



# Italian Edibles Limited

## IPO Note



IPO Details	
<b>Opening Date</b>	Feb 02, 2024
<b>Closing Date</b>	Feb 07, 2024
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	2,000 Shares
<b>Issue Price</b>	₹ 68 per share
<b>Issue Size</b>	Aggregating up to 26.66 Cr.
<b>Fresh Issue</b>	Aggregating up to 26.66 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹ 1,36,000

IPO Objective	
Setting up of the proposed manufacturing unit	
Repayment of certain borrowings	
To meet incremental working capital requirements	
General corporate purposes.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,08,57,151	100.00 %
Public	-	-

Promoter of the Company	
1	Ajay Makhija
2	Akshay Makhija

Competitive Strengths	
1	Well-established brand name and goodwill amongst market players.
2	Consistent focus on quality.
3	Well-established relationships with the suppliers and wide channel of sales and distribution network.
4	Diversified product portfolio.
5	Experienced promoter and management team.

Company Background	
○	Italian Edibles Limited was originally incorporated in the year 2009 and had its registered office in Indore, Madhya Pradesh, India.
○	The company is engaged in the manufacturing of confectionery products.
○	The company offer a wide range of confectionery such as Rabdi [Meethai Sweet], Milk Paste, Chocolate Paste, Lollipops, Candies, Jelly Candies, Multi-Grain Puff Rolls, and based Products to its customers.
○	The company's consumer segments largely include teenagers, young adults and children located in rural and semi-urban areas of India.
○	As of 31 <sup>st</sup> August 2023, the Company had 227 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 74	₹ 100

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Aug-23
<b>Total Assets</b>	3,946.42	3,905.45	4,155.23	4,824.63
<b>Net Assets</b>	583.82	814.03	1,078.25	1,287.93
<b>Total Borrowings</b>	2,492.98	1,815.23	1,703.55	1,895.47
<b>Total Revenue</b>	4,899.43	7,545.25	6,330.09	3,052.16
<b>Profit After Tax</b>	86.51	80.20	264.22	209.68

Tentative Timeline	
<b>Opening Date</b>	Feb 02, 2024
<b>Closing Date</b>	Feb 07, 2024
<b>Basis of Allotment</b>	Feb 08, 2024
<b>Initiation of Refunds</b>	Feb 09, 2024
<b>Credit of Shares to Demat</b>	Feb 09, 2024
<b>Listing Date</b>	Feb 12, 2024



### Company Background and Analysis

Italian Edibles Limited was incorporated on December 16, 2009. The Company is engaged in the manufacturing of confectionery products. The company offer a wide range of confectionery such as Rabdi [Meethai Sweet], Milk Paste, Chocolate Paste, Lollipops, Candies, Jelly Candies, Multi-Grain Puff Rolls, Fruit Based Products to the customers. India is a country with different cultures, and many festivals and occasions, celebration with confectioneries plays a major role in those special occasions, festivals etc.

These confectionery products are sold PAN India, majorly in rural and semi-urban areas of Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerela, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal and through local wholesalers and distributors located in these areas.

As of August 31, 2023, the company had approximately 450 Suppliers and distributors located across 22 states in India and the company has exported the products through a network of 5 merchant exporters. The company have two operational manufacturing units that are operated by the company and are located in Gram Palda, Indore and Prabhu Toll Kanta, Indore (Madhya Pradesh).

The company's product portfolio is as follows –

Sr. No.	Products Type	Number of Products
1.	Rabdi [Meethai Sweet], Milk and Chocolate Paste products	15
2.	Lollipops	10
3.	Hard Candies	7
4.	Jelly Candies	6
5.	Multi-Grain Puff Rolls	3
6.	Fruit Based Products	11
7.	Other products	4
	<b>Total</b>	<b>56</b>

