

IPO Details	
Opening Date	Dec 04, 2023
Closing Date	Dec 06, 2023
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price	₹ 70 per share
Issue Size	Aggregating up to 23.80 Cr.
Fresh Issue	Aggregating up to 23.80 Cr.
Offer for Sale	-
Application Amount	₹ 1,40,000

IPO Objective	
Funding Working Capital Requirement.	
Funding Capital Expenditure.	
General Corporate Purpose.	
To Meet the Issue Expenses.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	76,53,255	95.00%
Public	4,02,744	5.00%

Promoter of the Company	
1	Hiren Vallabhbhai Patel
2	Kajal Hiren Patel

Competitive Strengths	
1	Advantage of Geographic Location.
2	Quality Assurance.
3	Experienced Promoters and Management Team.
4	Diversified customer base and long-standing relationships with customers.
5	Timely Delivery of Products.
6	Well-defined Organizational Structure.
7	Scalable Business Model

Company Background	
○	Sheetal Universal Limited was originally incorporated in the year 2015 and has its registered office in Gujarat, India.
○	The company is in the business of Sourcing, processing and supplying agricultural commodities like peanuts, sesame seeds, spices and grains to cater for the manufacturers of peanut butter, biscuits, cakes, chocolate and food products.
○	The company's manufacturing unit at Jamnagar, Gujarat certified by the Government of India with FSSAI-2006
○	As of 31 st July 2023, the Company had 19 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 56	₹ 80

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Aug-23
Total Assets	1,272.15	1,602.83	2,804.02	4,370.03
Net Assets	422.07	450.37	649.22	1,046.89
Total Borrowings	625.07	984.80	1,356.24	1,463.22
Total Revenue	3,883.54	3,983.67	13,165.68	5,826.93
Profit After Tax	25.42	28.32	198.85	187.67

Tentative Timeline	
Opening Date	Dec 04, 2023
Closing Date	Dec 06, 2023
Basis of Allotment	Dec 07, 2023
Initiation of Refunds	Dec 08, 2023
Credit of Shares to Demat	Dec 08, 2023
Listing Date	Dec 11, 2023

Company Background and Analysis

The Company was originally incorporated on August 20, 2015. The company is in the business of Sourcing, processing and supplying agricultural commodities like peanuts, sesame seeds, spices and grains to cater for the manufacturers of peanut butter, biscuits, cakes, chocolate and food products. Over the years, the company has established a regular customer base in various countries. The Company supplies products to the Russian Federation, Indonesia, Malaysia, Vietnam, UAE, Iran, Algeria, Israel, Turkey, and Egypt.

The Company has two subsidiaries Saumesvar International Private Limited and Svar Industries Private Limited. The subsidiaries are processors, and exporters of Agri Commodities like oil seeds, grains etc. The company's manufacturing unit at Jamnagar, Gujarat certified by the Government of India with FSSAI-2006 and obtained other certifications & approvals needed for the processing & sale of products in India as well as in the international market.

The company's Product Portfolio is as follows –

1. Oil Seed –
 - i) Peanuts
 - ii) Groundnut Inshell
 - iii) Hulled Sesame Seeds –
2. Spices –
 - i) Fenugreek seeds
 - ii) Cumin Seeds
 - iii) Turmeric
 - iv) Dill Seeds
 - v) Kalunji
 - vi) Fennel Seeds
3. Grains –
 - i) Rice
 - ii) Chickpeas
4. Other Products
 - i) Raisins
 - ii) Desiccated Coconut

Bifurcation of Revenue from Operations for the FY ended 2021, 2022, and 2023, and May 23 are as follows.
(Amount in Lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Aug-23	
	Amount	%	Amount	%	Amount	%	Amount	%
Export Sale	3,176.04	84.39	2,545.61	65.80	10,726.12	83.27	4,442.33	78.27
Import Sale	587.59	15.61	1,323.16	34.20	2,155.10	16.73	1,233.53	21.73
Total Sales	3,763.63	100.00	3,868.77	100.00	12,881.22	100.00	5,675.86	100.00

To conclude, the company was incorporated in the year 2015. The company is in the business of Sourcing, processing and supplying agricultural commodities. The company is raising the majority of its revenue from the export business. The company is raising total gross proceeds of Rs. 2,380 lakhs.

