Overview

Exhibit 1: Textiles and Apparel Industry (US\$ billion)

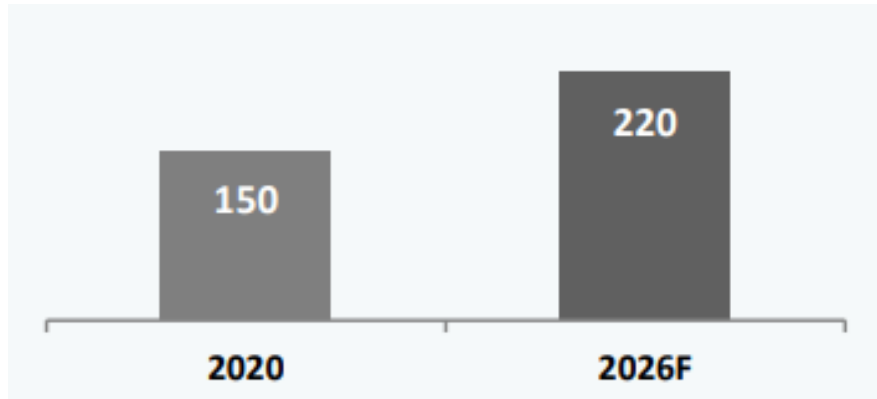


Exhibit 2: Textiles Trade (US\$ billion)



(Source: ibef.com)

Indian Textile Industry -

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 (43million bales of 170 kg each) by 2030, driven by increasing demand from consumers.

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. India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. 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. India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41%increase YoY. 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. India's textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country.

Gujarat Textile Policy-2012

Industries and Mines Department, Government of Gujarat has announced Gujarat Textile Policy - 2012 to encourage whole textile value chain by providing interest subsidy and other incentives. Scheme duration is completed on dated 03/09/2018, but the process of the sanctioned claims is continuing.

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: prospectus)

Key Managerial Personnel

Mitesh Adani, aged 59, is the Promoter, and Managing Director of the company. He is Matriculate. He has experience in the business of Textile goods for about 25 years. He is looking after the administration and management aspects of the Company.

Sangita Jain, aged 55, is the Non-Executive Director of the company. She has passed SSC. She is looking after accounts and general administration. She is a director with two other companies.

Narayansinh Chauhan, aged 78, is the Independent Director of the company. He holds a degree in BA, and LL.B. (Special). He has more than 20 years of experience in Civil Matters as he is a practising advocate in the Civil Court.

Jimitkumar Sanghvi, aged 45, is the Independent Director of the company. He holds a degree in B.Com. He is having very good experience in the Equity and Commodity Market

To conclude, the company has 1 promoter, and he has vast experience in the industry in which the company operates. The remaining directors have decent knowledge, and experience in the fields which help in the growth of the business. The responsibilities of the management are not disclosed accurately.

Financial Snapshot

Profit and Loss Statement		(In Lacs)		
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	14,641.40	24,320.31	13,401.73	
Other Income	93.16	408.39	1.10	
Total Income	14,734.56	24,728.70	13,402.83	
Expenses				
Cost of material consumed	1,264.03	1,961.32	-	
Purchase of stock-in-trade	10,873.72	19,752.26	13,058.41	
Change in Inventories of finished goods, stock in process & stock in trade	360.77	(465.59)	174.61	
Employee benefits expense	701.03	1,082.18	20.44	
Finance costs	99.94	85.28	39.63	
Depreciation and Amortization expense	120.59	120.96	19.33	
Other expenses	1,316.27	2,171.10	53.34	
Total Expenses	14,736.35	24,707.51	13,365.76	
Earnings Before Interest, Taxes, Depreciation & Amortization	125.58	(180.96)	94.93	
EBITDA Margin	1%	-1%	1%	
Profit/(Loss) before tax	(1.79)	21.19	37.07	
Tax Expense				
Current Tax	-	23.48	15.20	
Deferred tax (net)	4.68	(46.69)	(3.59)	
Total Tax Expense	4.68	(23.21)	11.61	
Profit/(Loss) for the year	(6.47)	44.40	25.46	
Net Profit Margin	-0.04%	0.18%	0.19%	