Revenue bifurcation as per products for the FY 2021, 2022, 2023, and Period ended October 2023 -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Aug-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Rabdi [Meethai Sweet], Milk and Chocolate Paste products	1,979.74	40.48	3,341.83	44.31	3,697.23	58.49	1,602.11	52.50
Lollipops	233.38	4.77	2,130.56	28.25	766.29	12.12	370.96	12.16
Hard Candies	1,208.14	24.70	450.86	5.98	607.84	9.62	194.43	6.37
Jelly Candies	523.89	10.71	671.65	8.91	674.14	10.66	503.37	16.49
Multi-Grain Puff Rolls	323.88	6.62	181.67	2.41	102.63	1.62	54.94	1.80
Fruit Based Products	312.79	6.40	632.57	8.39	446.94	7.07	117.18	3.84
Other products (Fancy Items & Molded Chocolates)	308.54	6.31	132.01	1.75	26.13	0.41	208.71	6.84
<b>Total</b>	<b>4,890.36</b>	<b>100.00</b>	<b>7,541.15</b>	<b>100.00</b>	<b>6,321.20</b>	<b>100.00</b>	<b>3,051.70</b>	<b>100.00</b>

To conclude, the company has good experience in the industry in which it operates. The company generates the majority of its revenue from the Rabdi, Milk and Chocolate Paste products. The company is raising gross proceeds of Rs. 26.66 Cr.



## **Business Strategies**

### **1. Setting up of new manufacturing unit –**

The company is proposing to shift both its existing manufacturing units including the warehouse and registered office to the proposed manufacturing unit to be located at Tillor Khurdh area in Indore district, Madhya Pradesh which shall be owned by the company. Before entering into a firm land purchase sale agreement with the Seller, the company is in the process of conducting the land survey which takes approximately 30 days.

### **2. Sustain the focus on semi-urban and rural markets –**

The company believes that it focuses on semi-urban and rural markets for the products and the ability to understand consumer preference in these markets, allows us to benefit from this growing sector.

### **3. Well-established relationships with the suppliers and wide channel of sales and distribution network –**

The company have established relationships with the suppliers for the supply of raw materials, which they believe provides them with the competitive advantage of effective and timely sourcing of raw materials.

### **4. Focus on consistently meeting quality standards –**

The company intends to focus on adhering to the quality standards of the products.

### **5. Improving operational efficiencies –**

The company is focused on improving operating efficiencies to achieve cost reductions to have a competitive edge. The company continuously strive to increase operational output through continuous process improvements, quality checks and technology development.



## Competitive Scenario and Peer Mapping

### Competition

The company operates in a highly competitive market. The company operates in a highly fragmented market and there is competition from various organized and unorganized players. The company faces intense competition in the Indian confectionery market from various domestic and multinational companies in India. The company compete primarily on the basis of quality of the product, customer satisfaction and marketing. There are no entry barriers in this industry. The bargaining power with the customers is high in the sector in which the company operates. The bargaining power with the suppliers is also slightly higher 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	Italian Edibles Limited	Lotus Chocolate Company Limited	Tapi Fruit Processing Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	4%	-11%	-1%
EBITDA Margin	11%	-10%	3%
Return on Capital Employed	37%	-40%	-1%
Return on Equity	25%	117%	-2%
EPS (INR)	2.43	-5.42	-0.49

