

IPO Details	
Opening Date	March 15, 2023
Closing Date	March 20, 2023
Stock Exchange	NSE SME
Lot Size	1,200 shares
Issue Price	₹ 99 per share
Issue Size	20,50,800 Equity Shares
Application Amount	₹ 1,18,800
Amount Raised (Issue Type)	₹ 20.30 Cr (Fresh Issue- ₹20.30 Cr)

IPO Objective	
1.	Working Capital Requirements.
2.	Investment in Strategic Acquisition/Joint Venture.
3.	Purchase of Computer and other hardware.
4.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	39,09,488	99.99%
Public	512	0.01%

Promoter of the Company	
1.	Pranav Kailas Bagal

Competitive Strengths	
1.	Hybrid Seeds for wide range of Crops.
2.	Founder-led experienced management team.
3.	Established Brand.
4.	Research and Development capabilities.
5.	Marketing and Distribution of synergistic products.

Company Background	
○	Nirman Agri Genetics Limited was incorporated in the year 2020 and is headquartered in Maharashtra.
○	The company is one of the organised Agri-Input Companies in India.
○	The company is engaged in the business of production, processing and marketing of high-quality hybrid seeds, Pesticides and, Bio-organic for different crops.
○	The company have recently forayed into micronutrients and bioproducts
○	As of 31 st December 2022, the company had 40 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Oct-22
Total Assets	164.06	595.87	915.70
Net Assets	6.47	264.41	447.51
Total Borrowings	99.19	124.67	171.41
Total Revenue	382.21	1,348.91	1,804.28
Profit After Tax	5.47	256.02	230.44

Tentative Timeline	
Opening Date	March 15, 2023
Closing Date	March 20, 2023
Basis of Allotment	March 23, 2023
Initiation of Refunds	March 24, 2023
Credit of Shares to Demat	March 27, 2023
Listing Date	March 28, 2023



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Company Overview

Nirman Agri Genetics Limited is engaged in the business of production, processing and marketing of high-quality hybrid seeds, Pesticides, and Bio-organic for different crops like corn, sunflower, cotton, paddy, grain sorghum, etc. and has recently forayed into micronutrients and bioproducts and the company also produces non-hybrid seeds, primarily for paddy. In the year 2022, the company began to market bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators. Seeds, bio-fertilizers, micronutrients etc. are related products having the same end user i.e. the farmer the company has recently added to their product portfolio.

Analysis

The company was originally incorporated in the year 2020. The company is one of the organised Agri-input Companies in India which is engaged in the business of production, processing and marketing of high-quality hybrid seeds, Pesticides, and Bio-organic. The company have attained over four years of experience in the seed business through the company and Proprietary concern of the Promoter. The company currently have production, outsourced processing and R&D facilities in Maharashtra at Nashik and Nimgul and in Gujarat, Madhya Pradesh. The company's research mainly focuses on developing superior hybrids in crops like corn, cotton, sunflower, paddy, bajra, etc. All the seed varieties developed by the R&D team are marketed under the brand name of "Nirman Agri Genetics".

The company's main focus is to become a leading crop solutions provider to the farmer by supplying high-yielding hybrid seeds and crop management through micronutrients, bioproducts etc. To achieve the same the company is engaging in research and development efforts in the areas of superior breeding programmes and biotechnology tools that will enable the development of highly effective and differentiated hybrid seeds, micronutrients and bioproducts. The company expects the R&D facilities to drive the future growth of the company.

