



IPO Note

Kizi Apparels Limited

Recommendation: **AVOID!**

Company Background -

- Originally formed and incorporated as 'Kizi Apparels Private Limited' on March 24, 2023. The registered office is located at Jaipur, Rajasthan.
- The Company is engaged in manufacturing and trading of readymade garments through their own showrooms, distributors, malls and online platform.
- The company sells Ethnic and Western wear for women under the brand name 'Anutarra' and 'Kizi' respectively.
- The company had 18 permanent employees as of June 30, 2024.

Objects of the Issue -

- Repayment of unsecured loans
- Long-term Working Capital requirement
- General Corporate Purposes

Promoters Name -

Abhishek Nathani and Kiran Nathani

Rationale for recommendation -

- ✓ The company's P/E is 22.74 times on post-issue basis making it slightly highly priced.
- ✓ The company had negative cash flow for FY 2022, 2023 and 2024.
- ✓ The concentration of buyers and suppliers is high.
- ✓ The company doesn't have enough experience in the industry.

IPO Details

Opening Date	July 30, 2024
Closing Date	Aug 01, 2024
Allotment Date	Aug 02, 2024
Listing Date	Aug 06, 2024
Stock Exchange	BSE SME
Lot Size	6,000 Shares
Issue Price Per Share	₹21
Issue Size	5.58 Cr.
Fresh Issue	5.58 Cr.
Offer for Sale	-
Application Amt	₹ 1,26,000 (6,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	498.92	1,548.05	2,026.51
EBITDA	17.70	122.78	174.51
Net Profit	20.82	54.97	72.21
RoCE	2.35%	24.56%	19.66%
ROE	6.18%	13.92%	12.29%
P/E	52.50	19.63	15.00

Promoter Share Holding Pattern

Pre-Issue	Post Issue
85.36%	56.35%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	1.40	0.92
BVPS	11.38	14.65
P/E	15.00	22.74
P/BV	1.84	1.43
Mkt Cap (In Cr)	10.84	16.42

Lead Managers -

Interactive Financial Services Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Kizi Apparels Limited was originally incorporated as 'Kizi Apparels Private Limited' on March 24, 2023. The registered office is located at Jaipur, Rajasthan.

The Company is engaged in manufacturing and trading of readymade garments through their own Showrooms, distributors, malls and online platform. The company collaborated with Arvind Lifestyle Brand Limited in 2019 which helped the promoter, Abhishek Nathani establish and promote this business. They also collaborated with Reliance Retail in 2021 that scaled up their business. The company has entered into agreements with M/s Absolute Brands and Retail Private Limited (ABRPS), Bangalore and M/s Fab India Limited (FIL), New Delhi for manufacture and supply purpose.

Kizi Apparels has taken over the ongoing proprietorship concern namely M/s. Aika Creations established by Abhishek Nathani (Promoter) on June 01, 2023.

Business Model -

- **B2B (White Label)** - The company produces customized goods according to buyer specifications. These garments are then labelled with the customer's brand and distributed/delivered to their desired locations.
- **B2B (Own Brand)** - They supply products under their own brand to traders and wholesalers, offering designs selected by them.
- **Job Work (Cut to Pack)** - Utilizing buyer-supplied fabric, they manufacture garments according to the designs and branding requirements.
- **Value Addition to Semi-Finished Goods** - They also enhance semi-finished goods through processes like manual embroidery, handwork, and buttoning, selling it to traders and wholesalers under their brand name.
- **D2C (Direct to Customer)** - The company recently launched e-commerce platform that offers premium ethnic and western women's apparel under ANUTARRA and KIZI brands, respectively.

Product Portfolio -

The company has two brands under which they sell their products. "Anutarra" is for their ethnic women wear and "Kizi" is for their western women wear.

1. **Ethnic Wear** - 2 PC Kurta Set (includes kurta and matching bottom), 3 PC kurta Set (includes kurta, bottom and dupatta), Ethnic Tops and Ethnic Gowns/Dresses.



2. **Western Wear** - Dresses, Tops/Tunics and Shirts.



Products under developments -

The company is working on launching new products which include Semi formal Blazers, co-ord sets and lehenga.

Conclusion -

The net proceeds of Rs. 498.18 lakhs will be utilized for repayment of unsecured loans (Rs. 29.50 lakhs), working capital requirements (Rs. 348.68 lakhs) and general corporate purposes (Rs. 120 lakhs)

Revenue Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Offline Sale	492.78	98.77	1,529.04	98.71	1,995.44	99.58
Sale through E-Commerce	6.14	1.23	20.02	1.29	8.37	0.42
Total	498.92	100.00	1,549.06	100.00	2,003.81	100.00

Competition -

Market Competition: The textile sector is highly competitive where the key factors of competition primarily comprise quality of product, variation in product portfolio, price and timely delivery.

