



Jay Kailash Namkeen Limited

IPO NOTE

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IPO Details		Company Background					
Opening Date	March 28, 2024	<ul style="list-style-type: none"> ○ Incorporated in 2011, as a proprietorship firm Jay Kailash Namkeen Limited has its registered office in Rajkot, Gujarat, India. ○ The company is engaged in the business of manufacturing packaged Indian snacks. ○ The company's range of Indian snacks includes Chana Jor Namkeen, Masala Chana Jor, Pudina Chana, Masala Mung Jor, Plain Mung Jor, Soya Sticks, Haldi Chanas, Chana dal, Sev Murmura & Garlic Sev Murmura, Bhavnagari Gathiya, Chana Dal, Sing Bhujia, Popcorn, Roasted Peanuts, etc ○ As of November 30, 2023, the company had a total of 14 employees on its payroll. 					
Closing Date	April 03, 2024						
Stock Exchange	BSE SME						
Lot Size	1,600 Shares						
Issue Price	₹70 to ₹73 per share						
Issue Size	Aggregating up to 11.93 Cr.						
Fresh Issue	Aggregating up to 11.93 Cr.						
Offer for Sale	-						
Application Amount (At upper band)	₹1,16,800						
IPO Objective		Market Capitalization (In Cr.)					
1. To meet working capital requirements.		Pre-Issue		Post-Issue			
2. General corporate purposes.		₹ 25		₹ 36			
Pre-Issue Shareholding		Financial Summary (In Lacs.)					
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23	Nov-23
Promoter & Promoter Group	24,15,246	71.81 %	Total Assets	373.58	223.25	671.19	1,118.31
Public	9,48,087	28.19 %	Net Assets	28.42	50.42	359.21	582.45
Promoter of the Company		Total Borrowing	111.59	13.97	238.43	354.68	
1. Neel Narendrabhai Pujara		Total Revenue	1,314.81	1,043.12	987.74	646.19	
2. Tulsi Neel Pujara		Profit After Tax	8.80	54.58	88.79	40.46	
Competitive Strengths		Tentative Timeline					
1. Diversified Product Portfolio		Opening Date			Mar 28, 2024		
2. Existing Client Relationship		Closing Date			Apr 03, 2024		
3. Product Packaging		Basis of Allotment			Apr 04, 2024		
4. Quality Assurance		Initiation of Refunds			Apr 05, 2024		
		Credit of Shares to Demat			Apr 05, 2024		
		Listing Date			Apr 08, 2024		



Company Background and Analysis

Jay Kailash Namkeen Limited was originally incorporated on December 01, 2011, as a proprietorship firm. The company is engaged in the business of manufacturing packaged Indian snacks. The company's range of Indian snacks includes Chana Jor Namkeen, Masala Chana Jor, Pudina Chana, Masala Mung Jor, Plain Mung Jor, Soya Sticks, Haldi Chanas, Chana dal, Sev Murmura & Garlic Sev Murmura, Bhavnagari Gathiya, Chana Dal, Sing Bhujia, Popcorn, Roasted Peanuts, etc. The company have 186 SKUs of 56 products ranging from ₹5, ₹10, 200 Grams, 400 Grams, 500 Grams, 5 Kgs. and 20 Kgs. Packs.

The company was initially engaged in B2B business wherein they manufacture products in bulk quantities for other well-recognised companies/brands in the same industry. The company manufactures products and supplies in the states of Assam, Bihar, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Telangana and Uttar Pradesh. However, from April 2022 onwards and have also started B2C. The company is also into wholesale trade of Chana Jor namkeen.

Presently the distribution channel is in the state of Gujarat on wholesale and retail basis. As of the date of the Red Herring Prospectus, company have a total of 15 authorised distributors and dealers.

