

IPO Details	
Opening Date	June 20, 2024
Closing Date	June 24, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price	₹51 to ₹54 per share
Issue Size	Aggregating up to 34.83 Cr.
Fresh Issue	-
Offer for Sale	Aggregating up to 34.83 Cr.
Application Amount	₹1,08,000 (2,000 shares)

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

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,45,02,000	80.66%
Public	34,77,280	19.34%

Promoters of the Company	
1.	R Rajasekaran
2.	Rajadharshini Rajasekaran
3.	Indrayani Biotech Limited

Competitive Strengths	
1.	Diverse Product Basket
2.	Milk Procurement Process
3.	Manufacturing Facility
4.	Quality Assurance and Standards
5.	Experienced Promoters and Management Team

Company Background	
○	Incorporated in 2010, Dindigul Farm Product Limited has its registered office in Tamil Nadu and processes whole milk and skimmed milk to produce various dairy ingredients, including milk protein concentrates, skimmed milk powder, dairy whitener, whey protein concentrate, milk whey powder, casein, unbranded cream, butter, and fat-filled powders for infant milk formula.
○	The company has established a network of over 150 village collection centres, providing direct access to more than 4,000 farmers and 50 dairy farms.
○	The company sells its products under the brand names ENNUTRICA and Activday, and it currently serves a broad range of customers across various industries.
○	The company has sold its products in over 15 states within the country and 3 countries internationally.
○	The company employs 101 people on various levels on its payroll as of December 23 rd , 2023.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 97	₹ 132

Financial Summary (In Lacs.)				
For the Period Ended	FY 21	FY 22	FY 23	Dec-23
Total Assets	2,995.10	2,496.44	2,899.83	5,123.46
Net Assets	-	-	-	393.94
Total Borrowing	2,716.23	2,579.25	2,471.29	2,263.87
Total Revenue	1,840.72	2,845.08	8,199.34	6,876.65
Profit After Tax	- 461.19	- 420.08	525.79	588.40

Tentative Timeline	
Opening Date	June 20, 2024
Closing Date	June 24, 2024
Basis of Allotment	June 25, 2024
Initiation of Refunds	June 26, 2024
Credit of Shares to Demat	June 26, 2024
Listing Date	June 27, 2024

Company Background and Analysis

Dindigul Farm Product Limited, established in 2010, processes milk and skimmed milk into various dairy ingredients.

Their processing facility spread over 15 acres, adheres to strict quality control measures with certifications like FSSC 22000. They procure milk directly from farmers (over 4,000) and through a network of collection centres, totalling around 50,000 litres per day. Additionally, they acquire 30,000-1,00,000 litres of whole milk daily from the open market or third-party suppliers. Skimmed milk is sourced primarily from their group company, A R Dairy Food Private Limited.

Quality assurance is a major focus throughout their operations. Milk is tested at village collection centres and chilling centres to ensure it meets the standards set by FSSC and other quality control organizations. They also have documented quality systems and Standard Operating Procedures (SOPs) in place for all stages of procurement and processing.

The company sells its products under the brand names ENNUTRICA and Activday, supplying a diverse clientele across various industries in over 15 Indian states and 3 international locations. They aim to further expand their reach by entering more ASEAN and European countries. Their customer base includes the dairy, food ingredients, nutrition, ice cream, and baking industries.

The percentage of revenue derived from the company's different segments is given below –

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Sale of Products	1,575.55	89.36	2,698.70	95.30	8,091.66	99.19	6,714.88	97.67
Sale of Services	187.57	10.64	133.18	4.70	66.09	0.81	159.87	2.33
Total	1,763.12	100.00	2,831.88	100.00	8,157.75	100.00	6,874.75	100.00

Overall, founded in 2010, this dairy ingredient processor prioritizes quality (FSSC 22000 certified) and sources milk from both farmers (50,000 litres daily) and suppliers (30,000-1,00,000 litres daily). They sell under ENNUTRICA and Activday brands to various industries in over 15 Indian states and 3 countries, with plans for further ASEAN and European expansion.

The company plans to use its net proceeds for capital expenditure and part of working capital needs.

