

IPO Details	
<b>Opening Date</b>	May 16, 2024
<b>Closing Date</b>	May 21, 2024
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3,000 Shares
<b>Issue Price</b>	₹48 per share
<b>Issue Size</b>	Aggregating up to 5.54 Cr.
<b>Fresh Issue</b>	Aggregating up to 5.54 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹1,44,000

IPO Objective	
1.	Funding the working capital requirements of the company.
2.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	26,88,010	99.99%
Public	200	0.01%

Promoter of the Company	
1.	Rambabu Thakur.
2.	Gaytri Thakur
3.	Yashwant Thakur

Competitive Strengths	
1.	Sustainable business model.
2.	Diversified Product Portfolio capable of capturing growing Indian Flour, Spice & food market.
3.	Omnichannel Approach.
4.	Strong and stable management team with proven ability.
5.	Robust Supply-chain Management.
6.	Inhouse manufacturing capabilities.

Company Background	
○	Incorporated in 2018, HOAC Foods India Limited is a manufacturer of flour, spice, and other food products. The brand name "HARIOM" is used to market and sell flour (chakki atta), herbs & spices, unpolished pulses, grains, and yellow mustard oil in and around Delhi-NCR through exclusive brand outlets.
○	As of Dec 31, 2023, the company had 10 Exclusive Brand Outlets which consisted of 4 owned by the company and 6 owned by franchisees. The outlets sold only the company's products, and the sales and marketing team had 12 employees.
○	The company has a manufacturing facility in Gurugram.
○	The company has a total of 50 employees on its payroll, as of December 31, 2023.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 13	₹ 18

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
<b>Total Assets</b>	208.33	359.71	491.72	766.40
<b>Net Assets</b>	32.26	98.07	156.86	315.73
<b>Total Borrowing</b>	128.08	147.50	190.38	204.05
<b>Total Revenue</b>	746.28	1,094.03	1,219.05	1,154.71
<b>Profit After Tax</b>	12.85	27.33	58.79	74.50

Tentative Timeline	
<b>Opening Date</b>	May 16, 2024
<b>Closing Date</b>	May 21, 2024
<b>Basis of Allotment</b>	May 22, 2024
<b>Initiation of Refunds</b>	May 23, 2024
<b>Credit of Shares to Demat</b>	May 23, 2024
<b>Listing Date</b>	May 24, 2024

### Company Background and Analysis

The company was founded in 2018 by Promoters, Mr. Rambabu Thakur, and Mrs. Gaytri Thakur, who laid the foundation and started this journey with the sole objective of manufacturing flour, spice, and other food products. The company has engaged in the manufacturing of flour (chakki atta), herbs & spices, unpolished pulses, grains, and yellow mustard oil in its product range and markets & sells it in and around Delhi-NCR under the brand name “HARIOM” through Exclusive Brand Outlets. They handpick their raw materials from various parts of the country and process products without using artificial preservatives or chemicals, thereby creating a product portfolio of organic spices and flour, which carry the freshness and goodness of each ingredient. This model has helped them penetrate the niche segment of the market and establish a customer base in and around Delhi-NCR. Since its inception, its objective has been to produce high-quality natural spices and food products without artificial preservatives or synthetic substances. To achieve this, they have developed a business model in which they manufacture and package their products in quantities that can sustain a customer until the shelf life of the product, reducing waste and providing a diverse range of products with freshness and goodness. As of Dec 31, 2023, the company had 10 Exclusive Brand Outlets which consisted of 4 owned by the company and 6 owned by franchisees.

The company’s product portfolio and revenue bifurcation are as follows –

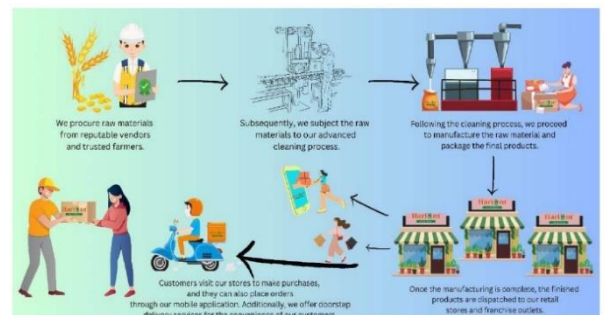
1. Wheat Flour.
2. Mustered oil & other products.
3. Spices.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Wheat Flour	512.16	69.00	695.85	64.00	737.22	61.00	631.71	55.00
Mustered Oil and other Products	148.45	20.00	250.07	23.00	290.06	24.00	287.14	25.00
Spices	81.65	11.00	141.35	13.00	181.28	15.00	229.71	20.00
Total	742.26	100.00	1,087.27	100.00	1,208.56	100.00	1,148.56	100.00