The company's major products include –

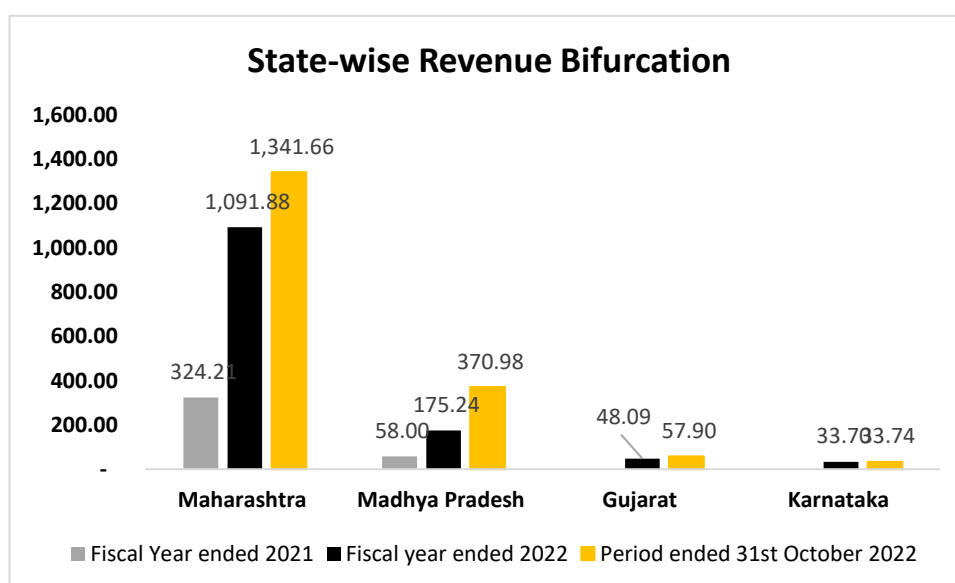
1. Corn
2. Sunflower
3. Bajra
4. Cotton

5. Soyabean
6. Paddy and etc.,

The Revenue bifurcation of the company product-wise for the year ended 2021, 2022, and the Period ended October 2022 is given below -

Products	Fiscal year ended - 2021		Fiscal year ended - 2022		Period ended October - 2022	
	Amount	%	Amount	%	Amount	%
Seeds	382.21	100.00	1,348.91	100.00	1,552.72	86.06
Bio Agri Inputs	-		-		150.96	8.37
Micronutrients	-	-	-	-	100.60	5.58
Total	382.21	100.00	1,348.91	100.00	1,804.28	100.00

The Revenue bifurcation of the company as per state-wise for the years ended 2021, 2022, and the Period ended October 2022 is given below -



To conclude, the company has been in the industry since 2020. The company is raising a total of Rs. 2,030.29 Lakhs and out of the total net proceeds Rs. 1,182.19 lakhs to be utilised for working capital, Rs. 200 lakhs to be utilised for Investment in strategic acquisition/Joint Ventures. Rs. 44.99 lakhs, and Rs. 373.11 lakhs were utilized for the purchase of computers and hardware, and general corporate purposes respectively.

Industry Charts

Exhibit 1: Gross Value Added by Agriculture and Allied Sectors (US\$ billion)

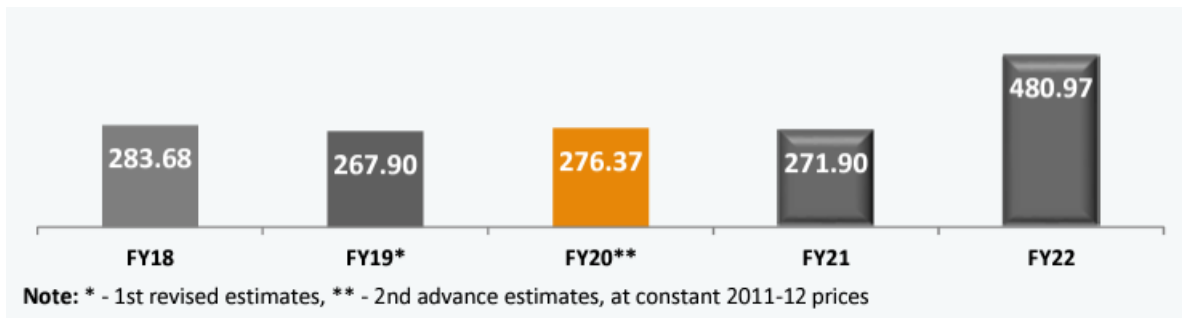
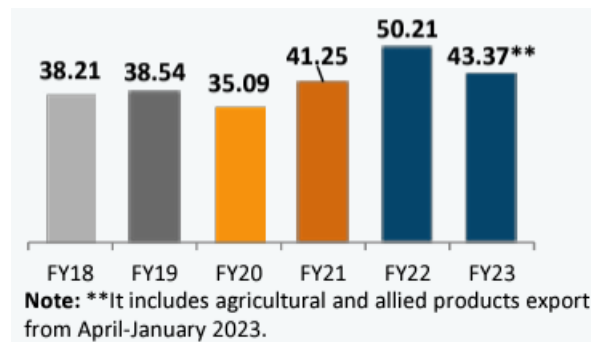
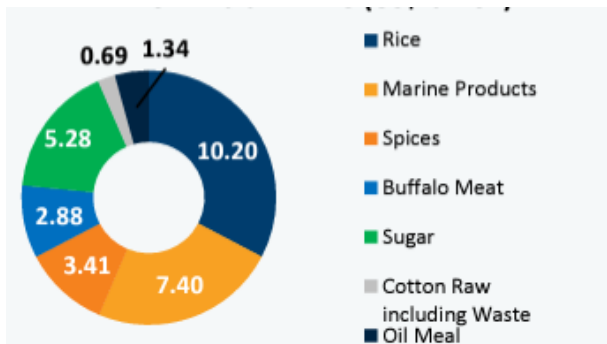


Exhibit 2: Key Sector Exports from India in FY 23 and Agricultural exports (US\$ billion)



(Source-ibef.com)

Investment Overview

Agriculture and allied industries in India -

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.

