

IPO Details	
Opening Date	Nov 03, 2023
Closing Date	Nov 07, 2023
Stock Exchange	NSE, SME
Lot Size	1,600 Shares
Issue Price	₹ 72 to ₹ 76 per share
Issue Size	Aggregating up to 33.00 Cr.
Fresh Issue	Aggregating up to 33.00 Cr.
Offer for Sale	-
Application Amount	₹ 1,21,600

IPO Objective	
Working Capital Requirements.	
Investment in the wholly owned subsidiary.	
Funding purchase of machinery.	
Prepayment and repayment.	
General Corporate Purpose.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,19,99,988	100.00%
Public	15	-

Promoter of the Company	
1	Yogesh Kumar Sahu

Competitive Strengths	
1	Widespread distribution network and presence across various retail channels.
2	Diversified Product Basket.
3	Strong brand recall and established track record.
4	Quality Assurance and Quality Control of products.
5	Strategically located manufacturing facilities with modern infrastructure and integrated manufacturing facility.
6	Cost-efficient sourcing and locational advantage
7	Experienced Promoters.

Company Background	
○	Baba Food Processing (India) Limited was originally incorporated in the year 2015 and has its registered office in Ranchi, Jharkhand.
○	The company is primarily engaged in the business of manufacturing high fibre Whole Wheat Atta (Wheat Flour), Refined Flour (Maida), Tandoori Atta and Semolina flour (Sooji).
○	The company also commercialise the by-product and waste material, i.e., wheat bran and other waste materials generated during the manufacturing process as cattle feed and fish feed, which makes the manufacturing unit a zero waste and zero discharge manufacturing unit.
○	As of 31 st August 2023, the Company had 85 employees on its payroll

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 91	₹ 124

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Jun-23
Total Assets	4,584.27	5,467.81	6,811.54	6,980.34
Net Assets	1,648.95	1,996.53	2,499.97	2,692.26
Total Borrowings	2,325.45	2,766.60	3,266.55	3,250.94
Total Revenue	10,769.5	9,756.30	18,964.17	4,138.75
Profit After Tax	198.15	201.25	503.45	192.29

Tentative Timeline	
Opening Date	Nov 03, 2023
Closing Date	Nov 07, 2023
Basis of Allotment	Nov 10, 2023
Initiation of Refunds	Nov 13, 2023
Credit of Shares to Demat	Nov 15, 2023
Listing Date	Nov 16, 2023

Company Background and Analysis

The Company was originally incorporated on April 22, 2015. The company is primarily engaged in the business of manufacturing high fibre Whole Wheat Atta (Wheat Flour), Refined Flour (Maida), Tandoori Atta and Semolina flour (Sooji). The company's manufacturing unit is situated in Ranchi and houses two divisions namely, high-fibre whole wheat atta division and refined flour division. The company manufactures high-fibre Whole Wheat Atta (Wheat Flour) in its whole wheat atta division and Refined Flour (Maida), Tandori Atta, and Semolina flour (Sooji) in its refined flour division.

The company also commercialise the by-product and waste material, i.e., wheat bran and other waste materials generated during the manufacturing process as cattle feed and fish feed, which makes the manufacturing unit a zero waste and zero discharge manufacturing unit. The company's manufacturing unit is equipped with an ultramodern highly automated Buhler's Swiss Technology Pesa Mill for manufacturing of stoneless high fibre atta and also an ultra-modern highly automated Buhler's Swiss Technology Roller Flour Mill with an installed capacity of 200 Tons per day.

The company in its expansion process has incorporated its wholly-owned subsidiary under the name Panchakanya Foods Private Limited. The company is also utilizing Rs. 2,029.88 lakhs of Net Proceeds for setting up the manufacturing unit and expanding the market base.

The company's product portfolio is as follows –

1. Whole Wheat Atta – Sold under brand names such as Panchakanya Sharbati, Panchakanya Gold, Panchakanya Krishna, and Bhajan.
2. Refined Wheat Flour – Under the brand name Panchakanya
3. Semolina
4. Tandori Atta
5. Gram Besan
6. Gram Sattu
7. Wheat Bran

Revenue Bifurcation as per the Customer Base, and Marketing Networks and as well institutional manufacturers for the Financial Year Ended 2021, 2022, 2023, and the period ended June 2023 are as follows -