Business Strategies

1. Continue to invest in manufacturing capabilities thereby expanding their offerings –

The company plans to use its new funding to expand its product offerings. This includes establishing new production lines for butter, sodium caseinate, and retail packaging. They will also modify existing lines for infant milk formula and whey powder to improve compatibility and target new markets. These upgrades aim to increase production capacity and allow them to create specialty ingredients.

2. Expand its presence across geographies and diversify its customer base –

The company plans to grow domestically by adding a sales force and expanding its B2C brand "ActivDay" to offer customized infant formula and nutritional drinks for all age groups. They also aim to increase their international presence by attending trade shows, focusing on ASEAN and European markets initially, and appointing local partners.

3. Enhance their brand visibility –

The company plans to leverage its existing brand reputation for quality to further increase brand recognition. They will utilize various marketing channels, including new media and product suggestion platforms, to enhance brand visibility and strengthen their market position.

4. Focus on increasing operational efficiencies to improve returns –

The company prioritizes customer satisfaction through high-quality products at competitive prices. They plan to achieve this by optimizing processing methods, implementing cost-saving strategies for raw materials, and adopting best practices in dairy production. Their leadership expertise will guide these efforts.

Competitive Scenario and Peer Mapping

Competition

India's massive dairy industry enjoys the high bargaining power of suppliers (millions of small milk producers) but faces moderate threats of new entrants due to regulations. The bargaining power of buyers (consumers) is rising with organized retail growth. Substitute threats are low for milk but may emerge for specific products like cheese. Competitive rivalry is strong with regional players and co-operatives, but consolidation is likely.

Peer Analysis –

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

Particulars	Dindigul Farm Product Limited	Dodla Dairy Limited	Parag Milk Foods Limited	Modern Diaries Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-26.16%	6.46%	1.12%	-5.69%
EBITDA Margin	-4.76%	12.81%	7.33%	-2.01%
Return on Capital Employed	-78.36%	25.60%	8.97%	30.98%
Return on Equity	-	19.14%	2.23%	30.71%
EPS (INR)	-3.21	22.10	2.47	-14.85
P/E	-	26.07	45.12	-

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

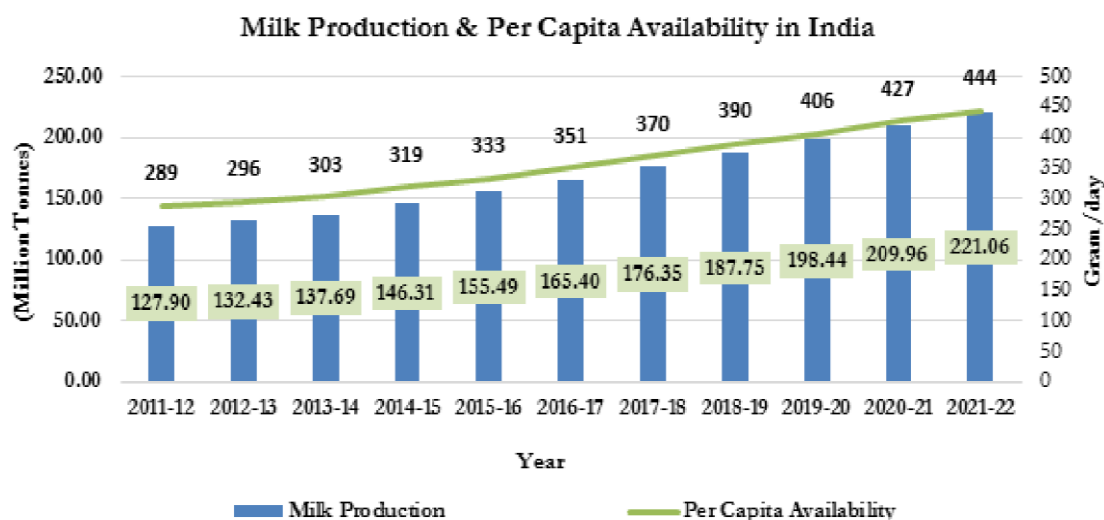
Particulars	Dindigul Farm Product Limited	Dodla Dairy Limited	Parag Milk Foods Limited	Modern Diaries Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	-14.83%	5.88%	-25.44%	2.04%
EBITDA Margin	-5.41%	9.98%	-19.91%	4.74%
Return on Capital Employed	183.21%	19.21%	-56.57%	-4.71%
Return on Equity	-	15.75%	-98.46%	-4.58%
EPS (INR)	-2.90	22.55	-59.45	2.12
P/E	-	20.93	-	3.76