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

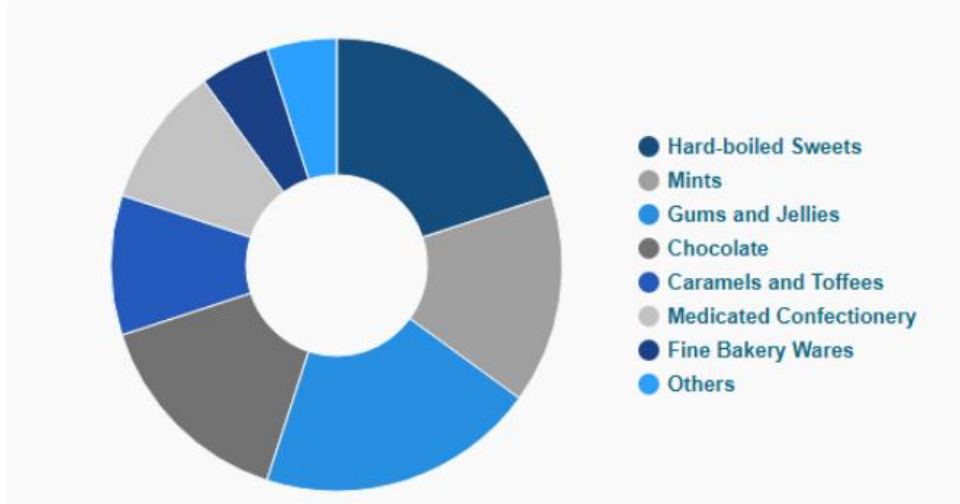
Particulars	Italian Edibles Limited	Lotus Chocolate Company Limited	Tapi Fruit Processing Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	1.06%	6.90%	1.06%
EBITDA Margin	6%	7%	8%
Return on Capital Employed	21%	22%	7%
Return on Equity	10%	600%	37%
EPS (INR)	0.75	4.68	6.40

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

Particulars	Italian Edibles Limited	Lotus Chocolate Company Limited	Tapi Fruit Processing Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.77%	4.2%	0.8%
EBITDA Margin	7.4%	4.2%	8.9%
Return on Capital Employed	18.0%	4.5%	18.7%
Return on Equity	14.8%	-40.0%	37.0%
EPS (INR)	0.81	1.38	4.03

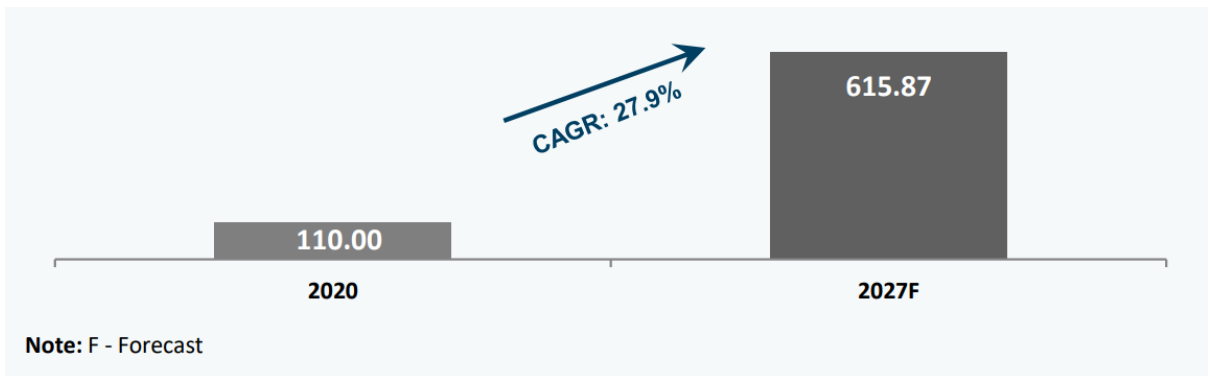
**Industry Overview**

Exhibit 1: India Confectionery Market Share, By Product Type (in %)



(Source: prospectus)

Exhibit 2: Indian FMCG Market



(Source: ibef.org)

**Indian Confectionery Market –**

The Indian confectionery market size reached INR 338.2 billion in 2022. Looking forward, IMARC Group expects the market to reach INR 485.9 billion by 2028, exhibiting a growth rate (CAGR) of 6.3% during 2023-2028. Confectionery refers to a wide range of food products that are rich in sugar and other sweeteners. They are prepared by using several ingredients, such as stabilizers, emulsifiers, gelling, flavouring, and thickening agents, which assist in enhancing the texture, taste, appearance, and elasticity of products. Confectionery items commonly include chocolates and non-chocolate candies, such as gum, ice cream, frozen desserts, sweet baked goods, etc. These products are widely available across supermarkets, online platforms, retail shops, bakery stores, hypermarkets, etc.