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023		As on June 30, 2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Institutional Manufactures	555.11	5.21	1,241.81	10.01	2,707.46	14.28	489.19	11.83
Modern Traders	55.82	0.52	124.88	1.01	346.31	1.83	201.92	4.88
Dealers	2,553.62	23.97	2,205.79	17.78	3,524.66	18.60	804.39	19.45
Wholesalers	2,847.25	26.72	2,695.79	21.73	4,580.77	24.17	971.61	23.50
Retailers	4,444.49	41.71	2,695.66	21.73	6,260.29	33.03	1,573.00	38.04
Trading	198.91	1.87	3,442.96	27.75	1,534.44	8.10	94.52	2.29
Total	10,655.20	100.00	12,406.89	100.00	18,953.93	100.00	4,134.63	100.00

To conclude, the company was incorporated in the year 2015. The company is engaged in the business of manufacturing high fibre Whole Wheat Atta (Wheat Flour), Refined Flour (Maida), Tandoori Atta and Semolina flour (Sooji). The company generates the majority of its revenue from Maida Product. The company is raising total gross proceeds of Rs. 3,300 lakhs out of which Rs. 2,029.88 lakhs for Investments in the subsidiary, Rs. 365.70 lakhs for Purchase of machinery, Rs. 250 lakhs for Working Capital Requirements, and Rs. 200 lakhs for Payment and repayment of borrowings.

Business Strategies

- 1. Setting up an additional manufacturing unit to focus on the growing demand for the products –**
The company intends to set up an additional manufacturing unit to cater to the increasing demand for its products, increase its geographic presence and increase its revenues and profit margins. The strategic decision to expand the manufacturing unit will increase the ability to cater to the expected increase in demand for the products.
- 2. Expand the existing product portfolio.**
The company believes that the emphasis on quality of manufacture and timely delivery of the offerings have been key factors in the ability to attract new customers and retain existing customers. The company intends to draw on its experience, market position and ability to deliver quality products to successfully foray into other sectors as well as to other geographies.
- 3. Diversifying and increasing penetration in markets.**
The domestic market offers various opportunities in terms of sub-geographic penetration and product/market diversification which the company intends to seize and increase the market share by exploring untapped markets and segments by innovating value-added products, as part of their strategy to widen growth prospects and also continue to explore opportunities in different regions and countries abroad to enhance the geographical reach.
- 4. Strengthen the marketing network.**
The company intends to strengthen its existing marketing team by inducting qualified and experienced personnel, who will supplement the existing marketing strategies in the domestic and international markets.
- 5. Improving operational efficiencies.**
The Company intends to improve efficiencies to achieve cost reductions so that they can be competitive. The company believes that this can be done through domestic presence and economies of scale, and plan to increase customers by meeting orders in hand on time, maintaining customer relationship and renewing relationship with existing buyers.
- 6. Value proposition for consumers.**
The company seek to build on existing relationships and also focus on bringing into the portfolio more clients. The Company believes that business is a by-product of relationships and long-term client relationships with large clients reap fruitful returns. The company believes Long-term relations are built on trust and continuous meetings with the requirements of the customers.
- 7. Penetration into global markets.**
The company is looking forward to entering into global markets and plans to target countries where it can leverage its track record and experience in India to compete effectively and expand its revenue base.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company faces competition from both organized and unorganized markets. The industry in which the company operates has a low barrier to entry, these new entrants could potentially heighten the competitive landscape. The bargaining power with the suppliers is low 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	Baba Food Processing (India) Limited	Megastar Foods Ltd
	31st Mar 2023	31st Mar 2023
Net Profit Margin	2.66%	3.73%
EBITDA Margin	5.79%	7.84%
Return on Capital Employed	24.11%	25.68%
Return on Equity	20.14%	21.74%
EPS (INR)	4.20	9.62

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

Particulars	Baba Food Processing (India) Limited	Megastar Foods Ltd
	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.07%	2.70%
EBITDA Margin	5.03%	6.49%
Return on Capital Employed	10.85%	23.81%
Return on Equity	10.08%	13.89%
EPS (INR)	4.19	5.27

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

Particulars	Baba Food Processing (India) Limited	Megastar Foods Ltd
	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.86%	2.47%
EBITDA Margin	1.37%	5.56%
Return on Capital Employed	0.23%	18.42%
Return on Equity	12.02%	13.33%
EPS (INR)	4.13	4.18

Based on the above analysis, the company has performed low when compared to its peer companies in terms of profitability margins which includes Net Profit Margins, and EBITDA Margins, RoCE, ROE, and EPS for the three consecutive years such as FY 2021, 2022, and 2023.