The company's product portfolio is as follows –

1. Chana Jor
2. Sticks
3. Flavoured Chana
4. Triangle, Sing, Mutter Crunchy, Magic Puri
5. Indian Variety Snacks
6. Other Snacks

Revenue bifurcation as per Category Wise –

(Amt in Lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Nov-23	
	Amt	%	Amt	%	Amt	%	Amt	%
All types of Chana Jor	1,147.17	87.27	1,016.27	97.43	933.84	95.29	631.11	98.64
All types of Mung Jor	2.52	0.19	1.69	0.16	11.88	1.21	1.80	0.28
Other Products	164.87	12.54	25.16	2.41	34.27	3.50	6.88	1.08
Total	1,314.56	100.00	1,043.12	100.00	979.99	100.00	639.79	100.00

To conclude, the company was incorporated in the year 2011 as a proprietorship firm and has good experience in the industry. The company is in the business of manufacturing packaged Indian snacks. The company generates the majority of its revenue from All types of Chana Jor Category. The company has recently started generating revenue from the B2C Sales contributing to around 23% of the total revenue.



Business Strategies

- 1. Create a distribution network and increase the brand awareness to develop the B2C business –**
The company intends to increase its distribution network and increase its brand presence to develop the B2C business. For this, the company will create a distribution network that leverages the strengths of the franchisee and master franchisee etc. The company intends to build a strong brand reputation by investing in advertising and publicity campaigns.
- 2. Expand the product portfolio –**
The company focuses on market research and analysis of evolving customer trends and preferences, for the purposes of introducing new products in the market and maintaining the competitive position in the industry.
- 3. Enhance and expand operational efficiencies –**
The company will keep focusing on expanding its operations and boosting operational efficiency at the existing manufacturing plant. The company will also keep identifying new initiatives to improve operational efficiencies and save operating costs.
- 4. Expand the current business relationship –**
The company plans to continue to expand the scope and range of current business provided to the existing customers by continuing to build the expertise and extend its capabilities. The company aims to do this by leveraging the marketing skills and relationships and further enhancing the customer base.

Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive market. The company's doing business is highly competitive on account of both the organized and unorganized players. The company faces intense competition in the Indian snack food market, from various domestic and multinational companies in India. The company has very low entry barriers in this industry which would further intensify competition. The bargaining power with the suppliers is high in this industry and the bargaining power with the consumers is also slightly higher in the industry in which the company operates in.

Peer Analysis

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

Particulars	Jai Kailash Namkeen Limited	Annapurna Swadisht Limited	Prataap Snacks Ltd
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	9.06%	4.44%	1.22%
EBITDA Margin	13.24%	8.43%	4.23%
Return on Capital Employed	31.42%	17.70%	1.08%
Return on Equity	24.72%	11.93%	3.00%
EPS (INR)	3.03	8.63	8.66

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

Particulars	Jai Kailash Namkeen Limited	Annapurna Swadisht Limited	Prataap Snacks Ltd
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.23%	4.73%	0.21%
EBITDA Margin	8.62%	8.11%	4.12%
Return on Capital Employed	157.93%	6.96%	0.61%
Return on Equity	108.25%	86.15%	0.47%
EPS (INR)	1.71	56.00	1.24

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

Particulars	Jai Kailash Namkeen Limited	Annapurna Swadisht Limited	Prataap Snacks Ltd
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.67%	2.51%	1.11%
EBITDA Margin	1.46%	7.29%	10.50%
Return on Capital Employed	37.82%	-	8.00%
Return on Equity	30.96%	-	21.26%
EPS (INR)	3.10	2.21	6.03