The emerging trend of gifting confectionery products, especially during festivals or special events such as birthdays, anniversaries, social meetings, etc., is primarily driving the Indian confectionery market. Additionally, the elevating levels of urbanization, improving consumer living standards, and increasing popularity of imported chocolates and candies, are some of the other key factors augmenting the sales of confectionery products in the country. Besides this, several key players are introducing limited-edition, premium confectionery products that are fortified with high-quality nuts, grains, and cereals.

This, in confluence with the growing consumer per capita expenditures, is creating a positive outlook for the regional market. Moreover, the growing popularity of sugar-free confectioneries on account of the rising health concerns regarding cardiovascular diseases, obesity, diabetes, etc., is also propelling the product demand. Apart from this, the introduction of clean-label, cruelty-free, vegan, organic, and sustainably sourced confectionery products with no chemical additives and reduced allergens is further catalysing the market growth. Numerous other factors, such as continuous advancements in ambient storage conditions and the advent of antimicrobial packaging solutions, are expected to drive the Indian confectionery market over the forecast period.

**Jaggery and Confectionary –**

Jaggery is an unrefined natural sugar that is produced without adding any chemicals. More than 70% of the total world jaggery production is done in India. Jaggery is popularly known as the “medicinal sugar” and is nutritionally comparable with honey. It has been used as a sweetener in Ayurvedic Medicine for 3000 years. Indian Ayurvedic medicine considers jaggery to be beneficial in treating throat and lung infections. While refined sugar mainly consists of glucose and fructose, jaggery contains glucose and sucrose. But jaggery also has minerals and vitamins which lack refined sugar. The mineral content of jaggery includes calcium, phosphorus, magnesium, potassium and iron and traces of zinc and copper. The vitamin content includes folic acid and B-complex vitamins. Thus, other than that it is a good source of energy, it also prevents rheumatic afflictions; prevents disorders of bile; helps in relieving fatigue, and relaxation of muscles, nerves and blood vessels; maintains blood pressure and reduces water retention; increases haemoglobin level and prevents anaemia. Bakery and confectionery products are furnished with nutrients, vitamins, and proteins. These are offered in a spectrum of delicious stuff in baked products like biscuits, bread, cakes, pastries, buns, rusks and rolls, etc.

(Source: prospectus)



## Key Managerial Personnel

**Ajay Makhija**, aged 58 years, is one of the Promoters and Managing Director of the Company. He has completed Higher Secondary education. He has successfully run a plastic shoe manufacturing unit for more than 20 years in Indore. After that, he started his own confectionery business in 2009 under the name of Italian Edibles Private Limited. He is looking after all the business affairs, business strategy & policy of the Company.

**Akshay Makhija**, aged 34 years, is one of the Promoters, Executive Director, and Chief Executive Offer of the Company. He holds a bachelor's degree in business administration and a master's degree in the field of Management. He has more than 14 years of experience in the Confectionery industry. He looks after the overall management of the company's operations. He specifically looks after the exports of products and the implementation of diverse company operations in India and Overseas.

**Sneha Chinmay Khandelwal**, aged 34 years, is the Non-Executive Director of the Company. She is a Graduate in Commerce. She has over 3 years of experience in the field of finance, accounting, and auditing. Currently, she is working for a Chartered Accountant firm.

**Devyani Chhajer**, aged 32 years, is the Non-Executive Independent Director of the Company. She is a Practicing Chartered Accountant. She is an Associate member and holds a certificate of practice from the Institute of Chartered Accountants of India. She has over 5 years of experience in the field of Accounting and Finance.

**Anjali Jain**, aged 32 years, is the Non-Executive Independent Director of the Company. She is an Associate member of the Institute of Company Secretaries of India. Currently, she is the Company Secretary & Compliance Officer of Gagan Gases Limited. She has over 5 years of experience in the field of secretarial compliance.

To conclude, the company has 2 promoters, and they have vast decent experience in the industry in which the company operates. The Directors of the company have good experience in fields which help in the growth of the company.





