



IPO Note

QVC Exports Limited

Recommendation: **AVOID!**

Company Background -

- QVC Exports Limited was originally formed and incorporated on August 09, 2005. The registered office is located at Kolkata, West Bengal.
- The Company is majorly engaged in the business of export, dealing in ferro alloys, including high carbon silico manganese, low carbon silico manganese, high carbon ferro manganese, high carbon ferro chrome and ferro silicon. They also engage in the dealing of raw materials for manufacturing of steel.
- The company had 15 permanent employees as of August 06, 2024.

Objects of the Issue -

- Repayment of Unsecured loans
- Funding of working capital requirements
- General Corporate Purposes

Promoters Name -

Nilesh Kumar Sharma, Madhu Sharma, Priti Sharma, Matashree Mercantile Private Limited and Unity Vyapaar Private Limited

Rationale for recommendation -

- ✓ The top line has seen a sudden increase in FY 2024 which might not be sustainable in the future.
- ✓ The bottom line and profitability margins have not seen significant increase over the years.
- ✓ The concentration of buyers and suppliers is high.
- ✓ The industry is highly fragmented.

IPO Details

Opening Date	Aug 21, 2024
Closing Date	Aug 23, 2024
Allotment Date	Aug 26, 2024
Listing Date	Aug 28, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹86
Issue Size	24.07 Cr.
Fresh Issue	17.63 Cr.
Offer for Sale	6.44 Cr.
Application Amt	₹ 1,50,000 (1,600 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	12,310.14	20,724.19	44,598.65
EBITDA	-238.34	-305.76	207.39
Net Profit	123.45	230.32	604.92
RoCE	-8.75%	-9.55%	4.94%
ROE	4.63%	8.22%	17.75%
P/E	64.18	31.39	11.94

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.99%	80.39%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	7.20	5.79
BVPS	40.56	49.47
P/E	11.94	14.86
P/BV	2.12	1.74
Mkt Cap (In Cr)	72.25	89.88

Lead Managers -

Khandwala Securities Limited

Registrar -

Cameo Corporate Services Limited

Business Overview -

QVC Exports Limited is engaged in the business of dealing in ferro alloys, including but not limited to high carbon silico manganese, low carbon silico manganese, high carbon ferro manganese, high carbon ferro chrome and ferro silicon. They are also engaged in the dealing in raw materials for manufacturing of steel. A majority of the revenue from operations is earned from exporting their products to reputed steel manufacturers in various countries. They are also a supplier of ferro alloys for a lot of reputed Indian manufacturers.

The company has created a unique inward and outward model, wherein they procure raw materials for a manufacturer and further sell the finished products of the same manufacturer, thereby creating a wide and reliable customer and supplier base and ability of serving manufacturers at different points of the steel supply chain.

As of January 31, 2024, they export products to various countries, including but not limited to Taiwan, Japan, Bangladesh, Vietnam, Thailand, Turkey, Aganistan, Korea, Italy, Ukrain, United Kingdome, Belgium, Oman, etc. Also, they import manganese ore, manganese ore lumps from reputed miners and manufactures in Hong Kong and France.

Order Book -






1. Domestic: The total order book for domestic orders amounts to Rs. 2,958.5 lakhs.
2. Export: The total order book for export orders amounts to Rs. 4,940.84 lakhs.

Revenue Bifurcation product-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Ferro Manganese	1,326.57	10.87	-	-	889.43	2.00
Ferro Silicon Manganese	-	-	-	-	6,079.30	13.68
High Carbon Ferro Chrome	2,100.94	17.22	2,934.30	14.29	7,338.14	16.51
Ferro Silicon	204.99	1.68	93.10	0.45	-	-
Manganese Ore	979.31	8.03	577.69	2.81	2,153.14	4.84
Silico Manganese	7,587.89	62.20	13,438.25	65.45	20,087.23	45.25
High Carbon Ferro Manganese	-	-	2,800.78	13.64	7,150.89	16.09
Low Carbon Ferro Chrome	-	-	686.63	3.34	724.23	1.63
Total	12,199.70	100.00	20,530.75	100.00	44,422.36	100.00

Products -

Particulars	
Manganese Ore: These are mostly used for products for construction, machinery and transportation.	
Ferro Manganese: It is mainly used in the silico manganese production of flat steel, manganese-rich steel and stainless- steel products.	
Silicon Manganese: It is consumed in all steel products and used in higher quantities in 200 series stainless steel, alloy steel and manganese steel.	
Ferro Chrome: Ferro Chrome is made from a mixture of Chromite Ore & Iron in an electric arc furnace. Most of the Low Carbon Ferro Chrome is used in the production of Stainless steel.	
Ferro Silicon: Ferro silicon is also used for manufacture of silicon, corrosion-resistant and high-temperature resistant ferrous silicon alloys, and silicon steel for electromotors and transformer cores.	