Consumer spending in India will return to growth in 2021 post the pandemic-led contraction, expanding by as much as 6.6%. 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.

Indian Seeds Industry -

The Indian seed industry has had a long history spreading over more than a century. It initially began with trading in vegetable and flower seeds in the early part of this century. Seed related reforms pertaining to hybridization began in the early 1980's, when the government of India decided to provide public-bred breeder seed to private companies for multiplication and distribution. Further, starting in the mid-1980's accessibility to research institutions, both international and national was provided to private seed firms for directly obtaining breeder seed. The seed related reforms initiated in 1980's thus catalysed growth of the private seed sector in the country. As a consequence, the Indian seed industry is experiencing quantitative and qualitative changes in composition, market expansion and production technologies. Along with the increasing size of the seed market, its composition is also rapidly changing, with more and more private companies not only intensifying but also diversifying their market as well as product coverage.

(Source- Prospectus)

Addressable market for Nirman Agri Genetics Limited

The company operates in the domestic market and covers only a few states of India such as Maharashtra, Madhya Pradesh, Gujarat, and Karnataka. The company can increase its revenue generation by increasing its geographical boundaries inside India and gradually increasing its export services as the company currently does not have any export obligations.

Competition

The industry in which the company operates is in a highly unorganized and fragmented market with many small and medium-sized companies. The company faces competition domestically and internationally, in relation to specific sectors, segments, subsegments or geographies. The industry in which the company operates generally has fewer barriers to entry and customers have high bargaining power in such sectors.

PEER ANALYSIS

As mentioned in the prospectus there are 3 peer companies viz. Shreeoswal Seeds and Chemicals Limited, Upsurge Seeds of Agriculture Limited, and Bombay Super Hybrid Seeds Limited. An analysis of the same has been given below-

Company	Nirman Agri Genetics Limited	Shreeoswal Seeds and Chemicals Limited	Upsurge Seeds of Agriculture Limited	Bombay Super Hybrid Seeds Limited
Net Profit (INR Cr)	2.77	6.00	4.76	17.00
EBITDA (INR Cr)	3.80	12.00	8.26	22.00
Return on Capital Employed	14.30%	14.00%	27.70%	22.20%
Return on Equity	10.96%	13.80%	42.50%	35.00%
EPS (INR)	4.64	0.75	6.74	1.60

Based on the above analysis. When compared to its peer companies in terms of Profitability margins, the company has performed lower. When compared in terms of RoCE, the company has performed more than the peer company Shreeoswal Seeds and Chemicals Limited and is low when compared to the other companies. The EPS of the company on average to its peers is at a straight line.

Nirman Agri Genetics Limited

- PE on Post-IPO basis – 21.34

Promoters' Profile and Management Analysis

Pranav Kailas Bagal



- Amit Vijay Jain is the Promoter, Chairman and Executive Director of the Company.
- He has completed his Bachelor of Commerce.
- He has an experience of more than 10 years of experience in corporate restructuring and Softech consultancy

Analysis on the Company's Promoter and Board of Directors

Pranav Kailas Bagal, aged 22, is the Promoter, and Managing Director of the company. He has completed a Diploma in Agriculture. He has around 6 years of experience in the field of Marketing of Agriculture inputs, managing customer relations and trade terms, and etc. He is currently responsible for managing marketing and business development functions of the Company.

Avinash Bhimrao Bagal, aged 47, is the Non-Executive Director of the Company. He is an under graduate. He has around 25 years of experience in the field of Agriculture. He is assisting the Company in creating a trusted names amongst farmers and suppliers.

Prakash Narayandas Sawana, aged 51 is one of the Independent Director of the company. He is a Law graduate and has around 25 years of experience of handling legal, financial and intellectual property matters. He will be assisting the Company in the field of compliance and legal matters.