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

Particulars	Dindigul Farm Product Limited	Dodla Dairy Limited	Parag Milk Foods Limited	Modern Diaries Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	6.45%	4.31%	1.81%	5.56%
EBITDA Margin	11.37%	7.59%	5.62%	8.27%
Return on Capital Employed	213.50%	14.86%	9.99%	-15.59%
Return on Equity	-32.09%	12.58%	6.72%	-12.69%
EPS (INR)	3.59	20.56	5.01	5.20
P/E	15.04	22.55	14.52	3.62

Industry Overview

Exhibit 1: Indian Milk Production & Per Capita Availability



(Source: Prospectus)

Indian Dairy Industry Overview:

India is the world's largest milk producer, contributing a massive 24% of global milk production. This industry has grown substantially, with production reaching 221 million tonnes in 2021-22, a 5.3% increase over the previous year. This growth is driven by several factors including government support and a rise in milk consumption due to increasing disposable incomes and urbanization.

The industry is a crucial source of income for millions of rural families, particularly women and marginal farmers. Most milk production comes from small, independent producers. Milk plays a vital role in the Indian diet, providing protein for a largely vegetarian population.

Market and Demand:

The Indian dairy market is massive, valued at ₹13.17 lakh crore in 2021 and projected to reach ₹30.84 lakh crore by 2027. Liquid milk makes up about half the market, but there is a growing demand for products like cheese, flavoured milk, and yogurt. This growth is expected to continue, with milk consumption projected to reach 26.7 crore tonnes by 2030.

Challenges and the Road Ahead:

While the industry is a powerhouse, there is a need to strengthen processing infrastructure to meet this growing demand. There's also a difference between organized and unorganized sectors. Organized players offer stable prices to producers, while unorganized sellers might not. Additionally, there's a higher risk of milk adulteration in the unorganized sector.

Overall, the Indian dairy industry boasts impressive production figures and strong growth potential. By addressing infrastructure needs and ensuring fair treatment of producers across the board, the industry can solidify its position as a global leader.

(Source: Prospectus)

Key Managerial Personnel

R Rajasekaran, aged 67 years, is one of the Promoters, Managing Director, and Chairman of the Company. He holds a Master of Science Degree in Chemistry and has over 20 years of experience in the dairy processing industry. He's involved in bringing about innovation in the Company's operations and products.

Rajadharshini Rajasekaran, aged 47 years, is one of the Promoters, and Non-Executive Director of the Company. She holds a degree of Bachelor of Technology in Industrial Biotechnology and a Post Graduate Diploma in Laboratory course in Bio-Techniques. She is associated as Chief Quality Officer in A R Dairy Food Private Limited*. She has an experience of more than 10 years in the Industry.

N M Ranganathan, aged 62 years, is the Non-Executive Independent Director of the Company. He holds a Master's Degree in Business Administration Commerce. He is also an Advocate on the roll of Bar Council of Tamilnadu and Puducherry.

B N Padmaja Priyadarshini, aged 48 years, is the Non-Executive Independent Director of the Company. She holds Degree of Doctor of Philosophy in Management. For the past 11 years, she has been the Director of HomePlanGuru Civil Consultants Pvt Ltd.

Rajappan Ravi, aged 67 years, is the Non-Executive Director of the Company. He holds a degree of Bachelor of Engineering in Electrical and Electronics.

Gurunathan Uma Kanth Narayanan, aged 71 years, is the Company Secretary and Compliance Officer of the Company. He is certified as a Company Secretary by the Institute of Company Secretaries of India. He is responsible for handling secretarial and compliance matters of the Company.

Velvizhi Ganesan, aged 43 years, is the Chief Financial Officer of the Company. She is a Chartered Accountant by qualification. She has previously worked with A R Dairy Foods Private Limited*.

To conclude, the company has 2 Individual Promoters and 1 Corporate Promoter. The Individual Promoters of the company do have a good amount of experience in the Business as well as the Industry. The rest of the Key Managerial Personnel of the Company looks diversified enough but fails to highlight the experience they have in their respective fields.