Competition -

Market Competition: The ferroalloys sector is highly competitive where the key factors of competition primarily comprise quality of products and price. Also, in the export sector the key factors of competition include quality of service, price and timely delivery.

Geographic Competition: The company faces competition from organised and unorganized sector from both domestic and international market.

Barriers to entry: Low barriers to entry.

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

Business Strategies -

Augment their fund-based capacities: The company intends to increase volumes, revenues and scale of operations and that will require substantial working capital for the same.

Improving operational efficiencies: The company intends to improve efficiencies to achieve cost reductions so that they can be competitive.

Leveraging Market skills and Relationships: The Company aims to enhance the growth by leveraging relationships and further enhancing customer satisfaction. They plan to increase their customers by meeting orders in hand on time.

Enhance customer base by entering new geographies to establish long-term relationships: The company proposes to increase marketing and sales team which can focus in different regions and also maintain and establish relationship with customers.

Risk Factors -

The company derives majority of its revenue from top 10 customers which accounted to 67.56%, 77.07% and 82.17% of revenue from operations for FY 2022, 2023 and 2024 respectively.

The company is highly dependent upon few suppliers for the material requirements of their trading business and their top 10 suppliers accounted for 83.33%, 84.17% and 83.90% for FY 2022, 2023 and 2024 respectively.

The company majorly derives its revenue from export operations which accounted for 82.54%, 85.69% and 82.96% for FY 2022, 2023 and 2024 respectively.

There are 11 outstanding cases against the company for direct tax matters amounting to Rs. 209.93 lakhs.

The company has contingent liabilities of Rs. 2788.89 lakhs.

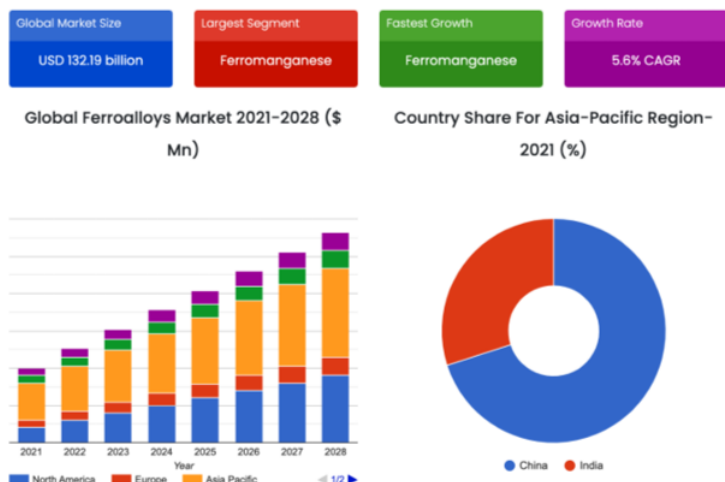
PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

Global Ferro Alloys Industry -

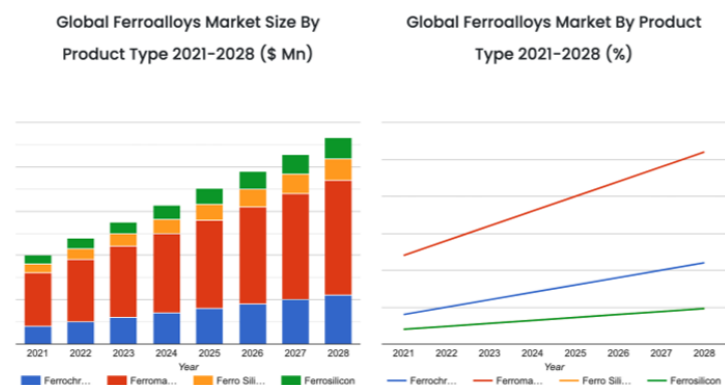
Ferroalloys Market size was valued at USD 132.19 billion in 2021 and is poised to grow from USD 139.5 billion in 2022 to USD 204.2 billion by 2030, growing at a CAGR of 5.6% in the forecast period (2023-2030).

Market snapshot - 2023-2030



(source: RHP)

With a market share of more than 34.0 percent in 2021, the stainless-steel sector led the industry. Over the projection period, the category is anticipated to see a profitable CAGR. International Stainless Steel Forum statistics issued on March 14 show that the global output of stainless steel increased 10.6% from the previous year to 56.3 million mt in 2021. In 2021, China produced 30.6 million mt, or 54.4 percent of the world's output, up 1.6 percent a year. Double digit year-over-year growth was also observed in the US, up 10.4% to 2.4 million mt, and Europe, up 13.6% to 7.2 million mt. A 42 percent boost in output was also seen in the "others" category, which includes Brazil, Russia, South Africa, South Korea, and Indonesia.