HOAC stores in Delhi-NCR region



Procurement and supply of products

To conclude, the company was incorporated in 2018 to manufacture flour (chakki atta), herbs & spices, unpolished pulses, grains, and yellow mustard oil in the product range and markets & sell it in and around Delhi-NCR under the brand name “HARIOM” through Exclusive Brand Outlets. Their objective has been to produce high-quality natural spices and food products without artificial preservatives or synthetic substances.

## **Business Strategies**

### **1. Further enhance presence in the core market of Delhi-NCR and other Metropolitan cities –**

The company intends to deepen penetration in Delhi-NCR with a focus on increasing market share in this region by leveraging distribution networks via Retail Outlets and other Supermarket stores of Delhi-NCR and also to increase more retail outlets by adding more franchisees which will enable them to deepen the market penetration.

### **2. Continue to strengthen the existing product portfolio and diversify into products with attractive growth and profitability prospects –**

The company's product portfolio under the brand "HARIOM" consists of spices, chakki-atta, pulses and mustard oil. As of December 31, 2023, the company maintain SKUs of more than 100 Ground Spices Blend Spices, Wheat Flour & Healthy Flour, Oil and other products. The company has consistently focused on expanding and optimizing its product range to offer a wide range of culinary options for Indian Kitchen.

### **3. Modernization and Expansion in the existing manufacturing facility –**

The company intends to modernize their existing manufacturing facility with the latest technology and automation. The company will be initiating this process by evaluating existing manufacturing processes to identify bottlenecks and inefficiencies and implement lean manufacturing principles to streamline operations as a result it helps in reducing waste and enhancing productivity.

### **4. Increasing Same Store Sales Growth –**

Exclusive Brand Outlets which include both company-owned and franchisee-run outlets provide the company with the ability to interact with the customers. To drive engagement and improve customer retention, the company trains and educates the sales team, particularly the retail store manager and also incentivizes increased sales of a particular store every month.

## Competitive Scenario and Peer Mapping

### Competition

The Indian masala and grocery products market is highly competitive. The principal elements of competition in this industry are product range, quality, brand image, price, delivery, and general customer experience. The company faces competition from various organized and unorganized players in the industry. Amongst unlisted companies, major competitors include Gandhi Spices Private Limited (Hathi Masala), Adani Food Products Private Limited, Ramdev Food Private Limited, MDH. In the listed space company faces competition from NHC Food Limited, Madhusudan Masala Limited, Srivari Spices & Foods Limited, etc. Suppliers and customers have average bargaining power because the company's suppliers and customers are not concentrated, and the company have multiple options to carry out their business.

### Peer Analysis-

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

Particulars	Hoac Foods India Limited	CONTIL India Limited	Jetmall Spices and Masala Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	4.86%	3.20%	8.24%
EBITDA Margin	9.08%	4.32%	11.81%
Return on Capital Employed	47.54%	11.13%	4.11%
Return on Equity	37.48%	8.56%	3.09%
P/E (Times)	15.05	37.20	46.00
EPS (INR)	3.19	2.04	0.50

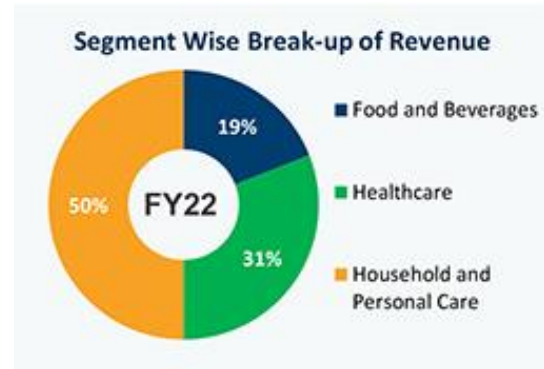
**The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –**