Geographic Competition: The company faces competition from organized as well as unorganized players in both domestic and international market.

Barriers to entry: Low barriers to entry.

Bargaining Power of Suppliers: The bargaining power is high with the suppliers.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Expanding geographic reach by E-Commerce: The company is focusing on exploring opportunities in various other parts of India and enhance its geographic reach through both e-commerce platform and local vendors.

Focus on innovative designs: The company intends to create new designs with change in trends and is planning to expand the existing women's wear designs and add kids wear as well.

Focusing on dealing in quality standard products: The Company is focused on dealing in the products which meets with the requisite quality standards as per the customer's desire and providing them at reasonable rates.

Develop cordial relationship with suppliers, customer and employees: The Company is focused on establishing strong, mutually beneficial long-term relationships and strategic supplier relationship management.

Risk Factors -

The company's top 10 customers contributed to 96.38%, 95.13% and 81.86% of the revenue from operations in FY 2024, 2023 and 2022 respectively. Loss of any of the key customers may materially and adversely affect the business and financial performance.

The company is dependent on few suppliers for its purchases and top 10 suppliers contributed to 96.84%, 91.28% and 61.34% of the total purchases for FY 2024, FY 2023 and FY 2022 respectively.

The promoters and directors are involved in certain legal proceedings amounting to Rs. 24.58 lakhs.

The company has had negative operating cash flow for FY 2024, FY 2023, FY 2022.

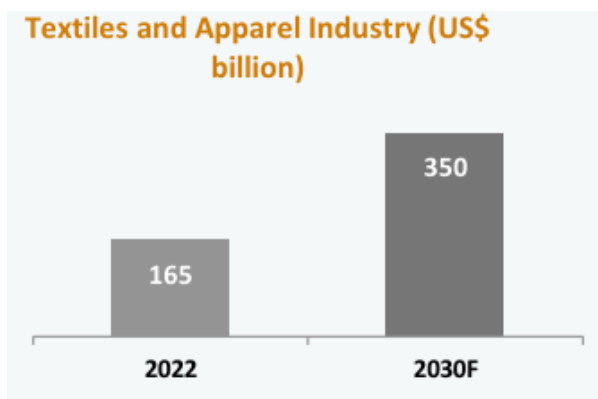
The company has unsecured loans of Rs. 16.20 lakhs.

PEER ANALYSIS

Particulars	Kizi Apparels Limited			Thomas Scott (India) Limited			Bizotic Commercial Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.2%	3.6%	3.6%	1.9%	4.6%	11.0%	9.7%	10.4%	16.2%
EBITDA Margin	4%	8%	9%	4%	7%	14%	49%	50%	57%
RoCE	2%	25%	20%	11%	13%	23%	29%	36%	30%
ROE	6%	14%	12%	6%	20%	20%	76%	48%	26%
EPS (INR)	0.40	1.07	1.40	1.42	4.85	10.23	8.35	10.13	19.39
P/E	52.50	19.63	15.00	35.00	7.61	28.35	-	-	13.45

Indian Textile and Apparel Industry -

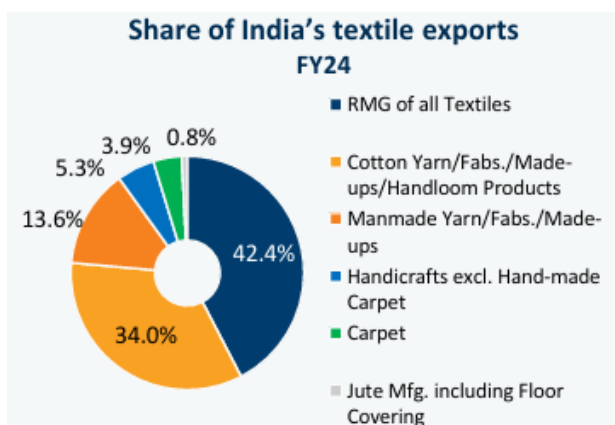
The Indian Textile and Apparel Industry is valued at over US\$ 100 billion, employing over 45 million people and accounting for 14% of the country's industrial production. The Confederation of Indian Industry (CII) expects the industry to achieve a production level of US\$ 250 billion by FY25, rising at a CAGR of 12% between FY22 and FY25. In terms of exports, the CII expects industry exports to increase at a CAGR of 15% and reach US\$ 185 billion by FY25.