Business Strategies

1. Business Expansion -

The company is planning to set up a manufacturing facility for defatted protein powder (dry powder) from raw peanuts, almonds, cashew nuts and seeds considered vegan foods.

2. Augment capital base for adequate working capital -

The company believes that companies with high liquidity on their balance sheet would be able to better exploit market opportunities. Hence, to effectively operate and maximize the capacity utilization at the existing facilities the company needs to have access to a larger amount of liquid funds and sufficient working capital.

3. Continue to strive for cost efficiency -

The company will continue to focus on further increasing operations and improving operational effectiveness at its production facility. Higher operational effectiveness results in greater production volumes and higher sales which allows the company to reduce its fixed cost and thereby, increase its profit margins.

4. Reduction of operational costs and achieving efficiency -

The company's focus has been to reduce operational costs to gain a competitive edge.

5. To Increase brand visibility -

The company will continue to associate itself with quality customers. The company is highly conscious of its brand image and intends to continue the brand-building exercise by providing excellent services to the satisfaction of the customers.

6. Maintaining edge over competitors -

The company intends to continue to enhance scale in existing sales and product mix across high-end and mid-segments to capitalize on the opportunity to cater to rising acceptance and demand.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company competes primarily in the Export Market. The company believes the principal; elements of competition in the industry are price, quality, timely delivery and reliability. The company has a low barrier to entry. The bargaining power with the customers is low in the sector in which the company operates.

Peer Analysis

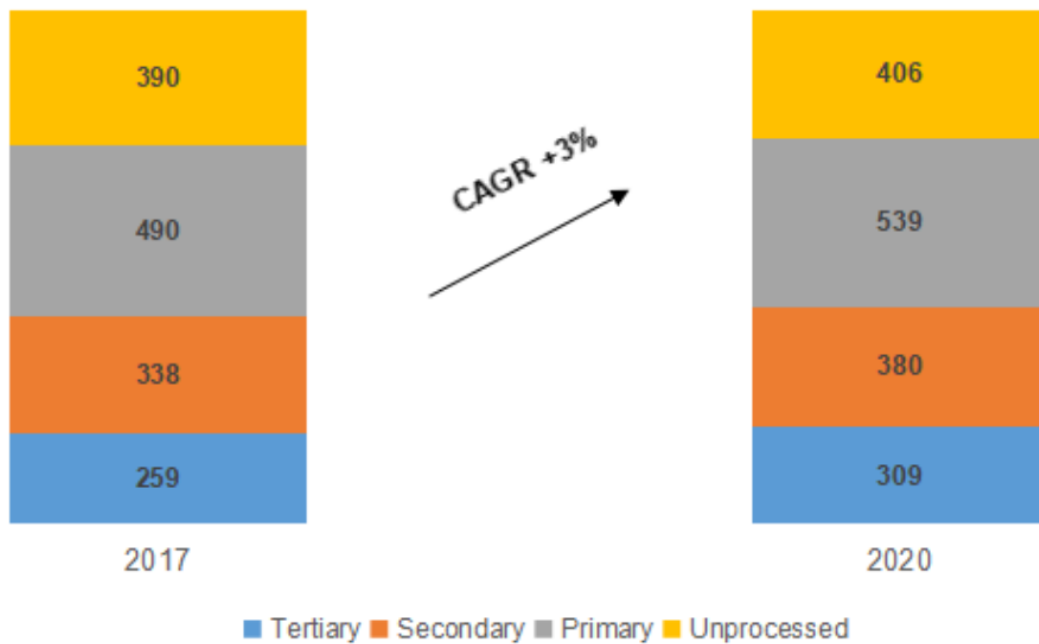
The company believes they do not have any listed peers for comparison as per the offer document.