Particulars	Hoac Foods India Limited	CONTIL India Limited	Jetmall Spices and Masala Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.51%	3.71%	0.33%
EBITDA Margin	5.23%	4.91%	-0.33%
Return on Capital Employed	33.31%	11.78%	-0.30%
Return on Equity	27.87%	9.23%	0.11%
P/E (Times)	20.78	23.65	987.50
EPS (INR)	2.31	2.00	0.02

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

Particulars	Hoac Foods India Limited	CONTIL India Limited	Jetmall Spices and Masala Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.73%	4.46%	0.45%
EBITDA Margin	5.31%	6.52%	0.98%
Return on Capital Employed	40.90%	14.52%	1.92%
Return on Equity	39.83%	10.36%	1.13%
P/E (Times)	31.79	5.93	-
EPS (INR)	1.51	2.04	0.14

**Industry Overview**
**Indian FMCG and Spice Industry Overview**

**Indian FMCG Market**

**Revenue Break-up**

Source: Ibef.org

**Introduction**

The Indian Fast-Moving Consumer Goods (FMCG) sector, a key economic driver, thrives on escalating incomes, a burgeoning youth populace, and heightened brand cognizance. As India's fourth-largest sector, it significantly bolsters GDP, with urban domains contributing 55% of FMCG revenue, while rural sectors exhibit accelerated expansion. E-commerce emerges as a pivotal player, poised to constitute 40% of FMCG sales by 2025.

**Indian Spice Industry**

India reigns supreme in the global spice domain, holding sway as the foremost producer, consumer, and exporter. Spice production has surged, reaching 10.88 million tonnes in 2021-22. Exporting an array of spices, including chili, spice oils & oleoresins, mint products, cumin, and turmeric, India's major producing states encompass Madhya Pradesh, Rajasthan, and Gujarat. Key export destinations like China, the USA, and Bangladesh command over 70% of export earnings.

**Indian Flour Industry:**

The Indian flour industry anticipates rapid growth, with a projected CAGR of over 21% between 2016 and 2027. The global wheat flour market, valued at US\$241.0 billion in 2022, could reach Rs 25,000 Cr in India by 2022-23's end. Major players expanding into rural markets and increasing employment rates among women are driving this expansion.

**Growth Drivers:**

1. **Rising Disposable Incomes:** Escalating disposable incomes drive consumer spending, fostering FMCG growth, particularly in rural areas.
2. **Growing Youth Population:** India's sizable youth demographic fuels demand for food services and convenience goods.
3. **Shift Towards Organized Sector:** The shrinking unorganized market augurs growth for the organized sector, buoyed by modern retail expansion.
4. **E-commerce Growth:** Online channels facilitate rural market access, poised to contribute to an 11% FMCG sales increase by 2030.
5. **Government Initiatives:** Policies like GST, demonetization, and a new PLI scheme for the food processing sector are catalysts for growth.



**Market Size:**

1. The Indian FMCG market, reaching US\$167 billion in 2023, is projected to soar to US\$615.87 billion by 2027.
2. The food processing market is anticipated to scale to US\$547.3 billion by 2028, showcasing a 9.5% CAGR during 2023-2028.
3. The automotive textiles market is set to ascend to US\$3.7 billion by 2027, while the industrial textiles market is poised to hit US\$3.3 billion by 2027.

**Challenges and Outlook:**

While industry prospects gleam brightly, contenders grapple with established and D2C start-up rivalry. Fluctuating agricultural commodity markets, notably cotton prices, pose risks. Reliance on external factors such as weather patterns, government policies, and global economics amplifies sector intricacies.

(Source: prospectus)

**Key Managerial Personnel**

**Rambabu Thakur** aged 43 years, is the Founder, Promoter and Managing Director of the company. He has been on the Board of Directors of the company since incorporation. He has been appointed as the Managing Director of the company for a period of five (5) years with effect from November 02, 2023, till November 01, 2028. He has completed higher secondary education. He is responsible for the overall management of the company, and all aspects of production, ensuring efficiency and adherence to quality standards and plays a pivotal role in consistent growth and profitability. Further, he has an experience of more than 5 years in the business of the FMCG industry.