Corporate Promoter, Indrayani Biotech Limited, is a strategic investor who strategically identifies and aggregates Micro, Small, and Medium Enterprises (MSMEs) with high potential and expertise within its operational verticals. They have no experience in this Industry.

* The Group Company

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	1,763.13	2,831.88	8,157.74	6,874.75
Other Income	77.59	13.20	41.60	1.90
Total Income	1,840.72	2,845.08	8,199.34	6,876.65
Expenses				
Cost of Material Consumed	1,330.52	2,046.07	6,454.38	4,774.94
Changes in Inventories of WIP, Finished Goods & Stock in Trade	23.94	211.80	-452.51	-269.79
Employee benefits	250.82	259.47	324.89	311.86
Finance costs	219.92	246.23	258.01	189.50
Depreciation and Amortization expense	235.76	203.15	194.20	158.27
Other expenses	241.78	467.88	903.70	1,122.98
Total Expenses	2,302.74	3,434.60	7,682.67	6,287.76
Earnings Before Interest, Taxes, Depreciation & Amortization	-83.93	-153.34	927.28	934.76
EBITDA Margin	-4.76%	-5.41%	11.37%	13.60%
Profit/(Loss) before exceptional items and tax	-462.02	-589.52	516.67	588.89
Exceptional Items	-	172.94	-	-
Profit/(Loss) before tax	-462.02	-416.58	516.67	588.89
Tax Expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Total Tax Expense	-	-	-	-
Income Tax relating to these items	0.83	-3.50	9.12	-0.49
Profit/(Loss) for the year	-461.19	-420.08	525.79	588.40
Net Profit Margin	-25.05%	-14.77%	6.41%	8.56%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1,438.20	1,438.20	1,438.20	1,753.40
Other Equity	-3,180.84	-3,600.92	-3,076.66	-1,359.46
Total Equity	-1,742.64	-2,162.72	-1,638.46	393.94
2. Non-current liabilities				
Long Term Borrowings	2,136.02	1,944.95	1,961.36	1,799.14
Long Term Provisions	14.58	23.18	20.47	26.29
Total Non-current liabilities	2,150.60	1,968.13	1,981.83	1,825.43
3. Current liabilities				
Other Financial Liabilities	580.21	634.30	509.93	464.73
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	1,976.41	2,026.65	1,936.08	2,248.04
Other current liabilities	-	-	1.20	3.49
Short-term provisions	30.52	30.08	109.25	187.83
Total Current liabilities	2,587.14	2,691.03	2,556.46	2,904.09
Total Liabilities	4,737.74	4,659.16	4,538.29	4,729.52