Industry Overview

Exhibit 1: Indian FMCG Market

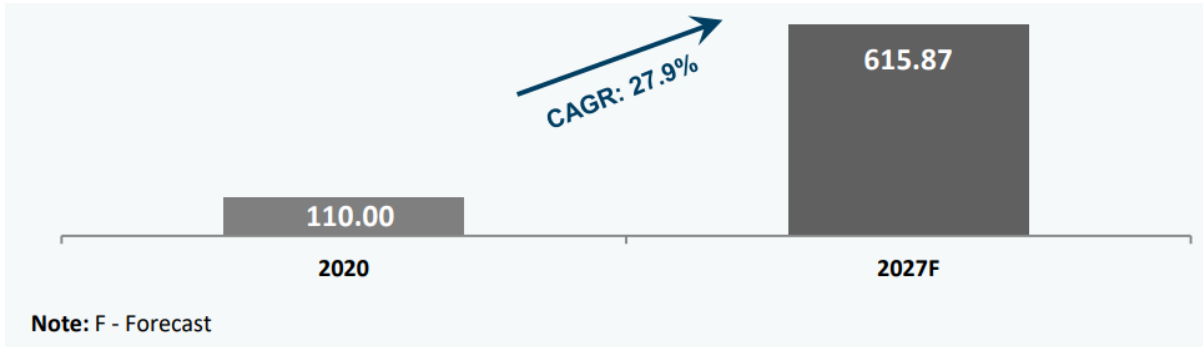
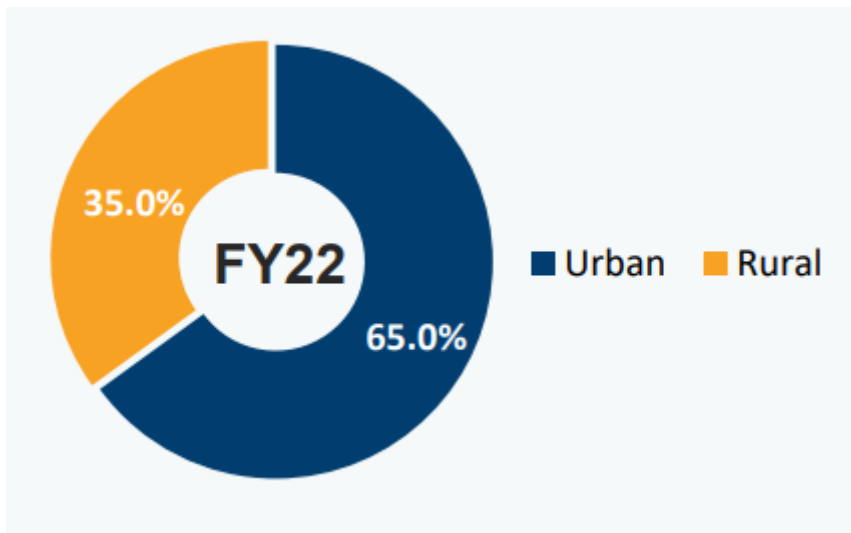


Exhibit 2: Urban-Rural Industry Break-up



(Source: ibef.org)

Indian FMCG Industry

The fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP.

India is a country that no FMCG player can afford to ignore due to its middle-class population which is larger than the total population of the USA. The Indian FMCG market continues to rise as more people start to move up the economic ladder and the benefits of economic progress become accessible to the general public. More crucially, with a median age of just 27, India's population is becoming more consumerist due to rising ambitions. This has been further aided by government initiatives to increase financial inclusion and establish social safety nets.

Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural India. On the other hand, with the share of the unorganized market in the FMCG sector falling, the organized sector growth is expected to rise with an increased level of brand consciousness, augmented by the growth in modern retail. Another major factor propelling the demand for food services in India is the growing youth population, primarily in urban regions. India has a large base of young consumers who form the majority of the workforce, and due to time constraints, barely get time for cooking.

Online portals are expected to play a key role for companies trying to enter the hinterlands. The Internet has contributed in a big way, facilitating a cheaper and more convenient mode to increase a company's reach. The number of internet users in India is likely to reach 1 billion by 2025. It is estimated that 40% of all FMCG consumption in India will be made online by 2020. E-commerce share of total FMCG sales is expected to increase by 11% by 2030. It is estimated that India will gain US\$ 15 billion a year by implementing GST. GST and demonetization are expected to drive demand, both in the rural and urban areas and economic growth in a structured manner in the long term and improved the performance of companies within the sector.