(source: www.ibef.org)

Market Size –

India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. During April-November in FY23, the total exports of textiles stood at US\$ 23.1 billion. India's textile and apparel exports to the US, its single largest market, stood at 27% of the total export value in FY22. Exports of readymade garments including cotton accessories stood at US\$ 6.19 billion in FY22. Production of fibre in India reached 2.40 MT in FY21 (till January 2021), while for yarn, the production stood at 4,762 million kgs during the same period. Natural fibres are regarded as the backbone of the Indian textile industry, which is expected to grow from US\$138 billion to US\$195 billion by 2025.



(source: www.ibef.org)

E-Commerce Industry -

India's e-commerce sector is expected to reach US\$ 111.40 billion by 2025 from US\$ 46.20 billion in 2020, growing at a 19.24% CAGR, with grocery and fashion/apparel likely to be the key drivers of incremental growth.

The Indian online grocery market is estimated to reach US\$ 26.93 billion in 2027 from US\$ 3.95 billion in FY21, expanding at a CAGR of 33%. By 2021, total e-commerce sales are expected to reach US\$ 67-84 billion from the US\$ 52.57 billion recorded in 2020.

India's social commerce has the potential to expand to US\$ 16-20 billion in FY25, at a CAGR of 55-60% with a potentially monumental jump to US\$ 70 billion by 2030, owing to high mobile usage.



(source: www.ibef.org)

Government Initiatives –

Establishment of Seven PM MITRA Parks – The government approved the establishment of seven Mega Integrated Textile Region and Apparel Parks, also called PM MITRA Parks, in the Union Budget for FY22.

Production-Linked Incentive (PLI) Scheme - The scheme plans to provide incentives worth Rs. 10,683 crore (US\$ 1.3 billion) over five years. It is also expected to promote investment in the industry by Rs. 19,000 crore (US\$ 2.4 billion) and increase production turnover by more than Rs. 3 lakh crore (US\$ 37.5 billion) in five years.

Key Management -

Key Management Persons Name -	Abhishek Nathani
Age	44
Designation and No. of years of experience	Promoter and Managing Director and COO, 22+ Years of experience
Qualification	B. Com degree, MBA in Logistics & Supply Chain Management, Post Graduate Diploma in Business Management (Finance and Marketing)
Roles and Responsibility	Responsible for formulating business strategies and implementation of the same in the company.
Other Directorships	-

Key Management Persons Name -	Kiran Nathani
Age	35
Designation and No. of years of experience	Promoter, Director and CFO, 15+ years of experience
Qualification	Post Graduate Diploma in Management
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Avani Shah
Age	30
Designation and No. of years of experience	Independent Director and CTO, 10+ years of experience
Qualification	M. Com degree
Roles and Responsibility	-
Other Directorships	Nuutjob Limited, Bizotic Commercial Limited and Sunrest Lifescience Limited

Key Management Persons Name -	Ajay Mishra
Age	38
Designation and No. of years of experience	Additional Non-Executive Director, 7+ years of experience
Qualification	B.Sc. in Information Technology
Roles and Responsibility	His experience in the field of sales and marketing will help build more relationship with high brands
Other Directorships	-

Key Management Persons Name -	Juhi Sawajani
Age	27
Designation and No. of years of experience	Independent Director
Qualification	M. Com degree, Company Secretary
Roles and Responsibility	-
Other Ventures	Presently working as Company Secretary in Sky Textiles India Private Limited.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	498.92	1,548.05	2,026.51
Other Income	40.25	1.45	0.86
Total Income	539.17	1,549.50	2,027.37
Expenses			
Cost of Materials Consumed	387.74	1,305.08	1,791.87
Changes in Inventories of finished goods, work-in-progress	-68.31	-302.37	-145.46
Employee Benefit Expenses	53.24	162.96	66.82
Finance Cost	23.73	41.62	62.36
Depreciation and Amortisation	7.94	7.03	17.83
Other expenses	108.55	259.60	138.77
Total Expenses	512.89	1,473.92	1,932.19
EBITDA	17.70	122.78	174.51
EBITDA Margin	3.55%	7.93%	8.61%
Profit/(Loss) before tax	26.28	75.58	95.18
Tax Expense			
Current tax	5.67	19.80	19.89
Deferred Tax	-0.21	0.81	3.08
Total Tax	5.46	20.61	22.97
Profit/(Loss) for the year	20.82	54.97	72.21
Net Profit Margin	4.17%	3.55%	3.56%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	336.95	394.86	516.12
Reserves and surplus	-	-	71.37
Total Equity	336.95	394.86	587.49
3. Non-current liabilities			
Long-term borrowings	78.15	76.00	206.22
Deferred Tax Liabilities (Net)	-	0.35	3.43
Total Non-current liabilities	78.15	76.35	209.65
4. Current liabilities			
Short-term borrowings	164.58	234.96	308.39
Trade Payables			
Total outstanding dues of MSME	-	-	1.38
Total outstanding dues of creditors other than MSME	130.27	394.09	198.32
Other Current Liabilities	6.76	6.83	15.17
Short-term provisions	8.43	28.01	19.89
Total Current liabilities	310.04	663.89	543.15
Total Liabilities	388.19	740.24	752.80
Total Equity and Liabilities	725.14	1,135.10	1,340.29
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	42.33	41.55	33.93
Intangible Assets	0.30	0.21	100.56
Non Current Investments	171.44	-	-
Deferred Tax Assets (Net)	0.46	-	-
Long term loans and advances	10.75	3.22	4.42