**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>	<b>Aug-23</b>
Revenue from Operations	4,890.36	7,541.15	6,321.20	3,051.70
Other Income	9.07	4.10	8.89	0.46
<b>Total Income</b>	<b>4,899.43</b>	<b>7,545.25</b>	<b>6,330.09</b>	<b>3,052.16</b>
<b>Expenses</b>				
Cost of raw materials consumed	2,617.09	4,947.47	3,888.70	1,876.96
Purchase of Stock in Trade	1,234.30	1,018.55	1,002.08	316.61
Change in inventories	-3.99	-4.25	-124.77	32.75
Employee benefits expense	416.88	639.83	521.72	239.76
Finance costs	158.29	169.01	184.84	68.21
Depreciation and Amortization expense	97.86	134.54	177.68	49.83
Other expenses	266.50	502.33	342.71	186.31
<b>Total Expenses</b>	<b>4,786.93</b>	<b>7,407.48</b>	<b>5,992.96</b>	<b>2,770.43</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>359.58</b>	<b>437.22</b>	<b>690.76</b>	<b>399.31</b>
<b>EBITDA Margin</b>	<b>7%</b>	<b>6%</b>	<b>11%</b>	<b>13%</b>
<b>Profit/(Loss) before tax</b>	<b>112.50</b>	<b>137.77</b>	<b>337.13</b>	<b>281.73</b>
Tax Expense				
Current Tax	36.94	57.57	108.16	72.05
Deferred Tax	-10.95	-	-35.25	0.00
Total Tax Expense	25.99	57.57	72.91	72.05
<b>Profit/(Loss) for the year</b>	<b>86.51</b>	<b>80.20</b>	<b>264.22</b>	<b>209.68</b>
<b>Net Profit Margin</b>	<b>1.77%</b>	<b>1.06%</b>	<b>4.17%</b>	<b>6.87%</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>Aug-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	150.00	171.43	171.43	1,085.72
Reserve and Surplus	433.82	642.60	906.82	202.21
<b>Total Equity</b>	<b>583.82</b>	<b>814.03</b>	<b>1,078.25</b>	<b>1,287.93</b>
<b>Minority Interest</b>				
<b>Total Equity</b>	<b>583.82</b>	<b>814.03</b>	<b>1,078.25</b>	<b>1,287.93</b>
<b>2. non-current liabilities</b>				
Long Term Borrowings	852.65	581.29	285.76	367.29
Non-Current Liabilities	20.49	32.26	37.18	40.40
<b>Total non-current liabilities</b>	<b>873.14</b>	<b>613.55</b>	<b>322.94</b>	<b>407.69</b>
<b>3. Current liabilities</b>				
Financial Liabilities				
Short-term borrowings	1,640.33	1,233.94	1,444.79	1,528.18
Trade payables				
Due to MSME	287.02	488.57	374.37	441.77
Due to Others	461.51	583.30	755.77	897.72
Other Current Liabilities	37.37	73.97	24.77	46.25
Short-term Provisions	63.23	98.10	154.37	215.11
<b>Total Current liabilities</b>	<b>2,489.46</b>	<b>2,477.88</b>	<b>2,754.07</b>	<b>3,129.03</b>
<b>Total Liabilities</b>	<b>3,362.60</b>	<b>3,091.43</b>	<b>3,077.01</b>	<b>3,536.72</b>
<b>Total Equity and Liabilities</b>	<b>3,946.42</b>	<b>3,905.46</b>	<b>4,155.26</b>	<b>4,824.65</b>