Indian Food Processing Industry –

Food and grocery market in India is the sixth-largest in the world. Food processing industry contributes 32% to this food market and is also one of the largest industries in the country, contributing 13% to total export and six% of industrial investment. The Indian food processing industry is expected to reach US\$ 535 billion by 2025-26 on the back of government initiatives such as planned infrastructure worth US\$ 1 trillion and Pradhan Mantri Kisan Sampada Yojna.

In July 2022, PM Formalisation of Micro food processing Enterprises (PMFME) scheme was launched for providing financial, technical and business support for setting up/ upgradation of micro food processing enterprises in the country with an outlay of Rs. 10,000 crore (US\$ 1.27 billion). Milk production in the country is expected to increase to 208 MT in FY21 from 198 MT in FY20, registering a growth of 10% y-o-y. Milk processing capacity is expected to double from 53.5 MMT to 108 MMT by 2025. The food processing industry employs about 1.77 million people.

(Source: prospectus)

Key Managerial Personnel

Yogesh Kumar Sahu, aged 50, is the Promoter and Managing Director of the company. He has completed his Bachelor of Arts. He has over a decade of experience in agro-trading and milling. He is currently responsible for the overall management of the company.

Rajesh Agrawal, aged 47, is the Whole time Director and Chief Financial Officer(CFO) of the company. He has completed his bachelor's degree in commerce. He is a fellow member of the Institute of Chartered Accountants of India. He has twenty-three years of experience in the field of audit, due diligence, accounting, taxation, finance and management. He is currently responsible for the accounting, finance and taxation functions of the company.

Binita Sahu, aged 40, is the Non-Executive director of the company. She has completed her Bachelor of Commerce. She has six years of experience in the field of management and administration. She is also actively involved in social welfare activities.

Sasmita Mohanty, aged 51, is the Independent Director of the company. She has completed her Master's Degree in arts. She has twenty- five years of experience in leading organisational development and human resources initiatives linking human capital to strategic business results.

Sanchit Jaishwal, aged 31, is the Independent director of the company. He has completed his Bachelor of Commerce. He is an associate member of the Institute of Company Secretaries of India. He has six years of experience in corporate law, finance, general management, legal and taxation.

Raj Kumar Lakhotia, aged 45, is the Independent director of the company. He has completed his Bachelor of Commerce. He is a fellow member of the Indian Institute of Chartered Accountants of India. He has experience of twenty-two years in the field of taxation including international taxation, auditing, business and financial advisory, and estate & succession planning. He is a director on the board of directors of Dev-Yashu Trading Private Limited, Chessy Finops Private Limited and Chessy Estate Veterans Private Limited.

To conclude, the company has one promoter and he has vast experience in the industry in which the company operates. The remaining Directors of the company have good knowledge and experience in their respective field which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statements				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Revenue from Operations	10,655.10	9,711.10	18,953.95	4,134.63
Other Income	114.45	45.20	10.22	4.12
Total Income	10,769.55	9,756.30	18,964.17	4,138.75
Expenses				
cost of materials consumed	8,767.48	8,059.79	15,665.15	3,386.96
Purchases	133.16	73.84	324.38	32.44
Changes in Inventories	(34.78)	(199.71)	102.69	(76.26)
Employee benefits expense	310.77	298.74	421.89	119.97
Finance costs	124.09	136.20	246.36	60.31
Depreciation and Amortization expense	138.58	116.12	163.32	44.18
Other expenses	1,020.76	990.16	1,342.53	294.74
Total Expenses	10,460.06	9,475.14	18,266.32	3,862.34
Earnings Before Interest, Taxes, Depreciation & Amortization	145.59	488.28	1,097.31	299.91
EBITDA Margin	1.37%	5.03%	5.79%	7.25%
Profit/(Loss) before tax	309.49	281.16	697.85	276.41
Tax Expense				
Current Tax	29.08	55.12	186.43	77.36
Tax expense / (credit) relating to prior years (net)	-	0.42	0.26	-
Deferred Tax	82.26	24.37	7.71	6.76
Total Tax Expense	111.34	79.91	194.40	84.12
Profit/(Loss) for the period	198.15	201.25	503.45	192.29
Net Profit Margin	1.84%	2.06%	2.65%	4.65%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
EQUITY AND LIABILITIES				
Equity				
Share Capital	480.00	480.00	480.00	1,200.00
Reserves and Surplus	1,168.95	1,516.53	2,019.97	1,492.26
Total Equity	1,648.95	1,996.53	2,499.97	2,692.26
Non-Controlling Interest	-	-	-	0.10
Liabilities				
Non-current liabilities				
Long Term Borrowings	1,246.91	1,237.35	1,169.59	1,301.87
Deferred Tax Liabilities (Net)	172.58	196.94	204.65	211.41
Total Non-current liabilities	1,419.49	1,434.29	1,374.24	1,513.28
Current liabilities				
Short Term Loan	1,078.54	1,529.25	2,096.96	1,949.07
Trade Payables	353.27	351.83	620.26	658.20
Other Current Liabilities	32.39	108.47	104.12	116.35
Short-term Provision	51.31	47.43	115.99	51.07
Total Current liabilities	1,515.51	2,036.98	2,937.33	2,774.69
Total Liabilities	2,935.00	3,471.27	4,311.57	4,287.97
Total Equity and Liabilities	4,583.95	5,467.80	6,811.54	6,980.33
ASSETS				
Non-Current Assets				
Tangible Assets	2,102.10	2,008.13	2,206.01	2,222.59
Long Term Investments	788.67	441.14	301.25	261.78
Other Non-Current Assets	104.41	96.73	26.28	0.19
Total Non-Current assets	2,995.18	2,546.00	2,533.54	2,484.56
Current Assets				

