



Piotex Industries Limited

IPO Note
Recco – **AVOID**



IPO Details	
Opening Date	May 10, 2024
Closing Date	May 14, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price	₹94 per share
Issue Size	Aggregating up to 14.47 Cr.
Fresh Issue	Aggregating up to 14.47 Cr.
Offer for Sale	-
Application Amount	₹1,12,800

IPO Objective	
1.	Working Capital Requirements
2.	General Corporate Purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	33,65,670	94.43%
Public	1,98,330	5.57%

Promoter(s) of the Company	
1.	Abhay Shriram Asalkar
2.	Yogesh Omprakash Nimodiya

Competitive Strengths	
1.	Existing Client Relationship
2.	Committed to Total Customer Satisfaction
3.	Excellent & Competent Team
4.	Technical Expertise
5.	Timely Fulfilment of Orders

Company Background	
○	Originally incorporated in 2019, Piotex Industries Limited has its registered office in Pimpri, Pune, Maharashtra.
○	The company is into contract manufacturing and trading of cotton bales, cotton yarn and fabric in Maharashtra's textile hubs namely Malegaon, Ichalkaranji and Bhivandi. The company also supplies cotton yarn to Burhanpur and Ahmedabad.
○	In 2022-23, the company began fabric trading by supplying yarn to contract workers and the weaving mills to produce finished fabric for sale.
○	The company has a Sole Selling Agency agreement with Babasaheb Deshmukh Industries Private Limited for Cotton Yarn.
○	As on March 31, 2024 the Company had 18 employees, including project managers and quality assurance specialists, on payroll.

Market Capitalization (In Cr.)		
	Pre-Issue	Post-Issue
	₹ 34	₹ 48

Financial Summary (In Lacs.)			
For the Period Ended	Mar-22	Mar-23	Mar-24
Total Assets	1,385.47	1,757.48	3,610.58
Net Assets	151.32	440.07	938.87
Total Borrowing	528.58	372.30	445.94
Total Revenue	8,046.38	8,667.21	11,893.88
Profit After Tax	74.27	288.76	300.79

Tentative Timeline	
Opening Date	May 10, 2024
Closing Date	May 14, 2024
Basis of Allotment	May 15, 2024
Initiation of Refunds	May 16, 2024
Credit of Shares to Demat	May 16, 2024
Listing Date	May 17, 2024



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Company Background and Analysis

Originally incorporated as Piotex Industries Private Limited on October 24, 2019, Piotex Industries Limited converted to a public limited company in August 2023. It started its trading business from the Textile hub of Maharashtra viz. Malegoan, Bhiwandi and Ichalkaranji.

The company operates in the textile industry, specializing in the contract manufacturing and trading of yarn, fabric, and cotton bales. Piotex Industries Limited also manufactures cotton yarn through an outsourcing model (job work) to meet the demands of the garment industry.

Product Portfolio

Cotton Bales: Piotex Industries participates in the contract manufacturing and trading of standard-sized, compressed cotton bales. These bales consist of refined cotton, cleaned of seeds and impurities at a cotton gin.

Cotton Yarn: The company outsources the conversion of raw cotton into yarn through job work arrangements. This yarn, a long strand of interlocked Fibers, is suitable for various textile applications and sold as a finished product.

Cotton Fabric: Piotex Industries converts purchased yarn into cotton fabric through outsourced manufacturing. This versatile natural fabric, made from pure cotton Fibers, is offered in various weave options.

The Table below shows the bifurcation of Revenue from Operations of the company –

(Amt. in Crores.)

Particulars	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue	In %	Revenue	In %	Revenue	In %
Cotton Bales	904.47	76.35	798.37	92.83	666.46	83.08
Cotton Yarn	271.03	22.88	39.81	4.63	135.75	16.92
Cotton Fabric	9.08	0.77	21.86	2.54	-	-
Total	1,184.59	100	860.05	100	802.21	100

To conclude, the company is fairly new to the industry and prioritizes quality control throughout its operations. This focus ensures products meet industry standards and customer expectations. With operations in Maharashtra, Madhya Pradesh, and Gujarat, the company generates most of its revenue from cotton bales (76% FY24), one of its three major product lines. The company operates primarily in Maharashtra (92% of FY24 revenue). Strengths include quality focus and experienced management. However, it faces weaknesses in supplier dependence and working capital needs. Opportunities exist in market expansion, while threats include competition, policy changes, and fluctuating raw material prices.