<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>ASSETS</b>					
<b>1. non-current assets</b>					
Property, Plant and Equipment					
Tangible Assets	535.83	488.27	345.63	384.24	
Capital work in progress	14.01	14.89	12.11	10.70	
Intangible assets	122.13	105.64	106.59	154.60	
Non-Current Investments	0.51	0.95	0.10	0.10	
Long-term loans and advances	29.43	26.51	16.58	16.93	
Other non-current assets	-	73.37	24.46	-	
Deferred Tax Asset (Net)	10.95	10.95	46.19	46.19	
<b>Total non-current assets</b>	<b>712.86</b>	<b>720.58</b>	<b>551.66</b>	<b>612.76</b>	
<b>2. Current assets</b>					
Inventories	1,733.58	2,048.58	2,473.70	2,866.84	
Trade receivables	759.29	777.46	723.44	919.83	
Cash and Bank Balances	604.71	30.56	22.44	23.68	
Short-term loans and advances	11.93	264.81	324.88	314.97	
Other Current Assets	124.05	63.46	59.11	86.55	
<b>Total Current assets</b>	<b>3,233.56</b>	<b>3,184.87</b>	<b>3,603.57</b>	<b>4,211.87</b>	
<b>Total Assets</b>	<b>3,946.42</b>	<b>3,905.45</b>	<b>4,155.23</b>	<b>4,824.63</b>	

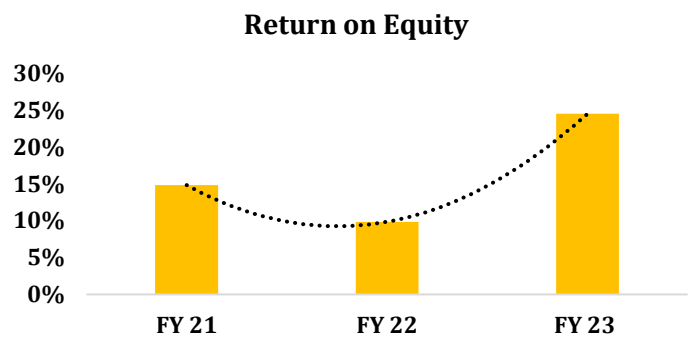
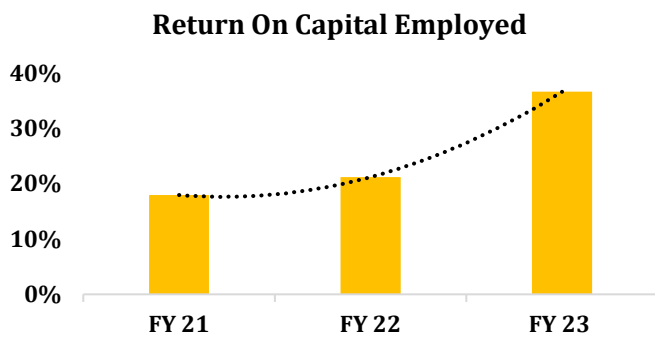
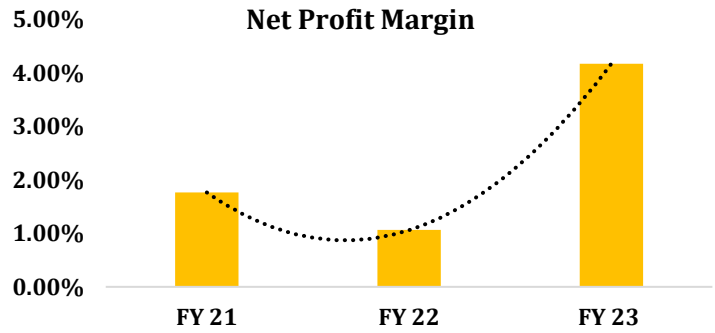
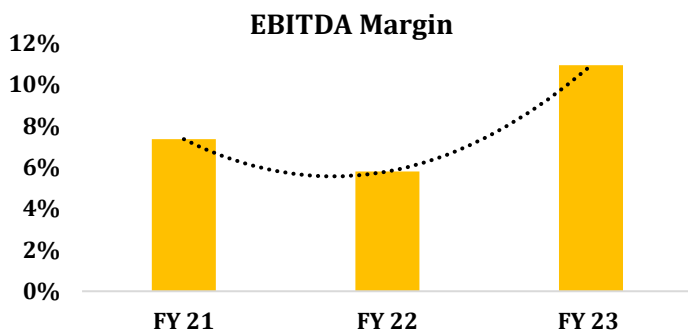
<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Aug-23</b>	
Net Cash Flow from Operating Activities	318.63	-138.13	580.31	123.40	
Net Cash Flow from Investing Activities	-220.88	-41.60	-111.81	-134.93	
Net Cash Flow from Financing Activities	436.90	-394.43	-476.63	13.35	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Aug-23*</b>
<b>Per Share Data</b>				
Diluted EPS	0.81	0.75	2.43	3.42
BV per share	3.95	5.51	7.30	28.76
<b>Operating Ratios</b>				
EBITDA Margins	7.35%	5.80%	10.93%	13.08%
PAT Margins	1.77%	1.06%	4.17%	6.91%
Inventory days	129.39	99.15	142.84	143.73
Debtor days	56.67	37.63	41.77	46.12
Creditor days	67.01	62.33	79.46	78.24
<b>Return Ratios</b>				
RoCE	18%	21%	37%	19%
RoE	15%	10%	25%	12%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	6.87	5.94	4.03	6.25
Market Cap / Sales	2.05	1.33	1.59	1.37
P/E	83.95	90.67	27.98	19.86
Price to Book Value	17.21	12.34	9.32	2.36
<b>Solvency Ratios</b>				
Debt / Equity	4.27	2.23	1.60	1.47
Current Ratio	1.30	1.29	1.31	1.35
Quick Ratio	0.60	0.46	0.41	0.43
Asset Turnover	1.24	1.93	1.52	0.63
Interest Coverage Ratio	1.65	1.79	2.78	5.12