Balance Sheet		(In Lacs)		
Particulars	FY 21	FY 22	FY 23	
EQUITY AND LIABILITIES				
Equity				
Share Capital	2.33	2.33	237.15	
Reserves and Surplus	1,116.26	1,160.65	974.55	
Total Equity	1,118.59	1,162.98	1,211.70	
Liabilities				
Non-current liabilities				
Borrowings	184.15	131.20	17.76	
Deferred tax liabilities (net)	71.51	24.82	21.23	
Long Term Provisions	-	-	-	
Other long-term liabilities	-	-	-	
Total Non-current liabilities	255.66	156.02	38.99	
Current liabilities				
Short Term Borrowings	1,170.75	981.85	439.61	
Trade Payables				
i) Due to micro and small enterprises	11.77	-	-	
ii) Due to other than micro and small enterprises	6,556.73	7,420.37	3,150.60	
Other Current Liabilities	112.46	20.91	1.71	
Short-Term Provisions	204.25	61.34	76.19	
Total Current liabilities	8,055.96	8,484.47	3,668.11	
Total Liabilities	8,311.62	8,640.49	3,707.10	
Total Equity and Liabilities	9,430.21	9,803.47	4,918.80	
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1,020.12	113.65	81.63	
Intangible assets	-	-	-	

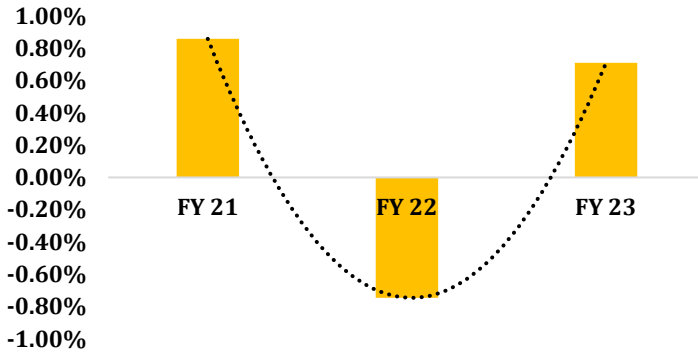
Balance Sheet	(In Lacs)		
Intangible assets under development	-	-	-
Capital Work in Progress	-	-	-
Non-Current Investments	0.63	0.63	0.63
Loans	185.99	198.89	104.98
Other Non-current assets	-	-	-
Deferred Tax Assets	-	-	-
Total Non-Current assets	1,206.74	313.17	187.24
Current Assets			
Current Investments			
Inventories	1,899.91	2,063.98	1,889.37
Trade Receivables	5,891.45	7,071.92	2,525.36
Cash and Cash Equivalents	9.43	3.40	12.19
Short term loans and advances	333.99	309.44	302.56
Other Current Assets	88.68	41.55	2.08
Total Current assets	8,223.46	9,490.29	4,731.56
Total Assets	9,430.20	9,803.46	4,918.80

Cash Flow Statement	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	0.22	(453.77)	574.25
Net Cash Flow from Investing Activities	(7.78)	774.87	106.61
Net Cash Flow from Financing Activities	(27.43)	(327.13)	(672.07)

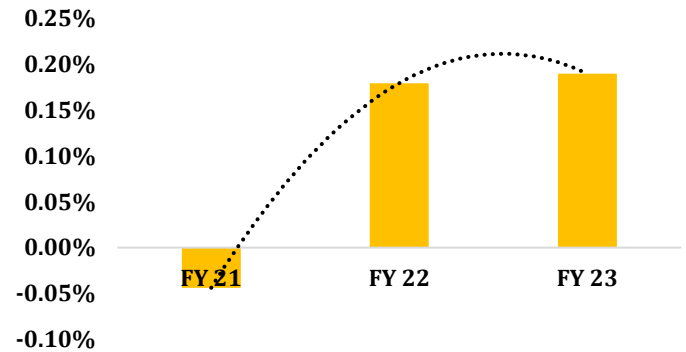
Ratio Sheet	FY 21	FY 22	FY 23
Particulars			
Per Share Data			
Diluted EPS	-27.87	190.92	1.07
BV per share	40.65	42.26	44.03
Operating Ratios (%)			
EBITDA Margins	1%	-1%	1%
PAT Margins	0.04%	0.18%	0.19%
Inventory days	47.36	30.98	51.46
Debtor days	146.87	106.14	68.78
Creditor days	195.99	126.49	88.06
Return Ratios (%)			
RoCE	0.4%	-23%	6%
RoE	-1%	4%	2%
Valuation Ratios (x)			
EV/EBITDA	19.62	-12.56	17.45
Market Cap / Sales	0.10	0.06	0.10
P/E	-1.83	0.27	47.66
Price to Book Value	1.25	1.21	1.16
Solvency Ratios			
Debt / Equity	1.21	0.96	0.38
Current Ratio	1.02	1.12	1.29
Quick Ratio	0.78	0.88	0.77
Asset Turnover	1.55	2.48	2.72
Interest Coverage Ratio	0.05	-3.54	1.91