To conclude, the company plans to use its Net Proceeds of Rs. 13.21 Crores majorly for Working capital purposes due to the nature of the business being Trading and Contract Manufacturing, which would be helpful for the company to grow its revenue and capture more business opportunities.



Business Strategies

1. Develop cordial relationship with Suppliers, Contractors, Customers and employees:

The company prioritizes fostering strong, long-term relationships with both suppliers and customers. Their focus on efficient delivery and dedication to customer satisfaction has yielded repeat business and a collaborative supply chain. This strategic approach is seen as critical for cost efficiency and overall business growth.

2. Optimal Utilization of Resources:

The company is committed to continuous process improvement and resource optimization. They invest in developing customized systems for effective management control. Additionally, regular analysis of existing product delivery policies helps identify and eliminate bottlenecks, ultimately improving efficiency and resource utilization.

3. Enhance product quality:

The company prioritizes quality throughout the supply chain, from raw material procurement to finished product delivery. Multiple inspections by supervisors ensure consistent quality and encourage repeat purchases from customers.

4. To Build-Up a Professional Organization:

The company prioritizes transparency, commitment, and coordination with all stakeholders, including suppliers, contractors, customers, and government bodies. Their experienced staff manages daily operations, supplemented by external consultations on technical and financial matters when needed. This focus on collaboration strengthens the company's foundation for future growth.

5. Leveraging its Marketing skills and Relationships:

The company prioritizes continuous customer satisfaction through employee training and leveraging existing marketing skills and relationships. They aim to achieve this by ensuring on-time order fulfilment and fostering strong client relationships.



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Competitive Scenario and Peer Mapping

Competition

The textile industry presents a moderately competitive landscape characterized by a fragmented mix of unorganized players. Success in this market depends on delivering consistent product quality, ensuring timely delivery, and maintaining competitive pricing to foster strong brand loyalty. While cotton as a raw material is widely available, suppliers of yarn and fabric may hold some leverage in bargaining power. Customers, such as garment manufacturers, retain moderate power due to having sourcing options but still prioritize reliable suppliers. The industry faces a continuous threat of new entrants due to low entry barriers, intensifying market competition. Additionally, the threat of substitutes like synthetic fibres looms, though cotton retains its popularity. Given the industry's growth stage, competition will likely increase, making cost efficiency along the experience curve critical for long-term success.

Peer Analysis:

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

Industry Overview

Exhibit 1: India’s Exports of Textiles and Apparels.