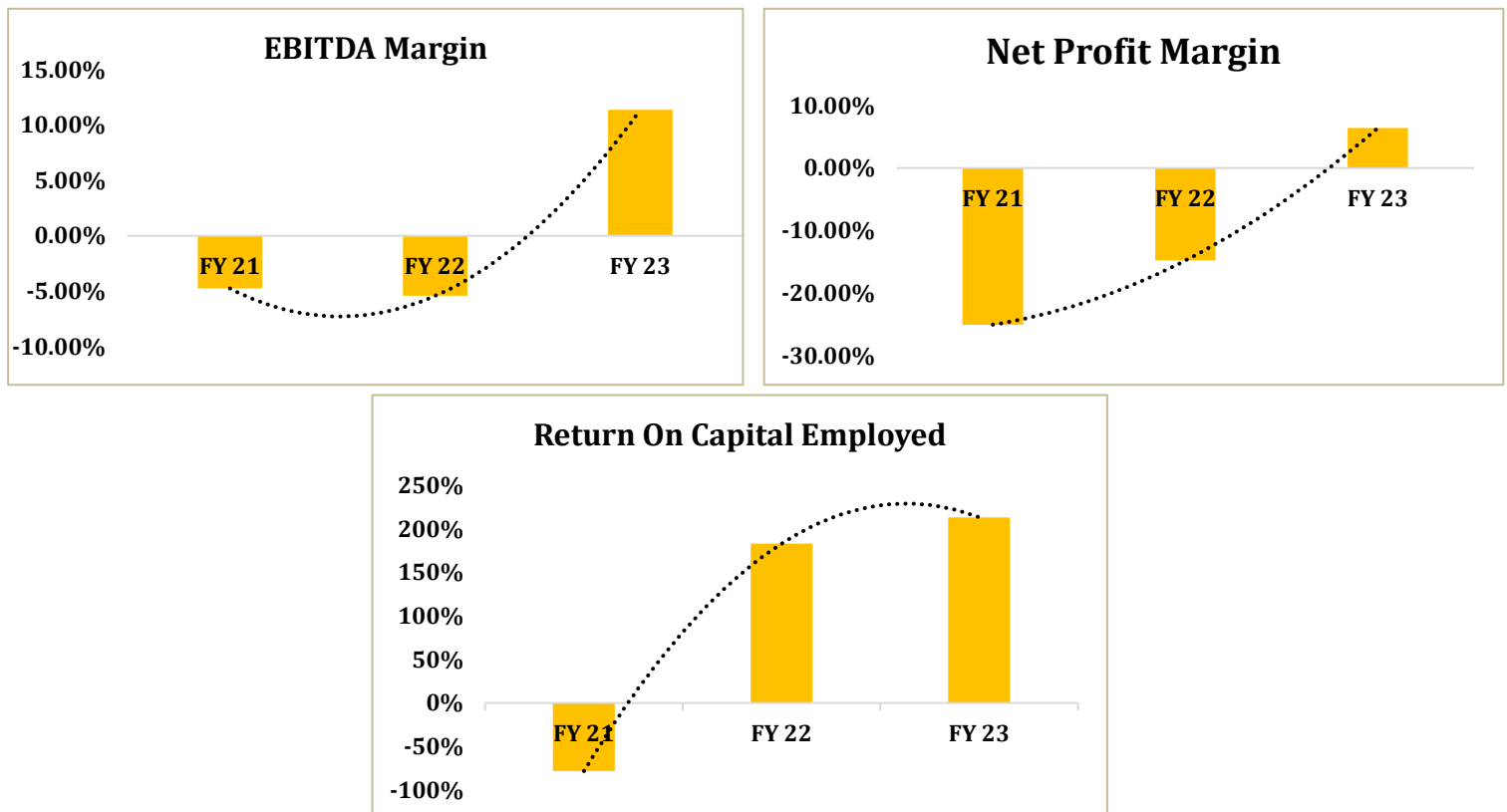
Balance Sheet					(In Lacs)
Total Equity and Liabilities	2,995.10	2,496.44	2,899.83	5,123.46	
ASSETS					
1. Non-current assets					
Property, Plant and Equipment	1,399.64	1,195.60	1,277.80	1,169.42	
Capital Work In Progress	-	11.64	-	-	
Non-Current Investment	58.32	14.51	22.28	22.28	
Other Financial Assets	44.03	28.82	29.83	48.41	
Deferred Tax Assets (Net)	27.88	27.88	27.88	27.88	
Total Non-Current assets	1,529.87	1,278.45	1,357.79	1,267.99	
2. Current assets					
Inventories	737.90	497.43	889.27	1,195.09	
Trade receivables	302.42	352.09	176.11	250.80	
Cash and cash equivalents	59.44	3.30	4.81	1,140.79	
Other Financial Assets	323.76	323.76	323.61	1,085.71	
Other Current Assets	41.71	41.42	148.24	183.08	
Total Current assets	1,465.23	1,218.00	1,542.04	3,855.47	
Total Assets	2,995.10	2,496.45	2,899.83	5,123.46	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	306.21	97.63	630.30	112.06	
Net Cash Flow from Investing Activities	-72.96	229.44	-262.82	-68.37	
Net Cash Flow from Financing Activities	-234.45	-383.21	-365.97	1,092.29	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	-3.21	-2.9	3.59	2.47
BV per share	7.12	5.40	7.55	35.75
Operating Ratios				
EBITDA Margins	-4.76%	-5.41%	11.37%	13.60%
PAT Margins	-25.05%	-14.77%	6.41%	6.40%
Inventory days	152.76	64.11	39.79	46.41
Debtor days	62.61	45.38	7.88	9.74
Creditor days	545.25	366.67	110.53	124.76
Return Ratios				
RoCE	-	-	213.50%	15.21%
RoE	-	-	-32.09%	11.49%
Valuation Ratios** (x)				
EV/EBITDA	-	-	0.89	4.93
Market Cap / Sales	7.48	4.66	1.62	1.40
P/E	-	-	15.04	21.86
Price to Book Value	7.58	9.99	7.15	1.51
Solvency Ratios				
Debt / Equity	-	-	-	5.75
Current Ratio	0.57	0.45	0.60	1.33
Quick Ratio	0.28	0.27	0.26	0.92
Asset Turnover	0.59	1.13	2.81	1.34
Interest Coverage Ratio	-1.45	-1.45	2.84	4.10