Abhishek Shivnarayan Gupta, aged 23 is one of the Independent Director of the company. He is a Commerce graduate and has more than 5 years of experience of managing as a proprietor of his own Food and Agri business. He will be helpful to the Company in the finance and compliance related matters.

Riddhi Nitin Aher, aged 22 is one of the Independent Director of the company. She has done Bachelors of Business Administration and has around 3 years of experience in the field of finance and administration. She has been associated with the company to meet with corporate governance requirements.

To conclude, the company has 1 promoter and has decent experience and knowledge in the industry in which the company operates in. The remaining directors of the

company have good experience in the industry in which the company operates in and in the field which helps in the growth of the business.

Financial Snapshot

(Amount in Lakhs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st October, 2022
<u>Profit and Loss</u>			
Revenue from operations	382.21	1,348.91	1,804.28
Other income	-	-	-
Total Revenue	382.21	1,348.91	1,804.28
Expenses	374.80	1,006.18	1,487.31
Depreciation and Amortisation Cost	-	0.19	3.42
Finance Cost	0.01	0.11	0.62
Total Expenses	374.81	1,006.48	1,491.35
PBT	7.40	342.43	312.93
PBT Margin	1.94%	25.39%	17.34%
EBITDA	7.41	342.73	316.97
EBITDA Margin	1.94%	25.41%	17.57%
Net Profit	5.47	256.02	230.44
Net Profit Margin	1.43%	18.98%	12.77%
<u>Balance Sheet</u>			
Total Borrowings	99.19	124.67	171.41
Net Worth	6.47	264.41	447.51
Fixed Assets	-	0.51	36.40
Net Working Capital	105.66	388.54	582.48
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	19.00	20.93	11.58
Receivables Turnover Ratio	6.22	3.19	4.24
Payables Turnover Ratio	9.78	10.03	20.59
Fixed Assets Turnover Ratio	-	2,644.92	67.04
Return on Capital Employed	7.01%	88.04%	14.30%
Return on Equity	84.54%	96.83%	10.96%
Debt-Equity Ratio	15.33	0.47	0.04

(The data has been taken and calculated from the financials given in the prospectus)

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

The EBITDA of the company has increased from Rs. 7.41 lakhs in 2021 to Rs. 342.73 lakhs in 2022 and as of 31st October 2022 it was Rs. 316.97 lakhs and if we annualize the same it would be around Rs. 380.36 lakhs. The EBITDA on an annualized basis has grown at a CAGR of 616.46%. The EBITDA margin in 2021 was at 1.94%, 25.41% in 2022, and as of 31st October 2022 it was at 17.57%. The EBITDA has increased substantially in FY 22 due to a substantial increase in the revenue from operation for the company. The EBITDA margin decreased in FY 23 due to an increase in the percentage contribution towards other expenses, and cost of material consumed etc.

Net Profit

The Net Profit of the company has increased from Rs. 5.47 lakhs in 2021 to Rs. 256.02 lakhs in 2022, and as of 31st October 2022 it was at Rs. 230.44 lakhs and if we annualize the same it would be around Rs. 276.53 lakhs growing at a CAGR of 611.01%. The Net Profit margin in 2021 was at 1.43%, 18.98% in 2022, and 12.77% as of 31st October 2022. The increase in the Net Profit for the company during FY 22 is due to the same reason as the increase in the EBITDA and the Net Profit margin decreased during FY 23 is due to an increase in the percentage contribution towards the depreciation expenses and finance cost is more.

Finance Cost.

The company's financial cost comprises Interest on Loans and Bank Charges.

Financial Measures/Ratios

RoCE of the company up to 31st October 2022 is 7.01%, 88.04% in 2022, and 50.66% in 2021. The increase in the RoCE for FY – 22 is due to a substantial increase in the earnings (EBIT) of the company when compared to the increase in the capital employed of the company and with the increase in the equity base of the company through IPO, the RoCE on an annualized basis is expected to fall significantly.

ROE of the company in 2021 was 84.54%, 96.83% in 2022 and as of 31st October 2022, it was at 51.49%. The ROE of the company has decreased due to an increase in the Net Worth of the company is more when compared to the increase in the net profit of the company. With an increase in equity base, the ROE is expected to come further down on a post-IPO basis.

Receivables Turnover Ratio has decreased from 6.22 times in 2021 to 3.19 times in 2022, and as on 31st October 2022, it was 3.53 times and is expected to increase to 4.24 times on an annualised basis. The receivables turnover ratio has decreased indicating an increase in the cash inflow for the company which is a good indicator for the company.