Industry Overview

Exhibit 1: Comparative Statement for Export of Agri and Processed Food Products Value (US\$ billion)



Exhibit 2: Total food exports across the globe (in US\$ billion).



(Source: ibef.org)

Indian Food Processing Sector -

India has great potential to become a global processed food export powerhouse as it includes a rich agricultural resource base, strategic geographic location and proximity to food-importing nations, and an extensive network of food processing training, academic, and research facilities. The Indian food processing industry has grown rapidly with an average annual growth rate of 8.3% in the past 5 years. With a market size of US\$ 866 billion in 2022, the food industry will play a vital role in the economy's growth.

The domestic food market is projected to grow by over 47% between 2022 and 2027, reaching US\$ 1,274 billion. In 2023, the food market will generate US\$ 963 billion in revenue and the market is anticipated to expand at a CAGR of 7.23% between 2023-27. India's agricultural exports surged by nearly one-fifth (19.92%), crossing the US\$ 50 billion milestones, covering 50% of the world's rice market in FY22. Exports of processed food climbed from US\$ 8.56 billion in 2020-21 to US\$ 10.42 billion in 2021-22.

Furthermore, in 2021-22, processed food exports accounted for 22.6% of the overall agri-food exports. The Indian food processing sector has attracted more than US\$ 6 billion worth of foreign direct investment (FDI) since 2014-15. Moreover, the food processing industry has attracted FDI equity worth US\$ 709.72 million during 2021-22. The total FDI received in the food processing sector is US\$ 11.79 billion from April 2000 till December 2022.

Exports in the Indian Food Processing Industry -

The export goal for agricultural and processed food products for the fiscal years 2022-23 was set at US\$ 23.6 billion, of which US\$ 19.694 billion i.e., 84%, had been accomplished by December 2022. During 2011-12 to 2020-21, the export of goods under the Ready to Eat (RTE), Ready to Cook (RTC), and Ready to Serve (RTS) divisions saw a CAGR of 10.4%. India exported finished food goods worth more than US\$ 2.14 billion in 2020-21.

The United States, the United Arab Emirates, and Nepal are the top three RTE export destinations in 2020-21. In 2020-21, the primary exporting destinations for RTC are the United States of America, Malaysia, and the United Arab Emirates. As depicted in the below graph, there is a 39.79% increase in the processed fruits and vegetables segments followed by a 33.39% increase in the other processed foods, and a 6.4% rise in the livestock products from April- December 2022-23 to April-December 2021-22.

The demand for processed food products is being driven by increased urbanisation, higher disposable incomes, the growth of nuclear families, and a preference for convenience food goods. Furthermore, selling food in processed form allows you to charge a greater price and hence capture a larger economic value. For instance, according to an estimate by the RBI, manufacturing prepared meals adds 30% value to the product whereas processing meat adds 12.7%.

(Source: prospectus)

Key Managerial Personnel

Hiren Vallabhbhai Patel, aged 37, is one of the Promoters, and Managing Director of the Company. He has completed a master's in international business. He has an overall business experience of 8 years in the food processing sector. He is playing a vital role in formulating business strategies and effective implementation.

Kajal Hiren Patel, aged 35, is one of the Promoters, and Whole-Time Director of the company. She has completed her master's in Art. She has experience of 8 years in staff management and currently, she is managing the Human Resource

Nishant Shavjibhai Ramani, aged 39, is the Non-Executive Director of the Company. He has completed his Masters Art in Psychology. He has an overall business experience of 8 years in the ceramic industry. He is looking after branding, marketing and designing export bags, adding value to the products and brand on social media.

Jagrutiben Ghanshyambhai Virani, aged 36, is the Independent Director of the company. She has completed her Bachelor of Arts in Hindi. She has 3 months of experience in the Agri Commodity Business.

Jay Mansukh Shah, aged 29, is the Independent Director of the Company. He has completed his Higher Secondary Education. He has 3 months of experience in the Agri Commodity Business.