* Annualized Basis

** Valuation Figures are calculated using the Issue Price

Financial Charts

Key Risk Factors

1. The company has incurred Net Losses for the FY21 and FY22. The Company also has reported Negative Net worth for the FY21, FY22, and FY23.
2. The Top 10 Customers of the company contributed to 70.56%, 79.36%, 73.11%, and 74.87% of revenue for the Period Ending 23rd Dec 23 and for the Financial Years 21, 22 and 23 respectively.
3. The Top 10 Suppliers to the company contributed to 25.15%, 69.96%, 88.50%, and 97.22% of the firm purchases for the Period Ending 23rd Dec 23, and for the Financial Years 21, 22, and 23 respectively.
4. The company has violations of various sections under the Companies Act, of 2013.
 - a) The company has not complied with the requirement of appointment of a Company Secretary from June 2014 up to May 2019.
 - b) The company has inadvertently not filed PAS-3 for the allotment of 1,92,200 Equity Shares on March 31, 2015.
 - c) The company has inadvertently not filed MGT-14 allowing the conversion of Unsecured Loan into Equity Shares passed at the time of taking Unsecured Loan allotments made on March 31, 2015, and March 31, 2018.
5. The company has 2 Income Tax Proceedings and 1 TDS Proceeding against it. However, the Group Company, A. R. Dairy Food Private Limited, has 2 Statutory and Regulatory Proceedings, 3 Income Tax Proceedings, 13 TDS Proceedings, and 18 GST Proceedings against them. All in Total Involve an Amount of Rs. 1.09 Crores.
6. The Company has a total outstanding borrowing of Rs. 22.63 Crores as of 23rd December 2023.

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.	Beacon Trusteeship Limited	32.52	60.00	Jun 04, 2024	98.95
2.	Rulka Electricals Limited	26.40	235.00	May 24, 2024	478.65
3.	Piotex Industries Limited	14.47	94.00	May 17, 2024	90.00
4.	Winsol Engineers Limited	23.36	75.00	May 14, 2024	518.40
5.	Emmforce Autotech Limited	53.90	98.00	Apr 30, 2024	183.60
6.	Greenhitech Ventures Limited	6.30	50.00	Apr 22, 2024	105.95
7.	TAC Infosec Limited	29.99	106.00	Apr 05, 2024	580.10
8.	KP Green Engineering Limited	189.50	144.00	Mar 22, 2024	649.10
9.	Pratham EPC Projects Limited	36.00	75.00	Mar 18, 2024	347.10
10.	V R Infraspace Limited	20.40	85.00	Mar 12, 2024	150.00

The company has had 21 mandates in the past year (2023) and has 14 Mandates till now in the current Year.

*CMP for the above-mentioned companies is taken as of 16th June 2024.

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 operating in the industry since 2010 and has a good amount of experience in it. The management overview of the company is decent.

The P/E of the Company on a Post-Issue and Annualized basis is 21.86 Times, making it fairly priced as the Industry P/E is 38.00 Times.

The Company has shown a High and Sudden Jump from Net Losses to Net Profits within one Fiscal Year. This raises various questions on the organic nature of revenue streams and further questions its sustainability. The company has had negative net worth and a very high Debt/Equity ratio of 5.75.

The recent profitability of the company, coupled with the significant involvement of its Group Company in a similar line of business and numerous instances of non-compliance, raises scepticism about the situation, thus, we recommend that investors should **AVOID** this IPO.

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