**Gaytri Thakur** aged 41 years, is one of the Promoters and Executive Director of the company. She has been on the Board of Directors of the company since incorporation. She is having more than 5 years of experience in this Industry in ensuring the quality and consistency of both raw and finished spices and proven track record in managing spice recipe formulas to meet and exceed industry standards.

**Yashwant Thakur** aged 23 years, is one of the Promoters, Chairman and Non-Executive Director of the company. He is pursuing a Business Administration in Retailing from Shivaji College, Delhi. He has 1 year of experience in the FMCG Industry. In the company he is responsible for providing strategic direction to the company in the competitive FMCG sector, he plays an active role in marketing and branding and is involved in the day-to-day operations of the business. His responsibilities extend to overseeing both owned and franchise retail stores.

**Mukesh Garg** aged 39 years is the Non-Executive Independent Director of the company. He graduated from the University of Delhi with a Bachelor of Arts degree in the year 2007. He has more than 10 years of experience in the FMCG Industry as a Sales Professional.

**Mamta** aged 46 years is the Non-executive Women Independent Director of the company. She graduated from Jai Prakash University Chapra with a Bachelor of Arts (Hons.) degree in Psychology in the Year 2002. She has overall 3 years of experience in the Marketing.

To conclude, the company has 1 managing director, and he has decent experience. The company has three promoters with normal experience, one among them is the managing director. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which helps in the overall 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>Dec-23</b>
Revenue from Operations	742.26	1,087.27	1,208.56	1,148.59
Other Income	4.02	6.76	10.49	6.12
<b>Total Income</b>	<b>746.28</b>	<b>1,094.03</b>	<b>1,219.05</b>	<b>1,154.71</b>
<u>Expenses</u>				
Cost of Material Consumed	447.49	629.48	605.31	607.37
Purchases of Stock in Trade	144.74	232.28	280.74	304.38
Changes in Inventories Stock in Trade	-44.10	-35.59	-55.17	-130.19
Employee benefits expense	55.35	58.83	100.63	95.29
Finance costs	22.41	20.15	28.95	25.03
Depreciation and Amortization expense	3.31	5.76	9.80	9.95
Other expenses	99.35	145.36	167.28	139.89
<b>Total Expenses</b>	<b>728.55</b>	<b>1,056.27</b>	<b>1,137.54</b>	<b>1,051.72</b>
Earnings Before Interest, Taxes, Depreciation & Amortization	39.43	56.91	109.77	131.85
EBITDA Margin	5%	5%	9%	11%
Profit/(Loss) before exceptional items and tax	17.73	37.76	81.51	102.99
Exceptional items	-	-	-	-
Profit/(Loss) before tax	17.73	37.76	81.51	102.99
<u>Tax Expense</u>				
Current Tax	4.77	10.33	22.43	28.14
Deferred Tax	0.11	0.10	0.29	0.35
<b>Total Tax Expense</b>	<b>4.88</b>	<b>10.43</b>	<b>22.72</b>	<b>28.49</b>
Profit/(Loss) for the year	12.85	27.33	58.79	74.50
Net Profit Margin	1.72%	2.50%	4.82%	6.45%

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	10.00	21.70	21.70	268.82
Reserves and surplus	22.26	76.37	135.16	46.91
<b>Total Equity</b>	<b>32.26</b>	<b>98.07</b>	<b>156.86</b>	<b>315.73</b>
<b>2. Non-current liabilities</b>				
Long Term Borrowings	53.88	52.74	50.16	83.91
Deferred tax liability/ (Assets) (Net)	0.25	0.35	0.64	0.99
Long term Provisions	1.92	2.41	2.64	2.41
<b>Total Non-current liabilities</b>	<b>56.05</b>	<b>55.50</b>	<b>53.44</b>	<b>87.31</b>
<b>3. Current liabilities</b>				
Short-term borrowings	74.20	94.76	140.22	120.14
Trade payables				