Industry Overview

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

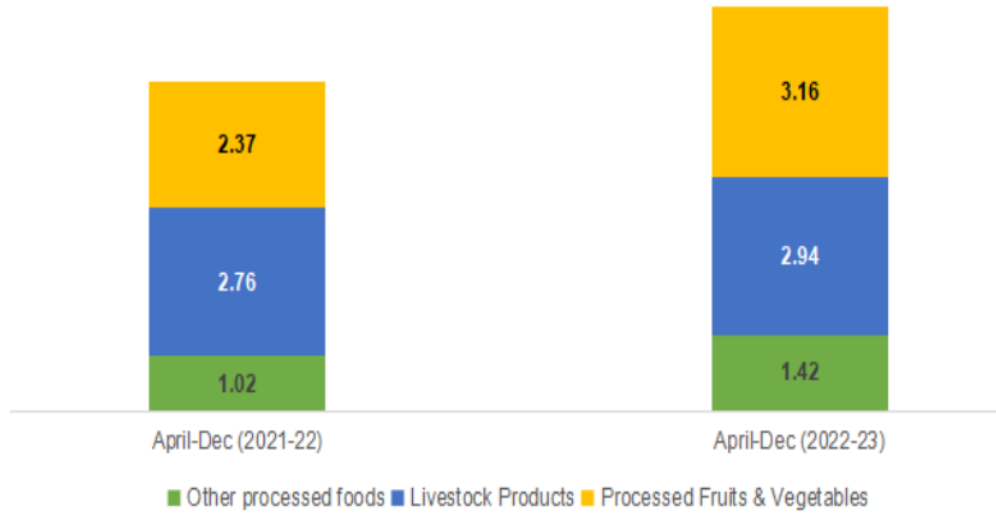
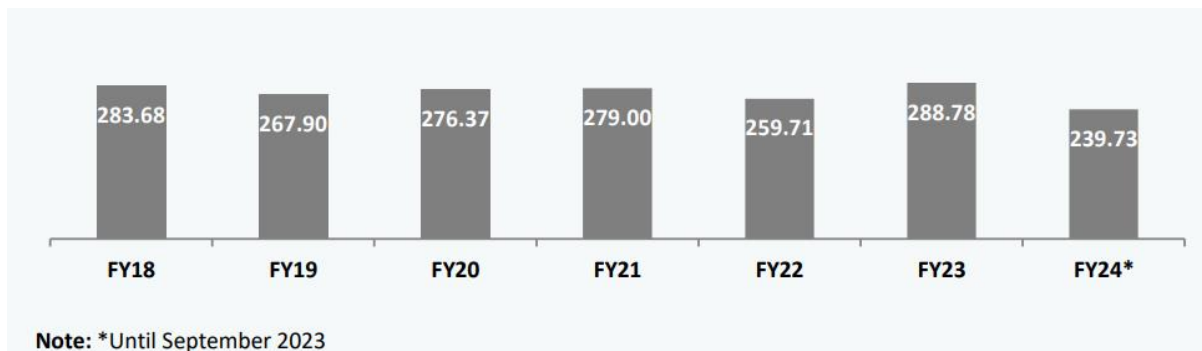


Exhibit 2: Gross Value Added by Agriculture and Allied Sectors (US\$ billion) (At Constant price)



(Source: ibef.org)



Food Processing Industry in India -

India's food ecosystem offers huge opportunities for investments with stimulating growth in the food retail sector, favourable economic policies, and attractive fiscal incentives. Through the Ministry of Food Processing Industries (MoFPI), the Government of India is taking all necessary steps to boost investments in the food processing industry in India. Government of India has continued the umbrella PMKSY scheme with an allocation of INR 4,600 crores till March 2026.

The Ministry has also been implementing two more flagship schemes: PM Formalization of Micro Food Processing Enterprises Scheme (PMFME) for providing financial, technical, and business support for the upgradation of existing micro food processing enterprises. The exports of agricultural and processed food products rose by 30 per cent in the first four months of the current FY 2022-23 (April-July) in comparison to the corresponding period of FY 2021-22. 100% FDI is permitted under the automatic route in food processing industries in India.

- The FDI equity inflow in the Food Processing Sector for the period of April 2021- March 2022 was \$ 709.72 Mn. The total FDI received in the food processing sector from April 2000 till June 2022 was \$ 11.34 Bn.
- India's food processing market may touch \$470 bn by 2025. Tier-II and Tier-III cities could mirror the trend visible in metropolitan areas, by consuming more processed food in the coming years
- India's consumer spending to grow to \$6 tn by 2030
- The export of products under the Ready to Eat (RTE), Ready to Cook (RTC), and Ready to Serve (RTS) segments have registered a CAGR of 10.4% from 2011-12 to 2020-21. India exported more than \$ 2.14 bn worth of final food products in 2020-21. The major destination of RTE export in 2020-21 data is the U.S.A, U.A.E, and Nepal. The major exporting destination for RTC export in 2020-21 are U.S.A, Malaysia, and U.A.E
- The total FDI received in the food processing sector since April 2014 till December 2021 is \$5.15 bn

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 ~55% of India's population. India has the world's largest cattle herd (buffaloes), the largest area planted for 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. The 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 with a 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.