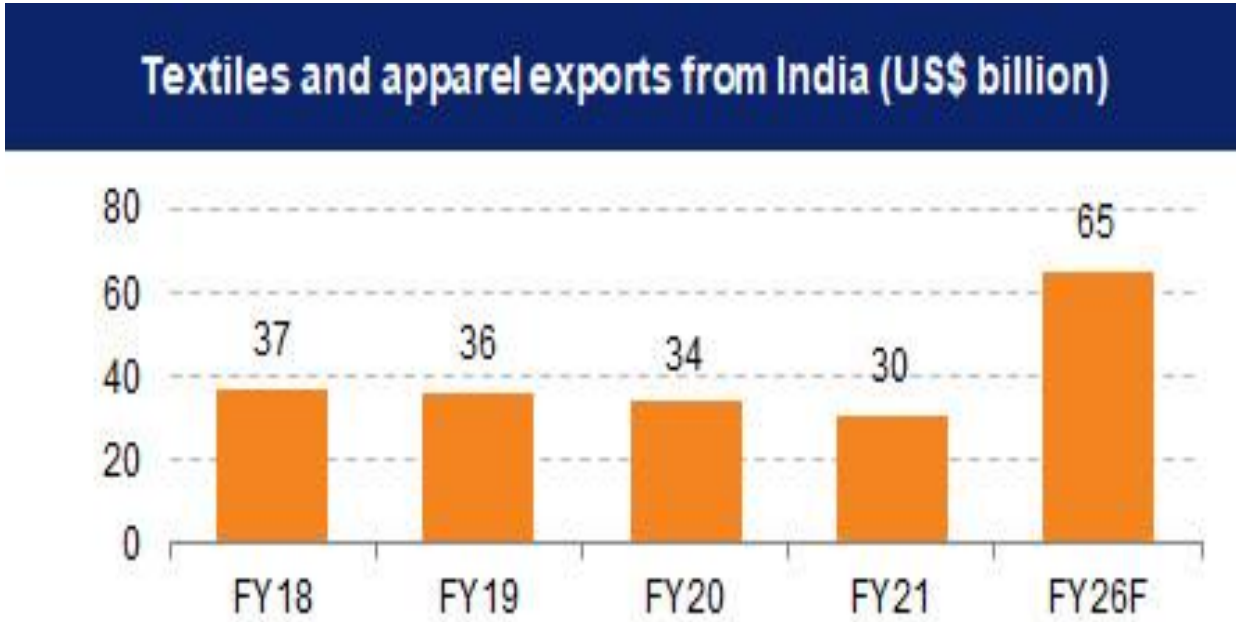
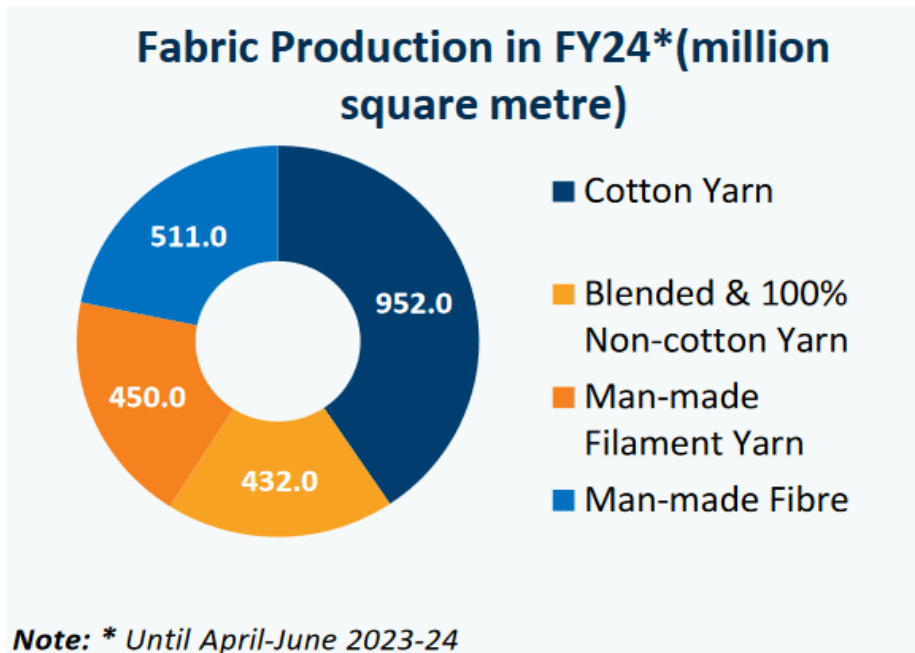


Exhibit 2: Breakdown of Fabric Production for FY24.



(Source: Ibef.org)



Indian Textile Industry Overview

Introduction:

India's textile industry boasts a rich history, spanning hand-spun/woven segments to capital-intensive mills. This diverse sector produces a wide range of natural and synthetic fibers, making it a cornerstone of the Indian economy.

Strengths:

India's textile industry draws strength from its diverse production base of natural and synthetic fibers. A decentralized power loom and hosiery sector forms its core, underscoring the industry's close ties to agriculture and India's rich cultural heritage.

Market Size:

- Projected to reach US\$190 billion by 2025-26 (CAGR 10% from 2019-20) and Employs around 4.5 crore workers (including 35.22 lakh handloom workers).
- Holds a 4% share of the global textiles and apparel trade.
- India is the world's largest cotton producer (estimated production 362.18 lakh bales in 2021-22).
- Readymade garment exports stood at US\$7.68 billion till January 2023 and are projected to surpass US\$30 billion by 2027.
- Natural fibers form the industry backbone (projected to grow from US\$138 billion to US\$195 billion by 2025) and total textile as well as apparel exports (including handicrafts) reached US\$44.4 billion in FY22 (41% increase YoY).

Investments & Developments:

The Indian textile industry has attracted over \$4 billion in FDI since 2000, boosted by government incentives like the PLI scheme and focus on skill development. Companies are also adopting advanced technologies like traceability solutions.