(source: RHP)

Indian Ferro Alloys Industry -

India ranks 1st in the world for the export of Silico Manganese & ranks 4th in the world for export of Ferro Manganese. Imports of ferroalloys (total) decreased marginally by 7% to 5,08,008 tonnes in 2018-19 from 5,44,264 tonnes in the previous year. In terms of value, the ferroalloys import increased to ₹ 7,573 crore in 2018-19 from ₹ 6,617 crore in 2017-18. Out of total imports in terms of quantity, imports of ferrosilicon accounted for about 44% followed by ferromanganese (24%), ferronickel (17%), ferrochrome (6%) and chargechrome (4%). Other ferroalloys together accounted for the remaining 5% of the imports in 2018-19.

The Industry structure (By capacity) represents as follows:

Capacity	Million Tonnes (MT)
Manganese Alloys	3.16
Chromium Alloys	1.69
Ferro Silicon	0.25
Noble Alloys	0.05
TOTAL	5.15

(source: RHP)

Road Ahead -

Depending on the process of steel making and the type of steel being manufactured, the requirement of different ferroalloys varies widely. Indian Ferroalloys Industry has immense potential and capability to compete in the international market. On the positive side, India produces some of the finest ferroalloys in the world. Indian ferroalloys are extensively preferred in Europe. India exports potential is indeed bright with very high growth prospects. As per the steelworld report, ferroalloys Industry is estimated to grow at a CAGR of 5.9% between 2017 to 2025 and is expected to reach a valuation of US\$ 188.7 Bn by 2025. India is expected to show strong growth in usage of steel in the coming years because of its robust economy, massive infrastructure needs and expansion of industrial production. India is expected to become one of the leading steel consuming nations in the next decade. In this scenario, the Ferroalloys Industry estimates that the consumption of ferroalloys will increase domestically and internationally in the coming years.

Key Management -



Key Management Persons Name -	Nilesh Kumar Sharma
Age	47
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 10+ Years of experience in trading of manganese ore and ferro alloys of various types.
Qualification	B. Com degree, Passed intermediate exam held by ICAI, Completed the requirements of the executive program for young professionals
Roles and Responsibility	Handles finance and marketing divisions of the company
Other Directorships	QVC International Private Limited, Sun International BV and QVC-K Alloys LLP

Key Management Persons Name -	Madhu Sharma
Age	69
Designation and No. of years of experience	Promoter and Whole-Time Director, 10+ years of experience in human resource management
Qualification	Master's degree in arts.
Roles and Responsibility	Handles the human resource division of the company
Other Directorships	QVC-K Alloys LLP

Key Management Persons Name -	Esanoo Kanjilal
Age	37
Designation and No. of years of experience	Whole-time Director
Qualification	Provisional certificate for completing Sahityalankar Examination, completed a course in marketing management, completed a training programme on digital marketing
Roles and Responsibility	-
Other Directorships	Karthik Alloys Limited

Key Management Persons Name -	Santosh Kumar Das
Age	65
Designation and No. of years of experience	Independent Director
Qualification	B. tech. (Metallurgical Engineering)
Roles and Responsibility	-
Other Directorships	Karthik Alloys Limited

Key Management Persons Name -	Pramod Kumar Choudhari
Age	55
Designation and No. of years of experience	Independent Director, 13+ years of experience in finance and accounting
Qualification	Qualified CA
Roles and Responsibility	-
Other Ventures	Avantika Commodities Private Limited, Spectrum stock Services Private Limited and Harshita Solutions Private Limited