Cabinet in its meeting approved the Central Sector Scheme – "Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)" to support creation of global food manufacturing champions commensurate with India's natural resource endowment and support Indian brands of food products in the international markets with an outlay of ₹ 10,900 crore.

(Source: prospectus)



Key Managerial Personnel

Neel Narendrabhai Pujara, aged 26 years, is one of the Promoters, Chairman and Managing Director of the Company. He holds Matriculation degree. He has experience of around six years working in Kailash Namkeen, overseeing the entire business and operations, which is operating in Indian Packaged food industry. He plays a vital role in formulating business strategies and its effective implementation. He is responsible for the expansion and overall management of the business of the Company.

Tulsi Neel Pujara, aged 33 years, is one of the Promoters, a Whole-Time Director and Chief Financial Officer of the Company. She holds degree in Bachelor of Business Administration. She has an experience of 3 years in the field of administration and finance. She handles Admin and finance department of the Company.

Ashok Ghiya, aged 64 years, is the Non-Executive Director of the Company. He has experience of 37 years and has been dedicated to public service in the administrative office of Taluka Panchayat. During his tenure in the administrative office, Mr. Ghiya played a pivotal role, particularly in overseeing and managing accounts-related functions.

Pratik Koyani, aged 35 years, is the Independent Director of the Company. He holds a Bachelor of Business Administration degree. His professional background includes successfully mentoring and monitoring staff, overseeing electronic banking operations, and etc.

Mitul Vinodbhai Undhad, aged 24 years, is the Independent Director of the Company. He holds a diploma and a degree in Civil Engineering. He is currently employed as a Manager in Payal Metal Industries.

To conclude, the company has 2 promoters, and they have decent experience in the field directly linked to the operations and in their respective fields. The Directors of the company have good experience in fields which help in the growth of the company.



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Financial Snapshot

Profit and Loss Statement				(In lakhs.)
Particulars	FY 21	FY 22	FY 23	Nov-23
Revenue from Operations	1314.56	1043.12	979.99	639.79
Other Income	0.25		7.75	6.4
Total Income	1,314.81	1,043.12	987.74	646.19
Expenses				
Cost of Material consumed	1252.05	972.22	687.64	488.03
(Increase)/Decrease in Stock		-63.87	50.25	4.72
Employee benefits expense	11.08	13.57	25.93	28.96
Finance Costs	2.58	0.67	7.61	12.89
Depreciation and Amortization expense	8.04	9.52	13.44	8.23
Other expenses	32.26	31.27	86.42	50.18
Total Expenses	1,306.01	963.38	871.29	593.01
Earnings Before Interest, Taxes, Depreciation & Amortization	19.17	89.93	129.75	67.90
EBITDA Margin	1.46%	8.62%	13.24%	10.61%
Profit before exceptional and extraordinary items and tax	8.80	79.74	116.45	53.18
Profit/(Loss) before tax	8.80	79.74	116.45	53.18
Tax Expense				
Current Tax	-	22.2	31.31	13.38
Deferred Tax	-	2.96	-3.65	-0.66
Total Tax Expense	-	25.16	27.66	12.72
Profit/(Loss) for the year	8.80	54.58	88.79	40.46
Net Profit Margin	0.67%	5.23%	8.99%	6.26%

Balance Sheet				(In lakhs.)
Particulars	FY 21	FY 22	FY 23	Nov-23
EQUITY AND LIABILITIES				
Equity				
Share Capital	28.42	1.00	293.33	336.33
Reserve and surplus	-	49.42	65.88	246.12
Total Equity	28.42	50.42	359.21	582.45
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Long -term borrowing	15.46	3.14	30.22	14.02
(ii) Deferred tax liabilities (Net)	-	2.96	-0.69	-1.34
Total Non-current liabilities	15.46	6.10	29.53	12.68
Current liabilities				
Financial Liabilities				
(i) Short Term Borrowings	96.13	10.83	208.21	340.66
(iii) Trade Payables				
-total outstanding dues of micro enterprises and small enterprises	62.43	105.92	14.7	69.08
-total outstanding dues of creditors other than micro enterprises and small enterprises	169.52	26.15	24.86	55.96
(iv) Other Current Liabilities	1.63	23.83	34.68	57.48