Government Initiatives:

- 100% FDI allowed in the sector, along with various export promotion policies.
- Schemes like:
- ATUFS (Amended Technology Upgradation Fund Scheme) – promotes technology upgrades.
- NTTM (National Technical Textiles Mission) – focuses on technical textiles development.
- SAMARTH – aims to build skills in the textile sector.
- PM MITRA – establishes mega textile parks to boost manufacturing.
- Emphasis on sustainable practices (e.g., Sustainable Cotton Cultivation Mission).
- Handloom sector support through organizations like the Handloom Export Promotion Council.

Road Ahead:

The Indian textile industry holds a promising future fuelled by robust domestic consumption and strong export potential. The burgeoning technical textiles sector is positioned to meet rising demand, while sustainability initiatives are gaining increasing prominence. Surging disposable incomes and a growing population will further drive market growth. Within this landscape, India maintains its status as the world's largest cotton producer, with production concentrated in the Central Zone. This strength underpins the nation's position as a global raw cotton exporter and the second-largest employer in the cotton textiles industry. The government's ambitious target of US\$100 billion in textile exports by 2025-26 underscores the focus on enhancing cotton productivity and quality.

(Source: Prospectus)



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Key Managerial Personnel

Abhay Shriram Asalkar, aged 46 years, is one of the Promoters and Chairman cum Managing Director of the Company. He holds Degree in Master of Business Administration in Marketing Management and a Bachelor of Textile Engineering. He has of 25 years in the Textile Industry. He is playing a vital role in formulating business strategies and effective implementation of the same. He is responsible for the expansion and overall management of the business of the Company.

Yogesh Omprakash Nimodiya, aged 48 years, is one of the Promoters and holds the position of Executive Director and Chief Financial Officer. He holds an MBA and brings 25 years of experience in sales and marketing, having worked with top textile industry player Raymond and renowned marketing firm A.T.E Enterprises Pvt. Ltd. His expertise in market research, strategic planning, and marketing strategies contributes significantly to the company's overall development.

Sandeep Vitthalrao Deore, aged 39 years, serves as a Non-Executive Director of the company. He holds a Bachelor of Engineering degree and possesses 12 years of experience.

Sandeep Narayanrao Deore, aged 53 years, serves as an Independent Director. He holds a Bachelor of Engineering degree and brings 20 years of experience in the manufacturing industry to his role, providing independent oversight and expertise to the company.

Bhavisha Kunal Chauhan, aged 30 years, serves as an Independent Director. A Company Secretary by profession, she brings 8 years of experience in secretarial compliance to the company, ensuring adherence to regulations and providing independent oversight.

To conclude, the company has 2 Individual promoters and both of them have good experience related to their respective fields. However, the CFO having 25 years of Experience in the field of sales and marketing is quite concerning. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which can help in the overall growth of the company.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 22	FY 23	FY 24	
Revenue from Operations	8,022.18	8,600.58	11,845.92	
Other Income	24.2	66.63	47.96	
Total Income	8,046.38	8,667.21	11,893.88	
Expenses				
Cost of Material Consumed	-	-	376.49	
Purchases of Stock in Trade	8,567.93	7,308.96	11,004.39	
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-808.77	847.86	8.02	
Employee benefits expense	21.22	10.94	42.28	
Finance costs	38.76	90.21	24.65	
Depreciation and Amortization expense	0	0.19	2.23	
Other expenses	127.36	17.03	33.86	
Total Expenses	7,946.50	8,275.19	11,491.92	
Earnings Before Interest, Taxes, Depreciation & Amortization	114.44	415.79	380.88	
EBITDA Margin	1.43%	4.83%	3.22%	
Profit/(Loss) before tax	99.88	392.02	401.96	
Tax Expense				
Current Tax	25.61	103.07	101.29	
Deferred Tax	0	0.19	-0.12	
Total Tax Expense	25.61	103.26	101.17	
Profit/(Loss) for the year	74.27	288.76	300.79	
Net Profit Margin	0.92%	3.33%	2.53%	

Balance Sheet				(In Lacs)
Particulars	FY 22	FY 23	FY 24	
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	15.00	15.00	356.40	
Reserves and surplus	136.32	425.07	582.47	
Total Equity	151.32	440.07	938.87	
2. Non-current liabilities				
Long Term Borrowings	123.25	372.30	345.94	
Deferred tax liability/ (Assets) (Net)	-	0.19	0.06	
Long term Provisions	-	-	-	
Total Non-current liabilities	123.25	372.49	346.00	
3. Current liabilities				
Short-term borrowings	405.33	-	100.00	
Trade payables				
(i) MSME	-	396.79	1,623.55	
(ii) Other than MSME	561.53	533.55	349.35	
Other current liabilities	114.66	1.63	242.90	
Short-term provisions	29.38	13.15	9.91	