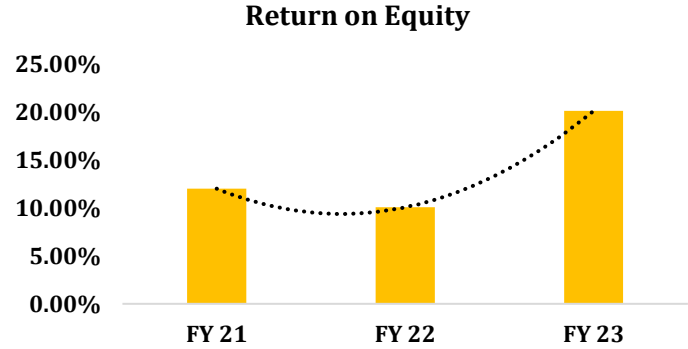
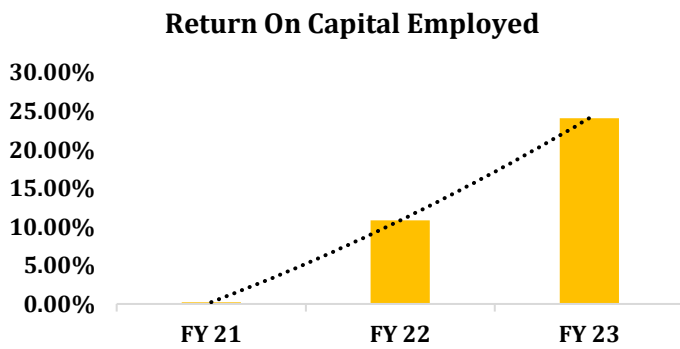
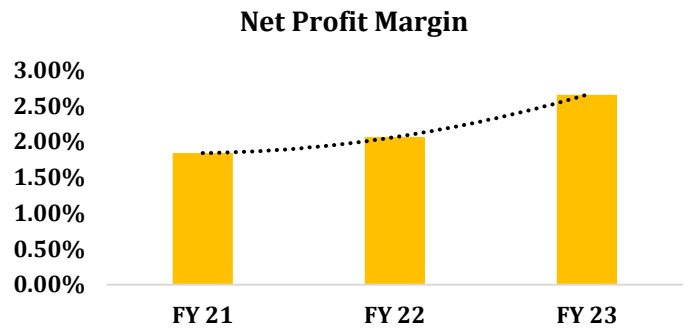
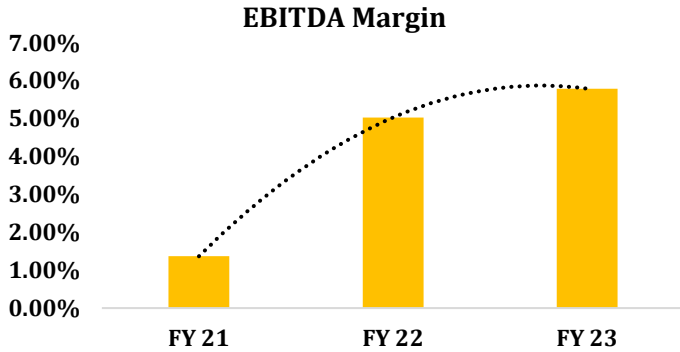
Balance Sheet				(In Lacs)
Inventories	511.00	1,688.03	2,447.25	3,463.23
Trade Receivables	993.61	966.13	1,194.15	830.58
Cash and Cash Balances	9.37	119.46	437.96	61.03
Other Current Assets	75.11	148.19	198.64	140.94
Total Current assets	1,589.09	2,921.81	4,278.00	4,495.78
Total Assets	4,584.27	5,467.81	6,811.54	,980.34