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Balance Sheet				(In lakhs.)
Total Current liabilities	329.71	166.73	282.45	523.18
Total Liabilities	345.17	172.83	311.98	535.86
Total Equity and Liabilities	373.59	223.25	671.19	1,118.31
ASSETS				
Non-Current Assets				
Property, Plant and Equipment				
(i) Tangible Assets (Net)	53.53	33.79	41.56	54.96
(b) Long term loans and Advances				266.7
Total Non-Current assets	53.53	33.79	41.56	321.66
Current Assets				
Inventories	87.36	105.53	206.68	191.08
Financial Assets				
(ii) Trade Receivables	188.47	15.59	64.06	79.49
(iii) Cash and Cash Equivalents	15.33	24.75	216.59	161.97
(iv) Other Current Assets	28.89	43.59	142.3	364.11
Current Tax Assets (net)	-	-	-	-
Total Current assets	320.05	189.46	629.63	796.65
Total Assets	373.58	223.25	671.19	1,118.31

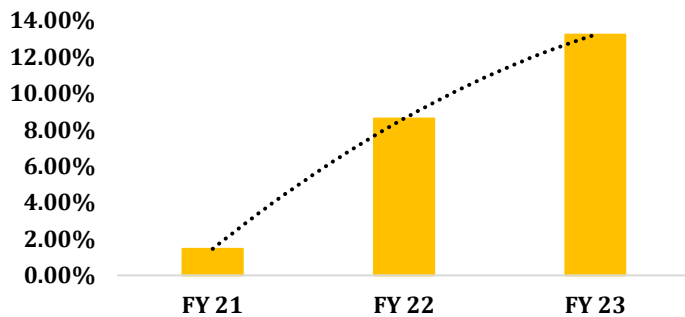
Cash Flow Statement				(In lakhs.)
Particulars	FY 21	FY 22	FY 23	Nov-23
Net Cash Flow from Operating Activities	52.3	61.97	-26.42	-186.71
Net Cash Flow from Investing Activities	-25.98	-41.21	-21.22	-21.63
Net Cash Flow from Financing Activities	-32.94	4.00	239.48	153.69

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Nov-23*
Per Share Data				
Diluted EPS	3.1	1.71	3.03	1.19
BV per share	0.57	1.01	7.19	31.79
Operating Ratios				
EBITDA Margins	1.46%	8.62%	13.24%	10.61%
PAT Margins	0.67%	5.23%	8.99%	6.16%
Inventory days	24.26	36.93	76.98	72.87
Debtor days	52.33	5.46	23.86	30.32
Creditor days	74.12	67.60	17.21	118.61
Return Ratios				
RoCE	25%	142%	30%	6%
RoE	31%	108%	25%	4%
Valuation Ratios (x)				
EV/EBITDA	6.50	0.44	2.94	17.11
Market Cap / Sales	2.77	3.50	3.72	3.80
P/E	23.55	42.69	24.09	61.13
Price to Book Value	128.35	72.35	10.15	2.30
Solvency Ratios				
Debt / Equity	3.93	0.28	0.66	0.61
Current Ratio	0.97	1.14	2.23	1.52
Quick Ratio	0.71	0.50	1.50	1.16
Asset Turnover	3.52	4.67	1.46	0.57
Interest Coverage Ratio	4.31	120.01	15.28	4.63

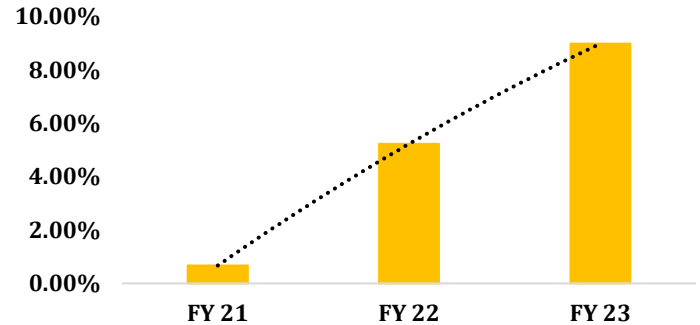
*Ratio sheet for Nov-23 is annualized.