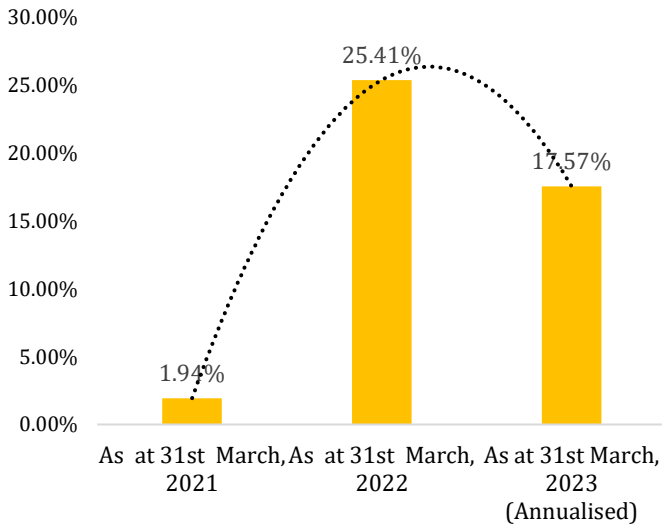
Payables turnover ratio has increased from 9.78 times in 2021 to 10.03 times in 2022, and as of 31st October 2022, it was at 17.16 times and is expected to increase to 20.59 times on an annualised basis. The substantial increase in the turnover ratio indicates a decrease in the cash outflow of the company. The company has also substantially increased its purchases along the way.

The fixed Assets turnover ratio is at 2644 times in 2022 after being nil in 2021 due to the company having no fixed assets in the year 2021 and a slight increase in FY 22 in the form of property plant and equipment and has decreased to 49.57 times as on 31st October 2022 is indicating that the company is not effectively utilizing its fixed assets for revenue generation.

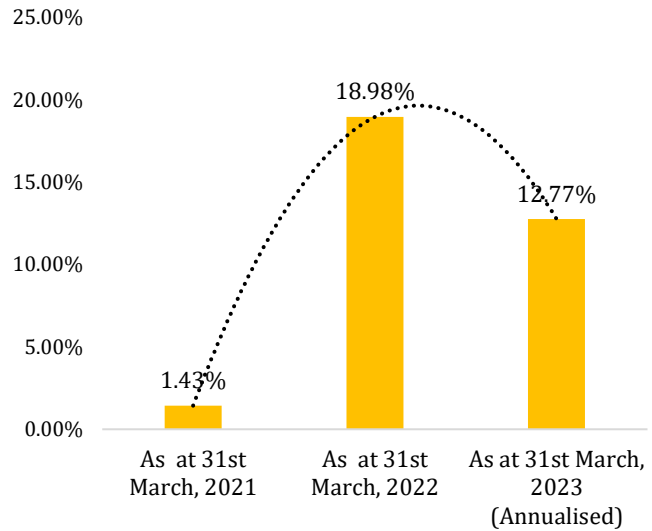
The company has a debt-equity ratio of 0.38 as of 31st October 2022 and 0.47 in 2022 and 15.33 in 2021. The company is leveraged. The debt-equity ratio is going to be around 0.04 times post-IPO.