<b>Balance Sheet</b>					<b>(In Lacs)</b>
(i) MSME	-	-	-	-	
(ii) Other than MSME	39.80	96.90	99.33	204.78	
Other current liabilities	1.01	3.70	17.66	10.96	
Short-term provisions	5.01	10.78	24.21	27.48	
<b>Total Current liabilities</b>	<b>120.02</b>	<b>206.14</b>	<b>281.42</b>	<b>363.36</b>	
<b>Total Liabilities</b>	<b>176.07</b>	<b>261.64</b>	<b>334.86</b>	<b>450.67</b>	
<b>Total Equity and Liabilities</b>	<b>208.33</b>	<b>359.71</b>	<b>491.72</b>	<b>766.40</b>	
<b>ASSETS</b>					
<b>1. Non-current assets</b>					
<b>Fixed Assets</b>					
a) Property, Plant and Equipment	35.15	43.78	68.69	98.37	
b) Intangible Assets	-	-	-	-	
c) Capital Work-in-progress	-	-	-	-	
Other Non-Current Assets	5.69	34.65	30.23	31.30	
<b>Total Non-Current assets</b>	<b>40.84</b>	<b>78.43</b>	<b>98.92</b>	<b>129.67</b>	
<b>2. Current assets</b>					
Inventories	92.70	133.70	219.73	356.45	
Trade receivables	12.71	76.51	107.93	224.36	
Cash and cash equivalents	56.21	59.72	33.33	28.75	
Short-term loans and advances	5.67	11.35	31.81	27.17	
Other Current Assets	0.20	-	-	-	
<b>Total Current assets</b>	<b>167.49</b>	<b>281.28</b>	<b>392.80</b>	<b>636.73</b>	
<b>Total Assets</b>	<b>208.33</b>	<b>359.71</b>	<b>491.72</b>	<b>766.40</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>Dec-23</b>	
Net Cash Flow from Operating Activities	-26.00	2.21	-20.52	-43.01	
Net Cash Flow from Investing Activities	-21.88	-7.49	-24.22	-33.51	
Net Cash Flow from Financing Activities	67.69	8.79	18.35	71.94	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23*</b>
<b>Per Share Data</b>				
Diluted EPS	1.51	2.31	3.19	2.67
BV per share	0.84	2.55	4.08	23.37
<b>Operating Ratios</b>				
EBITDA Margins	5.31%	5.23%	9.08%	11.48%
PAT Margins	1.72%	2.50%	4.82%	6.67%
Inventory days	45.58	44.88	66.36	85.34
Debtor days	6.25	25.68	32.60	53.72
Creditor days	24.36	40.79	39.54	61.33
<b>Return Ratios</b>				
RoCE	41%	33%	48%	18%
RoE	40%	28%	37%	11%

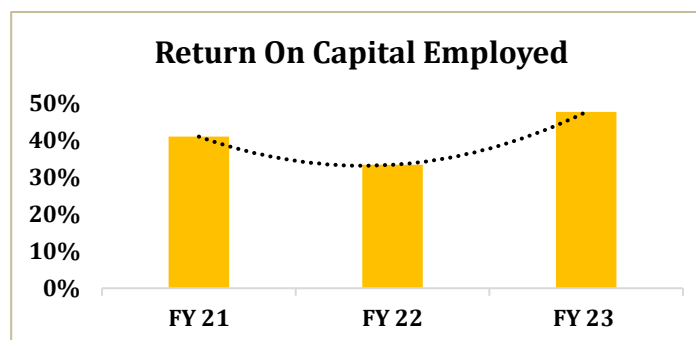
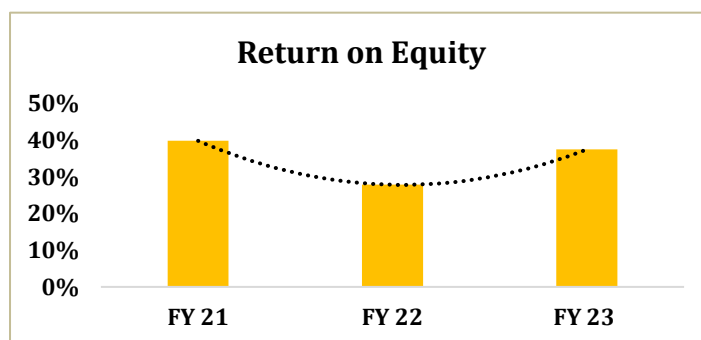
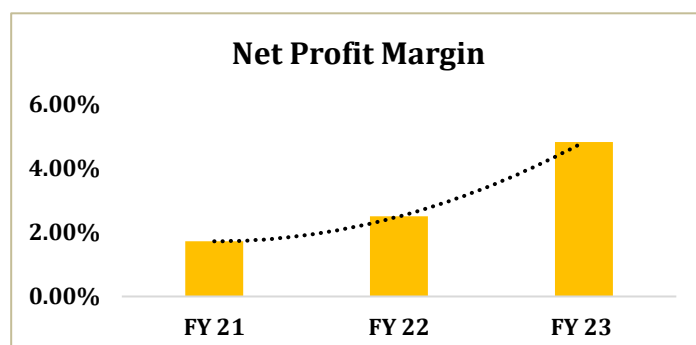
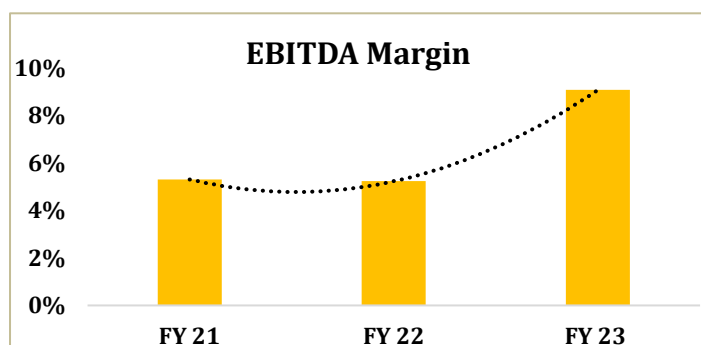