Financial Charts

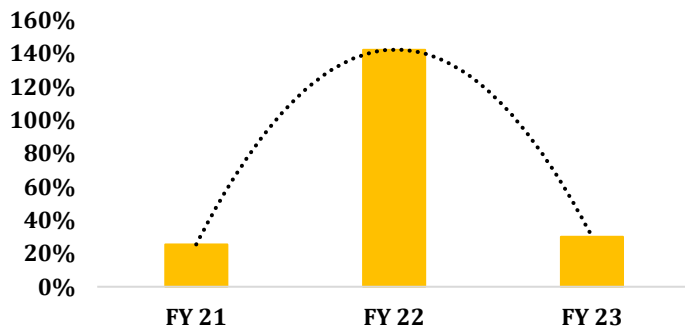
EBITDA Margin



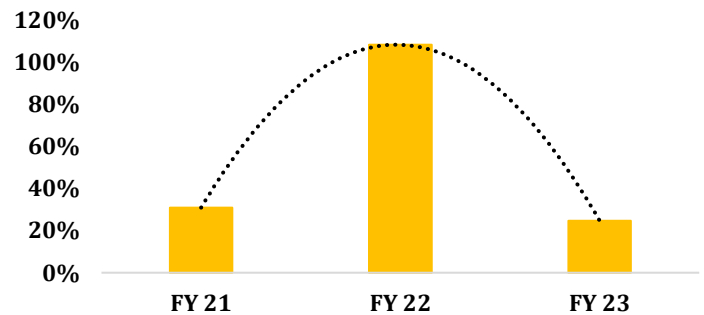
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. The company has had negative operating cash flows for the Period April 2021 to June 2021, FY ended 2023, and the period from April 2023 to November 2023. Any negative operating cash flows in the future would adversely affect the cash flow requirements, which may adversely affect the ability to operate the business.
2. The company's top ten customers for the period ended November 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, have contributed to 66.59%, 73.06%, 87.75% and 69.16%, respectively of the revenue from operations. Any loss of business from one or more of them may adversely affect the revenues and profitability.
3. The company's top ten suppliers for the period ended November 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, have contributed to 95.95%, 97.08%, 97.51% and 87.08% respectively of the purchases. Loss of suppliers may have a material adverse effect on the business operations and profitability.



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Track Record of Lead Manager

The lead manager to the issue is Expert Global Consultants Private 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 –

Expert Global Consultants Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Royal Sense Limited	9.86	68.00	March 19, 2024	106.00
2.	Mangalam Alloys Limited	54.91	80.00	October 04, 2023	37.04
3.	Zeal Global Services Limited	36.46	103.00	August 09, 2023	201.00
4.	Sonalis Consumer Products Limited	2.83	30.00	June 19, 2023	33.00
5.	Dollex Agrotech Limited	24.39	35.00	December 28, 2022	37.06
6.	Rite Zone Chemcon India Limited	8.96	75.00	November 11, 2022	42.2

The company has handled 6 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 26th March 2024.

As per the offer document, from the above-mentioned mandates 2 have opened at a discount and the remaining mandates have opened at premiums on the listing day.



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Recommendation

The company has been in the industry since 2011 and has good experience in the industry. The company's management overview is not very satisfactory with decent experience in the industry. The company has seen an increase in the top line of its financials.

The P/E on an annualised and post-IPO basis is 61.13 times which seems to be highly priced by looking at the performance of the company and the peers. The Sector P/E is 34.2 times.

The industry in which the company operates is competitive. The company has seen an increase in its revenue generation over the years. The company does not have any unique products to offer. The company is raising proceeds for working capital and general corporate purposes. The company's P/E is very high which places the company in a not-so-favourable place. Thus, at the current P/E, we believe one can **AVOID** applying to this IPO.



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