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Jun-23
Net Cash Flow from Operating Activities	858.42	(802.65)	39.85	(339.94)
Net Cash Flow from Investing Activities	(8.39)	325.38	(221.31)	(21.48)
Net Cash Flow from Financing Activities	(858.55)	587.36	499.95	(15.50)

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23*
Per Share Data				
Diluted EPS	4.13	4.19	4.2	5.06
BV per share	10.09	12.22	15.30	44.96
Operating Ratios (%)				
EBITDA Margins	1.37%	5.03%	5.79%	7.25%
PAT Margins	1.84%	2.06%	2.65%	4.65%
Inventory days	17.50	63.45	47.13	76.22
Debtor days	34.04	36.31	23.00	18.28
Creditor days	15.03	14.30	13.65	55.78
Return Ratios (%)				
RoCE	0.23%	10.85%	24.11%	14.12%
RoE	12.02%	10.08%	20.14%	11.26%
Valuation Ratios (x)				
EV/EBITDA	27.23	9.51	4.86	6.21
Market Cap / Sales	1.17	1.28	0.66	0.75
P/E	18.40	18.14	18.10	15.01
Price to Book Value	7.53	6.22	4.97	1.69
Solvency Ratios				
Debt / Equity	1.41	1.39	1.31	0.28
Current Ratio	1.05	1.43	1.46	1.62
Quick Ratio	0.71	0.61	0.62	0.37
Asset Turnover	2.32	1.78	2.78	2.37
Interest Coverage Ratio	0.06	2.73	3.79	5.51

*Ratio sheet for June-23 is annualized.

Financial Charts



Key Risk Factors

1. The company have certain contingent liabilities of Rs. 105.25 Lakhs and financial condition and profitability may be adversely affected if any of these contingent liabilities materialize.
2. The Company has experienced Negative Operating cash flow in the past specifically for the FY ended 2022 and may continue to do so in the future, which could have a material adverse effect on the business, prospects, financial condition, cash flows and results of operations.

Track Record of Lead Manager

The lead manager to the issue is Horizon Management Private Limited. A table has been set below highlighting the details of the IPO of the recent company handled by the Lead Manager in recent times –

Horizon Management Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Cosmic CRF Limited	57.21	314.00	June 30, 2023	269.00

*CMP for the above- mentioned company is taken as of 2nd November 2023

As per the offer document, Horizon Management Private Limited has zero mandates in the last three fiscal years except the above-mentioned mandate. Horizon Management Private Limited's above- mentioned mandate have opened at discount on the listing day.

Recommendation

The company has been in the industry since 2015 and has decent experience in the industry. The company does not have a proper trend in its top line to come to any prediction/conclusion regarding future sustainability. The company has seen a sudden surge in the bottom line for FY 2022 but has sustained the same for FY 2023. The company faces significant competition, and the management outlook of the company is good.

The P/E on a post-IPO basis is 15.01 times which seems to be fairly priced by looking at the performance of the company. The Sector P/E is 42.5 times.

The company has seen an increase in the bottom line of its financials for FY 2023 which may be sustained going forward. The company has also had a wholly owned subsidiary for which a certain portion of the net proceeds are to be utilized and they have good strategies planned out which will yield good growth for the company (Details regarding the strategies are provided in the business strategies of this report). However, the company has also recorded negative operating cashflows for FY 2022 and the period ended June 2023 which if continued may harm the financial condition and the financial outlook is not satisfactory. Thus, knowledgeable investors may apply to this IPO. We recommend **Risk-Averse investors should Avoid and Risk-Seekers should Invest** to this IPO.

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