Vishal Shah, aged 42, is the Independent Director of the Company. He has completed his master's Program in Business Administration in Marketing. He has 3 months of experience in the Agro Commodity Business

To conclude, the company has 2 promoters and has decent experience in the industry in which the company operates. The remaining Directors of the company have good knowledge in their respective fields.

Financial Snapshot

Profit and Loss Statement				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	Aug-23
Revenue from Operations	3,763.64	3,868.77	12,881.22	5,675.86
Other Income	119.90	114.90	284.46	151.07
Total Income	3,883.54	3,983.67	13,165.68	5,826.93
Expenses				
Cost of material consumed	3507.7	3312.83	11,851.93	5523.21
Changes in inventories of finished goods, work-in-progress, and Stock-in-Trade	-122.05	36.87	-310.82	-275.61
Employee benefits expense	23.18	19.88	23.24	9.80
Finance costs	44.97	44.62	92.38	52.99
Depreciation and Amortization expense	47.15	44.46	63.31	28.50
Other expenses	350.76	483.21	1,167.66	237.25
Total Expenses	3,851.71	3,941.87	12,887.70	5,576.14
Earnings Before Interest, Taxes, Depreciation & Amortization	4.05	15.98	149.21	181.21
EBITDA Margin	0.11%	0.41%	1.16%	3.19%
Profit/(Loss) before tax	31.83	41.80	277.98	250.79
Tax Expense				
Current Tax	9.27	12.46	78.79	66.74
Deferred tax	-2.71	-0.96	-1.28	-3.62
Current Tax adjustment of earlier years	-0.15	1.98	1.62	-
Total Tax Expense	6.41	13.48	79.13	63.12
Profit/(Loss) for the year	25.42	28.32	198.85	187.67
Net Profit Margin	0.65%	0.71%	1.51%	3.22%

Balance Sheet				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	Aug-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	350.00	350.00	350.00	805.60
Reserve and Surplus	72.07	100.37	299.22	241.29
Total Equity	422.07	450.37	649.22	1,046.89
Minority Share	-	0.01	-	0.00
Total Equity	422.07	450.38	649.22	1,046.89
2. Non-current liabilities				
Long Term Borrowings	243.65	256.84	386.07	386.76
Total Non-current liabilities	243.65	256.84	386.07	386.76
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	381.42	727.96	970.17	1,076.46
Trade payables				
Due to MSME	-	-	0.15	124.33
Due to Others	186.85	145.46	714.71	1,582.64
Other Current Liabilities	28.24	8.73	3.85	2.18
Provisions	9.92	13.45	79.86	150.77
Total Current liabilities	606.43	895.60	1,768.74	2,936.38
Total Liabilities	850.08	1,152.44	2,154.81	3,323.14
Total Equity and Liabilities	1,272.15	1,602.82	2,804.03	4,370.03
ASSETS				
1. Non-current assets				
Property, Plant and Equipment				
Tangible Assets	291.61	289.76	392.16	365.37
Capital WIP	-	2.68	150.35	125.93