Key Management Persons Name -	Abhiraj Kumar
Age	50
Designation and No. of years of experience	Additional Independent Director, 3 years of experience in marketing and logistics
Qualification	Pursued intermediate examination in arts.
Roles and Responsibility	-
Other Ventures	Balajee Hitec Rolling Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	12,310.14	20,724.19	44,598.65
Other Income	472.36	746.95	864.03
Total Income	12,782.50	21,471.14	45,462.68
Expenses			
Purchase of stock-in-trade	10,667.09	18,610.49	41,393.84
Changes in Inventories	-166.58	421.31	-
Employee Benefit Expenses	94.59	69.84	89.41
Finance Cost	99.28	206.55	503.45
Depreciation and Amortisation	9.86	11.16	25.78
Other expenses	1,953.38	1,928.31	2,908.01
Total Expenses	12,657.62	21,247.66	44,920.49
EBITDA	-238.34	-305.76	207.39
EBITDA Margin	-1.94%	-1.48%	0.47%
Profit/(Loss) before tax	124.88	223.48	542.19
Tax Expense			
Provision for Tax	41.68	47.70	140.37
Provision for Deferred Tax	-7.34	4.30	9.06
Total Tax	34.34	52.00	149.43
Profit/(Loss) before Extra Ordinary Items	90.54	171.48	392.76
Share of Profit of Associates	32.88	58.84	212.16
Profit Attributable to Minority Shareholders	0.03	-	-
Profit/(Loss) for the year	123.45	230.32	604.92
Net Profit Margin	1.00%	1.11%	1.36%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	459.30	420.08	840.17
Reserves and surplus	2,208.79	2,382.91	2,567.73
Total Shareholder's Fund	2,668.09	2,802.99	3,407.90
2. Minority Interest	3.80	-	-
Total Equity	2,671.89	2,802.99	3,407.90
3. Non-current liabilities			
Long-term borrowings	159.34	510.36	255.30
Deferred Tax Liabilities (Net)	-	-	8.89
Other Non-Current Liabilities	3.96	3.96	3.96
Total Non-current liabilities	163.30	514.32	268.15
4. Current liabilities			
Short-term borrowings	2,000.09	2,717.17	4,726.42
Trade Payables			
(i) Total outstanding dues of MSME	-	-	-
(ii) Total outstanding dues of creditors other than MSME	484.61	430.26	756.15
Other Current Liabilities	119.62	19.61	120.74
Short-term provisions	21.93	5.46	106.86
Total Current liabilities	2,626.25	3,172.50	5,710.17
Total Liabilities	2,789.55	3,686.82	5,978.32
Total Equity and Liabilities	5,461.44	6,489.81	9,386.22
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	229.29	741.38	887.17

Particulars	FY 22	FY 23	FY 24
Intangible Assets	1.01	0.25	-
Non Current Investments	512.81	369.02	558.61
Deferred Tax Assets (Net)	4.47	0.17	-
Long term loans and advances	1,380.19	1,025.69	1,728.87
Other Non- current Assets	181.66	188.65	507.02
Total Non-Current assets	2,309.43	2,325.16	3,681.67
2. Current assets			
Inventories	421.31	-	-
Trade Receivables	1,685.04	1,770.72	3,571.60
Cash & Cash equivalents	259.42	324.18	188.89
Short term loans and advances	781.50	2,050.86	1,905.21
Other Current Assets	4.74	18.89	38.87
Total Current assets	3,152.01	4,164.65	5,704.57
Total Assets	5,461.44	6,489.81	9,386.24

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	194.46	274.10	1,002.12
Net Cash Flow from Investing Activities	138.64	-353.81	-378.91
Net Cash Flow from Financing Activities	-178.71	144.47	-758.51

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.34	2.74	7.2	EV/EBITDA	-19.17	-18.66	39.54
BV per share	31.76	33.36	40.56	Market Cap / Sales	0.73	0.43	0.20
Operating Ratios				P/E	64.18	31.39	11.94
EBITDA Margins	-1.94%	-1.48%	0.47%	Price to Book Value	2.71	2.58	2.12
PAT Margins	1.00%	1.11%	1.36%	Solvency Ratios			
Inventory days	12.49	-	-	Debt / Equity	0.81	1.15	1.46
Debtor days	49.96	31.19	29.23	Current Ratio	1.20	1.31	1.00
Creditor days	16.58	8.44	6.67	Quick Ratio	1.04	1.31	1.00
Return Ratios				Asset Turnover	2.25	3.19	4.75
RoCE	-8.75%	-9.55%	4.94%	Interest Coverage Ratio	-2.50	-1.53	0.36
RoE	4.63%	8.22%	17.75%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Khandwala Securities 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 –

Khandwala Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Euphoria Infotech India Limited	9.60	100.00	Jan 30, 2024	68.20
2.	Kaushalya Logistics Limited	36.60	75.00	Jan 08, 2024	126.85
3.	Vishnusurya Projects and Infra Limited	49.98	68.00	Oct 10, 2023	326.80

The company has handled 3 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 20th Aug 2024.

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

Recommendation -

QVC Exports Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 14.86 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 38 times.

The company has seen an increase in the top line of their financials over the years and sudden increase can be seen in FY 2024 which was majorly due to revenue from increase in sale and trading of ferro alloys and allied items. The bottom line has also increased over the years, but the increase has not been significant. The EBITDA margin has remained negative for FY 2022 and 2023 and has improved for FY 2024. Also, the PAT margin has not seen a significant growth over the years, and this may sustain in the future.

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

The ferroalloys industry as well as the export industry is highly fragmented and there are many established players.

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

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