\*Ratio sheet for Aug-23 is annualized.



## Financial Charts



## Key Risk Factors

1. There is certain outstanding litigation against the company amounting to Rs. 124.20 lakhs, an adverse outcome of which may adversely affect the business, reputation, and results of operations.
2. The company have contingent liabilities amounting to Rs. 84.2 lakhs, and the financial condition could be adversely affected if any of these contingent liabilities materialize.
3. The company has had negative operating cash flow for the FY ended 2022. Sustained negative cash flow could adversely impact the business, financial condition, and results of operations.



### 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 companies handled by the Lead Manager in recent times –

#### First Overseas Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sameera Agro and Infra Limited	62.64	180.00	January 01, 2024	116.00
2.	Electro Force (India) Limited	80.68	93.00	December 27, 2023	137.00
1.	Graphisads Limited	53.41	111.00	December 13, 2023	64.4
2.	Shanthala FMCG Products Limited	16.07	91.00	November 03, 2023	94.00
3.	On Door Concepts Limited	31.18	208.00	November 01, 2023	353.00
4.	Pyramid Technoplast Limited	153.05	166.00	August 29, 2023	183.00
5.	Synoptics Technologies Limited	54.03	237.00	July 13, 2023	148.00
6.	Cell Point (India) Limited	50.34	100.00	June 28, 2023	46.4
7.	Kore Digital Limited	18.00	180.00	June 14, 2023	1,001.0
8.	Nirman Agri Genetics Limited	20.30	99.00	March 28, 2023	263.00
9.	SVJ Enterprises Limited	6.12	36.00	March 09, 2023	47.1
10.	Amanaya Ventures Limited	2.76	23.00	March 09, 2023	15.2

\*CMP for the above-mentioned companies is taken as of 1<sup>st</sup> February 2024.

As per the offer document, First Overseas Capital Limited has had 20 mandates in the last three years (including the current year). For First Overseas Capital Limited, 5 opened at a discount, and all the remaining mandates have opened at premiums on the listing date.



### **Recommendation**

The company has been in the industry since 2009 and has good experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry. The company has seen a decrease in the top line of its financials.

The P/E on an annualized and post-IPO basis is 38.03 times which seems to be highly priced by looking at the performance of the company. The Sector P/E is 39.6 times.

The industry in which the company operates is competitive. The company has seen a decrease in the top line of its financials but has seen a sudden surge in the bottom line of its financials which may or may not be sustainable going forward. The company has also had negative operating cash flows for FY 2022. The company also does not have any unique strategies planned. Thus, at the current P/E, we recommend **AVOID** applying to this IPO.



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