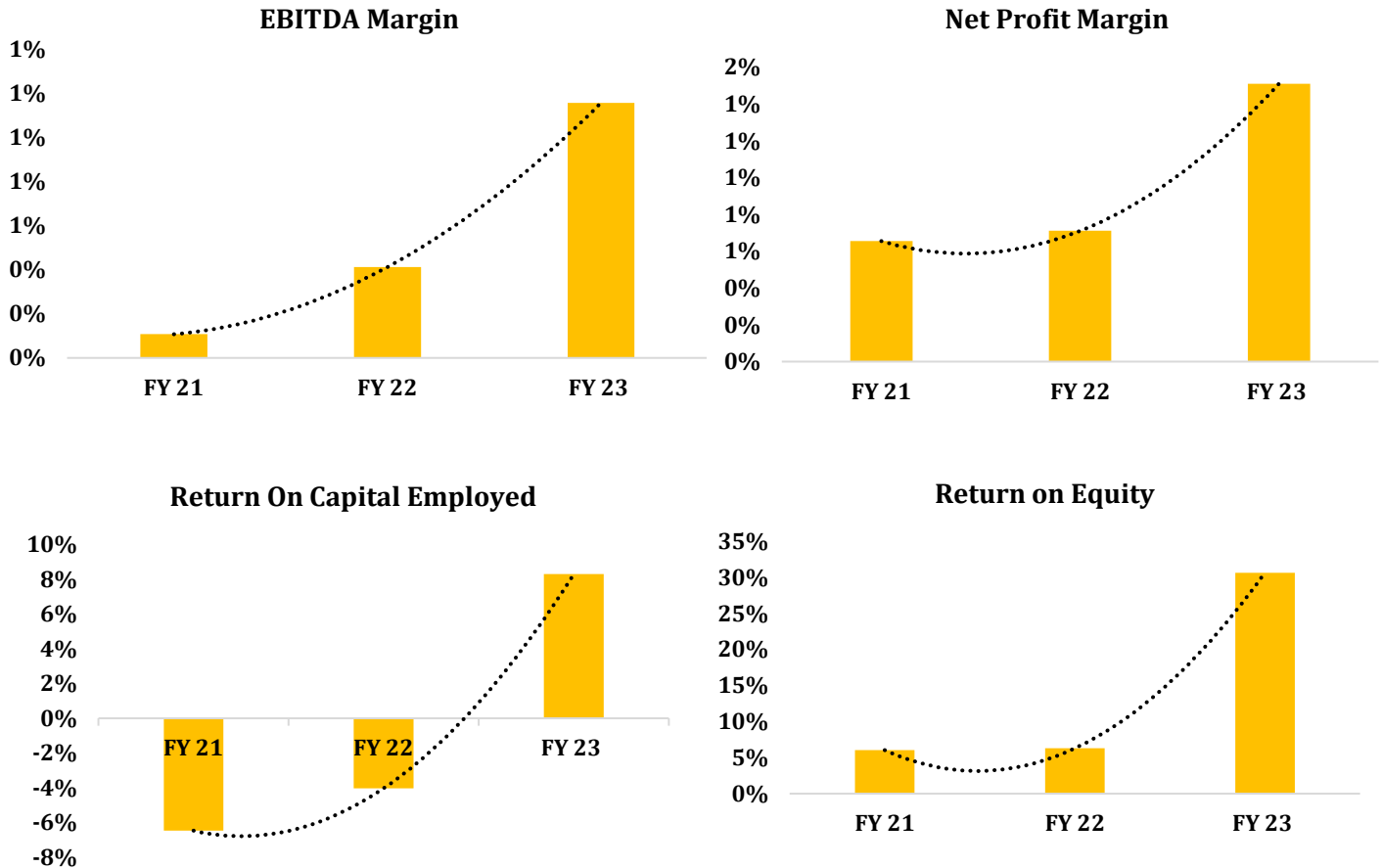
Balance Sheet					(In Lacs)
Investments	1.00	6.00	6.00	6.00	6.00
Deferred tax assets (Net)	3.67	4.63	5.91	5.91	9.53
Long term loans and advances	16.64	34.54	35.41	35.41	35.41
Total Non-Current assets	312.92	337.61	589.83	589.83	542.24
2. Current assets					
Inventories	313.14	316.73	648.23	648.23	908.48
Trade receivables	434.9	299.19	1,086.09	1,086.09	2,337.24
Cash and cash equivalents	39.33	538.47	238.03	238.03	69.99
Short-term loans and advances	171.86	110.50	239.78	239.78	498.65
Other Current Assets	-	0.33	2.06	2.06	13.43
Total Current assets	959.23	1,265.22	2,214.19	2,214.19	3,827.79
Total Assets	1,272.15	1,602.83	2,804.02	2,804.02	4,370.03