Financial Charts

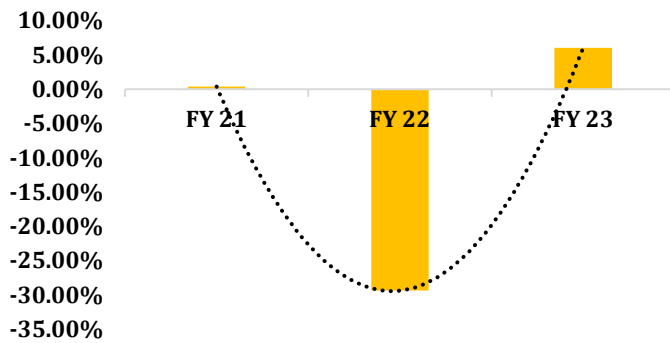
EBITDA Margin



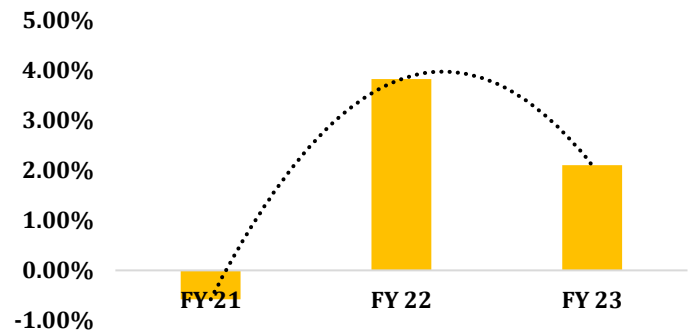
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. The Company's Revenue from the top ten customers in the FY 2022-23, FY 2021-22 and FY 2020-21 was 100.00%, 93.26% and 90.46% of the total turnover respectively and a decrease in the volume of orders by any customer or any disruption in the supply of raw material by any supplier may adversely affect the revenues and profitability of the company.
2. The Company has sold out its clothes and readymade garments manufacturing units and is now into trading activities.
3. The company has certain legal proceedings amounting to Rs. 521.16 lakhs and any failure to plead the case successfully may have an adverse effect on the business prospects, financial condition, result of ongoing operations and reputation of the company.
4. The company has negative operating cash flow for FY 2022.

Track Record of Lead Manager

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

Interactive Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Crop Life Science Limited	26.73	52.00	August 30, 2023	42.07
2.	Tridhya Tech Limited	26.41	42.00	July 13, 2023	43.5
3.	Bizotic Commercial Limited	42.21	175.00	June 23, 2023	61.08
4.	Sahana System Limited	32.74	135.00	June 12, 2023	276.00
5.	Prospectus Commodities Limited	7.48	61.00	March 20, 2023	66.00
6.	Patron Exim Limited	16.69	27.00	March 06, 2023	9.05
7.	Pace E-Commerce Ventures Limited	66.53	103.00	October 20, 2022	19.8
8.	Dipna Pharmachem Limited	15.21	38.00	September 08, 2022	15.9
9.	Rachana Infrastructure Limited	76.28	135.00	June 10, 2022	100.00
10.	Global Longlife Hospital and Research Limited	49.00	140.00	May 04, 2022	44.2

*CMP for the above-mentioned companies is taken as of 25th September 2023.

As per the offer document Interactive Financial Services Limited has had 11 mandates in the last three years. For Interactive Financial Services Limited, all the above-mentioned has opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2010 and has decent experience in the industry. The company has a slight increase in the bottom line of its financials for FY 2022 but has seen a decline in the same for FY 2023.

The PE on an annualised and post-IPO basis is 55.12 times which seems to be slightly overvalued by looking at the performance of the company. The sector P/E is 30.08 times.

The company operates in a competitive segment. The management outlook of the company is not satisfactory. The financial outlook of the company is not great with the margins being very low. The company has not performed better than its peer companies. The sector in which the company operates in does not have high demand making it difficult to see an increase in the revenue for the company in the future. Thus, we believe one can **AVOID** applying to this IPO.



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.