Ratio Sheet				
Valuation Ratios (x)*				
EV/EBITDA	2.64	3.27	2.86	6.18
Market Cap / Sales	2.49	1.70	1.53	1.21
P/E	31.79	20.78	15.05	17.99
Price to Book Value	57.18	18.81	11.76	2.05
Solvency Ratios				
Debt / Equity	3.97	1.50	1.21	0.65
Current Ratio	1.40	1.36	1.40	1.75
Quick Ratio	0.62	0.72	0.61	0.77
Asset Turnover	3.56	3.02	2.46	1.50
Interest Coverage Ratio	1.61	2.54	3.45	4.87

\*Annualized Figures

\*Valuation Ratios are calculated using the current Issue Price.

### Financial Charts



### Key Risk Factors

- 1) The company's business operations are highly concentrated in Delhi, NCR and their manufacturing units are located in Gurugram, Haryana. As a result, any local social unrest, natural disaster or breakdown of services and utilities in these areas could have material adverse effects on the business, financial position and results of their operations.
- 2) The company has experienced negative operating cash flows during FY 2021, FY 2023, and the period ended December 2023. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions.

### Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 8 companies handled by the Lead Manager in recent times –

#### GYR Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Naman In-Store (India) Limited	25.35	89	April 02, 2024	117.60
2.	Koura Fine Diamond Jewelry Limited	5.50	55	March 14, 2024	52.50
3.	Thaai Casting Ltd	47.20	77	February 23, 2024	210.85
4.	Maxposure Limited	20.26	33	January 23, 2024	100.60
5.	Kay Cee Energy & Infra Limited	15.93	54	January 05, 2024	303.65
6.	Trident Techlabs Limited	16.03	35	December 29, 2023	415.10
7.	Maitreya Medicare Limited	14.89	82	November 07, 2023	173.00
8.	Basilic Fly Studio Limited	66.35	97	September 11, 2023	353.80
9.	Srivari Spices and Foods Limited	9.00	42	August 18, 2023	324.00
10.	Essen Speciality Films Limited	66.33	107	July 06, 2023	152.25

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 15<sup>th</sup> May 2024.

As per the offer document mandates have opened at premiums on the listing date.

## Recommendation

The company has been in the industry since 2018 and thus has decent experience in the industry. The company has seen an increase in the top line and bottom line of the financials.

The P/E on a Post-IPO and Annualized basis is 17.99 times which seems to be fairly priced based on the performance of the company and peers. The Industry P/E is 36.5 times.

The company operates in a competitive segment. Due to the management's structure disregard for appropriate corporate governance, the company's management overview is unsatisfactory. The company is not utilizing its debt opportunity well. Additionally, the company does not mention any novel strategies. Thus, we recommend **AVOID** applying to this IPO.



**HOAC FOODS INDIA LIMITED**

IPO Note

Recco – **AVOID**



## **Disclaimer**

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