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Aug-23	
Net Cash Flow from Operating Activities	19.33	231.25	-268.02	-268.02	-455.14
Net Cash Flow from Investing Activities	24.92	-47.21	-311.40	-311.40	23.11
Net Cash Flow from Financing Activities	-50.90	315.11	279.06	279.06	263.99

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Aug-23
Per Share Data				
Diluted EPS	0.33	0.37	2.56	4.12
BV per share	3.68	3.93	5.67	32.40
Operating Ratios				
EBITDA Margins	0.11%	0.41%	1.16%	3.19%
PAT Margins	0.65%	0.71%	1.51%	3.22%
Inventory days	30.37	29.88	18.37	24.49
Debtor days	42.18	28.23	30.78	63.00
Creditor days	19.44	15.83	21.98	47.42
Return Ratios				
RoCE	-6%	-4%	8%	7%
RoE	6%	6%	31%	13%
Valuation Ratios (x)				
EV/EBITDA	248.84	56.11	11.85	11.68
Market Cap / Sales	2.13	2.07	0.62	0.59
P/E	212.12	189.19	27.34	16.98
Price to Book Value	19.00	17.81	12.35	2.16
Solvency Ratios				
Debt / Equity	1.48	2.19	2.09	1.40
Current Ratio	1.58	1.41	1.25	1.30
Quick Ratio	1.07	1.06	0.89	0.99
Asset Turnover	2.96	2.41	4.59	3.12
Interest Coverage Ratio	-0.96	-0.64	0.93	6.92

*Ratio sheet for Aug-23 is annualized.

Financial Charts



Key Risk Factors

1. The Company is dependent on a few number of customers for sales. The loss of any of these large customers may affect revenues and profitability. The company has top ten customers contributing to 72.41%, 66.07%, 56.16% and 79.28% of the total sales for the period ended on August 31, 2023, and the year ended March 31, 2023, March 31, 2022, and 2021 respectively.
2. The company is involved in certain legal proceedings which are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate authorities.
3. The company had a negative cash flow in its operating activities in the FY ended 2023, and the Period Ended August 2023. Sustained negative cash flow could impact the growth of the business.
4. The company's subsidiaries Svar Industries have incurred losses in the FY 2022, and 2023. The company cannot assure that these companies will not incur losses in the future, or that there will not be an adverse effect on the reputation or business as a result of such losses.

Track Record of Lead Manager

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

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rajgor Castor Derivatives Limited	47.81	50.00	October 31, 2023	47.2
2.	Arvind and Company Shipping Agencies Limited	14.74	45.00	October 25, 2023	57.5
3.	Karnika Industries Limited	25.07	76.00	October 12, 2023	197.0
4.	Hi-Green Carbon Limited	52.80	75.00	September 28, 2023	185.0
5.	Kody Technolab Limited	27.52	160.00	September 27, 2023	320.0
6.	Chavda Infra Limited	43.26	65.00	September 25, 2023	90.0
7.	Vinsys IT Services Limited	49.84	128.00	August 11, 2023	258.0
8.	Shri Tectex Limited	45.14	61.00	August 04, 2023	80.9
9.	Ahasolar Technologies Limited	12.85	157.00	July 21, 2023	230.0
10.	Pentagon Rubber Limited	16.17	70.00	July 07, 2023	128.0

The company has had 23 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 1st December 2023.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2015 and has decent experience in the industry. The company's management overview is not satisfactory as they have not given a clear bifurcation of the responsibilities. The company also faces significant competition in the industry.

The P/E on a post-IPO basis is 40.33 times which seems to be aggressively priced by looking at the performance of the company.

The company has seen exponential growth in the top line and bottom line of its financials which may not be sustained going forward. The company has also had negative operating cashflows details of which are given in the risk factors of this report. The company does not provide any unique services. As the company has decent experience, we believe we would need to look at the future results to conclude. The company also has a High P/E ratio which is aggressively priced for the performance of the company. Thus, we recommend **AVOID** applying to this IPO.

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