Financial Charts

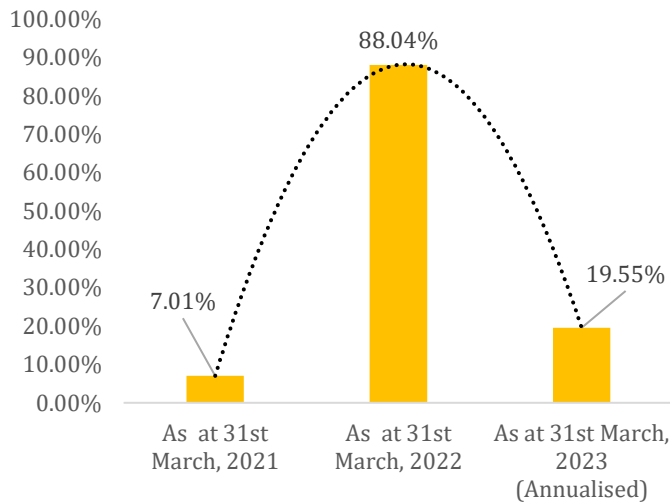
EBITDA Margin



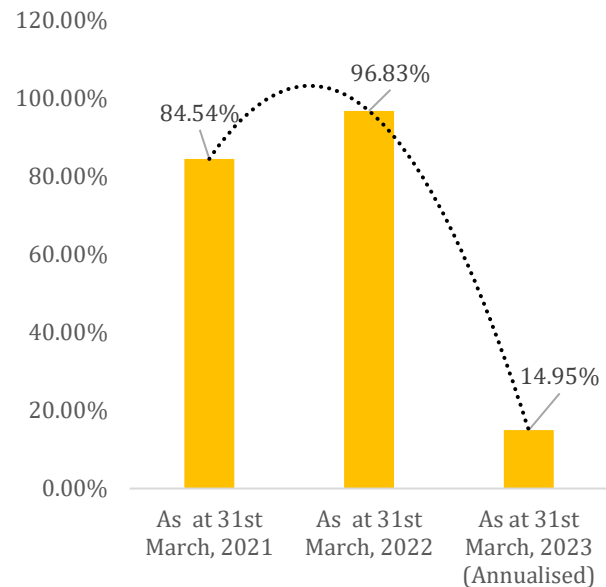
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are certain outstanding legal proceedings involving the Promoter and Promoter Entities which may adversely affect the business, financial condition and results of operations. 1 criminal case against the company, 1 criminal case against the promoter, 1 civil suit against the promoter, 1 civil suit against the director and the amount involved for all the proceedings mentioned above are Not Ascertainable. 3 criminal cases filed by the company amounting to Rs. 2.05 lakhs.
2. The agri-inputs business is highly seasonal in the country and such seasonality may affect the operating results. The raw material supplies are seasonal and the sales are also seasonal in nature.
3. A substantial portion of the revenues has been dependent upon a limited number of customers. The top 10 customers constituted 42.87% and 48.33% of the revenue from operations for the period/ year ending October 31, 2022, and March 31, 2022, respectively.
4. The company is dependent upon a few suppliers for the material requirements of the business. The top 10 suppliers represented 74.85% and 85.48%, respectively, of the purchases for the period ended October 31, 2022 and FY 2021-22, respectively.
5. The company has experienced negative cash flows in the past. Any such negative cash flows in the future could adversely affect the business, results of operations and prospects. The company has negative cash flow from operations for the fiscal year ended 2021 and 2022 and for the period ended October 31, 2022.

Track Record of Lead Manager

The lead manager to the issue is First Overseas Capital 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 –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	SVJ Enterprises Limited	6.12	36.00	March 09, 2023	81.8
2.	Amanaya Ventures Limited	2.76	23.00	March 09, 2023	13.5**
3.	Ducol Organics and Colours Limited	31.51	78.00	January 19, 2023	182
4.	SVS Ventures Limited	11.24	20.00	January 12, 2023	7.50
5.	QMS Medical Allied Services Limited	56.87	121.00	October 11, 2022	142
6.	Varanium Cloud Limited	36.60	122.00	September 27, 2022	172
7.	Ishan International Limited	18.24	80.00	September 22, 2022	27.9
8.	Veerkrupa Jewellers Limited	8.10	27.00	July 18, 2022	2.24
9.	Nanavati Ventures Limited	2.18	50.00	May 06, 2022	42.3***
10.	Vaidya Sane Ayurved Laboratories Limited	20.23	73.00	February 23, 2022	306

*CMP is taken as on 18th August 2023.

**Amanaya Ventures Limited CMP is taken as of 14th August 2023.

***Nanavati Ventures Limited CMP is taken as of 16th August 2023.

As per the offer document, Shreni Shares Private Limited has had 19 mandates in the last three fiscals. For Shreni Shares Private Limited out of the last 10 that are mentioned above, 1 opened at a discount and the rest all opened at premiums ranging from 4.2857% to 60.4320% on the listing date.

Recommendation

The company was incorporated in the year 2020 and is very new to the business. The company's financials have seen a sudden surge in its revenue and profitability margin for FY 2022. The company's management is decent with the top management having good knowledge and experience in the industry in which the company operates.

The company is getting listed with a leading P/E of around 21.34 times which makes the stock fairly priced, looking at the performance of the company over the past years.

In conclusion, the company has seen a sudden surge in its financials and can't comment upon its sustainability without looking at its future financials as the company is very new compared with its previous performance. The business in which the company operates is very seasonal and it has negative cashflows for all the FY 21, 22 and Oct-22 placing this business in a not-so-very-good position. As the company is very new to the market, we think it takes time for the company to show its true potential. Thus, **AVOID** applying to this IPO.

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.