Particulars	FY 22	FY 23	FY 24
Total Non-Current assets	225.28	44.98	138.91
2. Current assets			
Inventories	268.29	480.15	666.48
Trade Receivables	78.58	534.47	462.00
Cash & Cash equivalents	80.53	57.11	20.13
Short term loans and advances	69.05	18.39	52.78
Other Current Assets	3.40	-	-
Total Current assets	499.85	1,090.12	1,201.39
Total Assets	725.13	1,135.10	1,340.30

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-28.88	-226.23	-313.04
Net Cash Flow from Investing Activities	3.18	173.71	-112.93
Net Cash Flow from Financing Activities	45.16	29.10	388.99

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	0.40	1.07	1.4	EV/EBITDA	28.20	5.28	6.20
BV per share	6.53	7.65	11.38	Market Cap / Sales	3.29	1.06	0.81
<u>Operating Ratios</u>				P/E	52.50	19.63	15.00
EBITDA Margins	3.55%	7.93%	8.61%	Price to Book Value	3.22	2.74	1.84
PAT Margins	4.17%	3.55%	3.56%	<u>Solvency Ratios</u>			
Inventory days	196.28	113.21	120.04	Debt / Equity	0.72	0.79	0.88
Debtor days	57.49	126.02	83.21	Current Ratio	1.61	1.64	2.21
Creditor days	109.34	118.43	39.97	Quick Ratio	0.75	0.92	0.98
<u>Return Ratios</u>				Asset Turnover	0.69	1.36	1.51
RoCE	2.35%	24.56%	19.66%	Interest Coverage Ratio	0.41	2.78	2.51
RoE	6.18%	13.92%	12.29%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Interactive Financial Services 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 –

Interactive Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kataria Industries Limited	54.58	96.00	July 24, 2024	211.10
2.	Winy Immigration and Education Services Limited	9.13	140.00	June 27, 2024	290.20
3.	DCG Cables & Wires Limited	49.99	100.00	April 16, 2024	136.15
4.	Teerth Gopicon Limited	44.40	111.00	April 16, 2024	517.00
5.	SRM Contractors Limited	130.20	210.00	April 03, 2024	248.20
6.	Kalahridhaan Trendz Limited	22.49	45.00	Feb 23, 2024	46.85
7.	Vrundavan Plantation Limited	15.29	108.00	Nov 06, 2023	50.05
8.	Vivaa Tradecom Limited	7.99	51.00	Oct 12, 2023	41.00
9.	Crop Life Science Limited	26.73	52.00	Aug 30, 2023	48.50
10.	Tridhya Tech Limited	26.41	42.00	July 13, 2023	30.60

The company has handled 14 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 29th July 2024.

As per the offer document, from the above-mentioned mandates 3 have opened at discount and remaining have opened at a premium on the listing day.

Recommendation -

Kizi Apparels has been in the industry since 2023 and doesn't have enough experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 22.74 times which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E is 18.83 times.

The company has negative cash flow from operations for FY 2022, 2023 and 2024, which was due to increase in trade payables and retention of high inventory. If this continues in the future then it will adversely affect the results of operations, liquidity and financial condition of the company.

The concentration of buyers and suppliers of the company is very high and loss of any will adversely affect the overall business operations and profitability of the company.

The company is majorly dependent on offline sales for their revenue and their online presence is very minimal. This might cause hinderance in revenue generation in the long run.

The textile industry is highly fragmented and there are many players in this industry. Also, the company's peers are not comparable on an apple-to-apple basis as the both the peers mentioned, Thomas Scott (India) Limited and Bizotic Commercial Limited, are engaged in Men's Clothing whereas Kizi Apparels Limited is involved in Women's Clothing.

The company has seen increase in the top line, bottom line and profitability margins for FY 2024 mainly due to rise in sales because of the agreement with M/s Absolute Brands and Retails Private Limited (ABRPS) and M/s Fab India Limited (FIL) for manufacturing of branded products, which might be sustainable in the future.

Thus, knowledgeable investors can **AVOID** this IPO.

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