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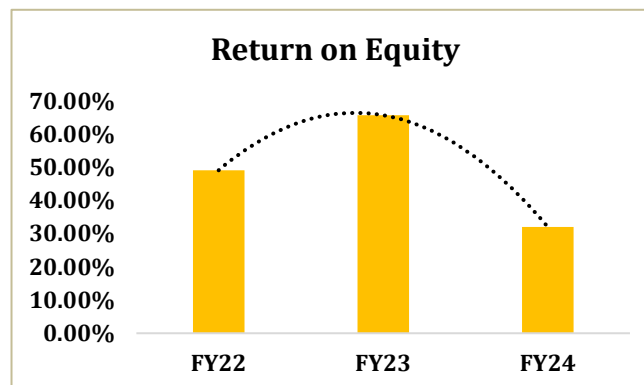
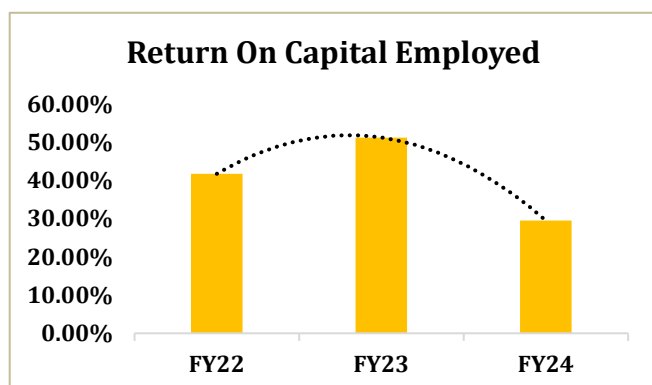
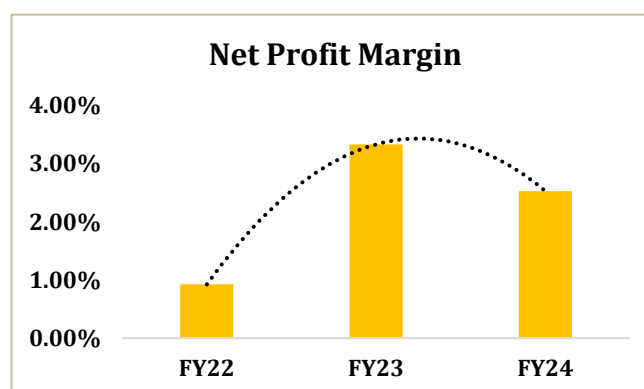
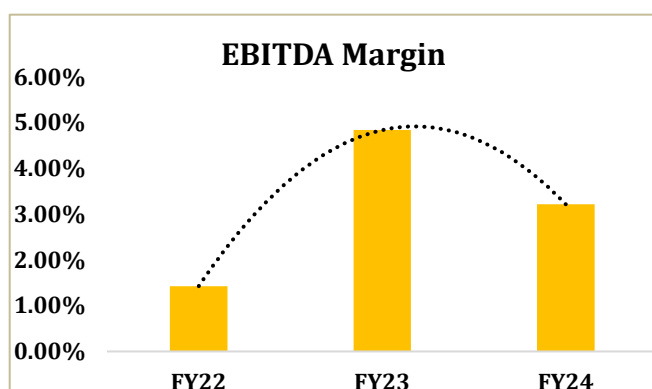
Balance Sheet				(In Lacs)
Total Current liabilities	1,110.90	945.12	2,325.71	
Total Liabilities	1,234.15	1,317.61	2,671.71	
Total Equity and Liabilities	1,385.47	1,757.68	3,610.58	
ASSETS				
1. Non-current assets				
Fixed Assets				
a) Tangible Assets	-	12.31	10.08	
b) Intangible Assets	-	-	-	
Capital Work in Progress	-	-	-	
Non-Current Investment	-	-	-	
Deferred Tax Assets (Net)	-	-	-	
Long term Loans and Advances	-	-	-	
Other Non-Current Assets	-	-	42.05	
Total Non-Current assets	-	12.31	52.13	
2. Current assets				
Current Investments				
Inventories	855.89	8.02	19.88	
Trade receivables	177.74	914.43	3,207.75	
Cash and cash equivalents	21.17	45.16	6.14	
Short-term loans and advances	329.60	762.19	321.73	
Other Current Assets	1.08	15.57	2.95	
Total Current assets	1,385.48	1,745.37	3,558.45	
Total Assets	1,385.48	1,757.68	3,610.58	

Cash Flow Statement				(In Lacs)
Particulars	FY 22	FY 23	FY 24	
Net Cash Flow from Operating Activities	-348.97	282.97	-243.96	
Net Cash Flow from Investing Activities	0.15	-12.05	-42.05	
Net Cash Flow from Financing Activities	268.9	-246.48	246.99	

Ratio Sheet			
Particulars	FY 22	FY 23	FY 24
Per Share Data			
Diluted EPS	3.00	11.67	8.48
BV per share	2.96	8.62	18.40
Operating Ratios			
EBITDA Margins	1.43%	4.83%	3.22%
PAT Margins	0.92%	3.33%	2.53%
Inventory days	38.94	0.34	0.61
Debtor days	8.09	38.81	98.84
Creditor days	23.92	46.46	63.16
Return Ratios			
RoCE	41.68%	51.15%	29.47%
RoE	49.08%	65.62%	32.04%
Valuation Ratios*			
EV/EBITDA	5.76	1.85	3.62
Market Cap / Sales	0.60	0.56	0.40
P/E	31.33	8.05	11.08
Price to Book Value	31.70	10.90	5.11
Solvency Ratios			
Debt / Equity	3.49	0.85	0.47
Current Ratio	1.25	1.85	1.53
Quick Ratio	0.48	1.84	1.52
Asset Turnover	5.79	4.89	3.28
Interest Coverage Ratio	2.95	4.61	15.36

*Valuation Ratios are calculated using the current Issue Price.

Financial Charts





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Key Risk Factors

1. The top 10 customers contributed to 97.74%, 98.59% and 88.65% of revenues for FY24, FY23 and FY22 respectively. The loss of any one or more of such customers may have a material effect on the business operations and profitability.
2. The firm has got negative cash flow from operating activities for FY24 and FY22 and may continue to have them in future. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions.
3. There is an outstanding legal proceeding against the Company for Taxation Matters involving about Rs. 21.33 Lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
4. A significant portion of the revenue is generated from sales of two products. They accounted for 99.23%, 97.46% and 100% of their total revenue in FY 2024, 2023 and 2022 respectively. The loss of customers who purchase these products, or a significant reduction in the production and sales may adversely affect the business, financial condition, results of operations and prospects.
5. Maharashtra alone contributed around 92% of Revenue from Operations for the FY24. Any adverse development affecting the company's operations in this region could have an adverse impact on their business, financial condition and results of operations.



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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 last 10 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.	Emmforce Autotech Limited	53.90	98.00	Apr 30, 2024	259.00
2.	Greenhitech Ventures Limited	6.30	50.00	Apr 22, 2024	139.00
3.	TAC Infosec Limited	29.99	106.00	Apr 05, 2024	653.00
4.	KP Green Engineering Limited	189.50	144.00	Mar 22, 2024	651.00
5.	Pratham EPC Projects Limited	36.00	75.00	Mar 18, 2024	311.00
6.	V R Infraspaces Limited	20.40	85.00	Mar 12, 2024	140.00
7.	Rudra Gas Enterprise Limited	14.16	63.00	Feb 15, 2024	207.00
8.	Fonebox Retail Limited	20.37	70.00	Feb 12, 2024	171.00
9.	Konstelec Engineers Limited	28.70	70.00	Jan 30, 2024	296.00
10.	Australian Premium Solar (India) Limited	28.08	54.00	Jan 18, 2024	386.00

The company has had 21 mandates in the past year (2023) and has 10 Mandates till now in the current Year.

*CMP for the above-mentioned companies is taken as of 9th May 2024.

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



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Recommendation

The company has been in this business only since 2019 and is fairly new to the industry. The management overview of the company is not satisfactory with only one of its promoters possessing good experience in the core industry.

The P/E on Post IPO basis of the company is 11.08 times. Which makes the issue Fully Priced.

The company has shown steady growth in its revenue, but the financials reveal declining profitability, evident in the shrinking gross profit margin, net profit margin, return on assets (ROA) from FY 2023 to FY 2024 and return on equity (ROE). Thus, we recommend to **AVOID** this IPO.



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