



IPO Note

Avax Apparels and Ornaments Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Avax Apparels and Ornaments Limited was originally incorporated as "Ethnic Designers Private Limited" on June 2, 2005. The registered office is located at West Delhi, India.
- **Business Activity:** The company is engaged in the business of wholesale trading of knitted cloth and online retail of silver ornaments.
- **Revenue Stream:** The company's majority revenue is generated from knitted cloths (Rs. 2,126.18 lakhs) and silver ornaments (Rs. 79.80 lakhs) for FY2024.
- **Human Resource:** The company has 7 full-time employees as on Dec 26, 2024.

Objects of the Issue -

- To meet Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Harinderpal Singh Sodhi and Harish Kumar

Rationale for recommendation -

- ✓ The top line and bottom line have seen a sudden increase for FY2023 and might not be sustainable in the long run.
- ✓ The company had negative cash flow from operations for FY2023 and 2022.
- ✓ The company has a high concentration of customers and suppliers.
- ✓ The management overview is not satisfactory.
- ✓ The company's objective for raising funds is not very satisfactory.
- ✓ The industry is highly fragmented.
- ✓ The company's post issue promoter holding is very low.

IPO Details

Opening Date	Jan 07, 2024
Closing Date	Jan 09, 2024
Allotment Date	Jan 10, 2024
Listing Date	Jan 14, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹70
Issue Size	1.92 Cr.
Fresh Issue	1.92 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,000 (2,000 shares)

INDUSTRY - Trading - Textile

P/E Average - 90.21

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep -24
Revenue	28.87	1,470.20	2,205.9	1,500.93
EBITDA	1.35	99.22	210.07	154.32
Net Profit	1.02	69.44	138.18	90.62
RoCE	82.32%	54.66%	63.79%	33.34%*
ROE	61.45%	39.35%	43.91%	19.58%*
P/E	74.47	7.72	3.88	4.01*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
57.01%	41.97%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	18.06	17.44
BVPS	41.13	121.00
P/E	3.88	4.01
P/BV	1.70	0.58
Mkt Cap (In Cr)	5.36	7.27

*Annualized

Lead Managers -

SKI Capital Services Limited

Registrar -

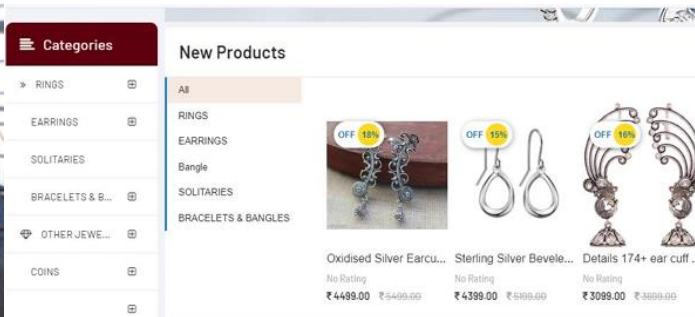
Skyline Financial Services Private Limited

Business Overview -

Avax Apparels and Ornaments Limited is engaged in two distinct business lines which are wholesale trading of knitted cloths and online retail of silver ornaments, which they started since 2022. The company has factory cum warehouse located at Punjab which is for their wholesale trading business and online e-commerce platform portal (<https://blushines.com/>) for their online retail business.



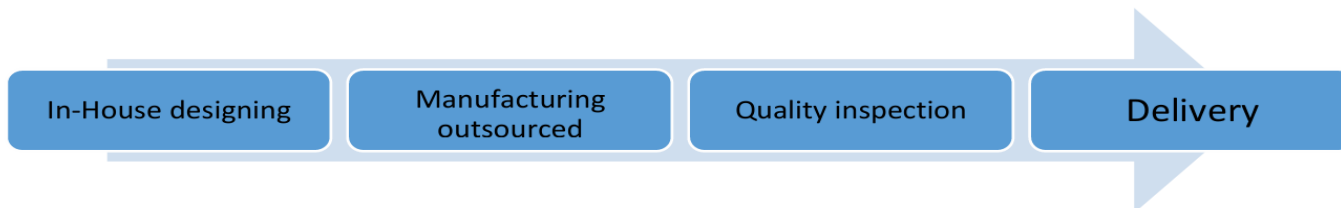
Factory



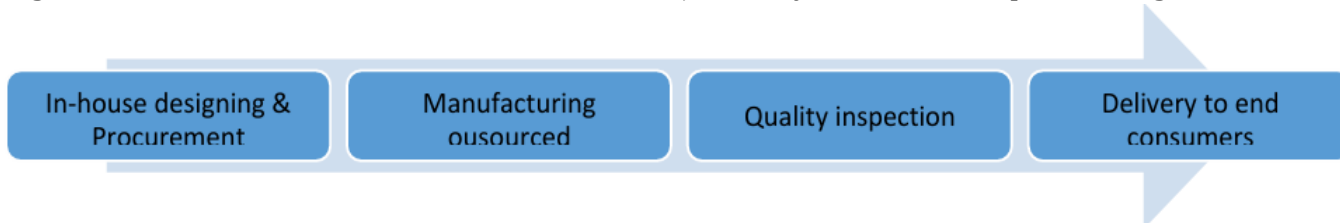
E-Commerce Portal

Product Portfolio -

1. **Knitted Cloth** – The company directly buys from manufacturers and supply wholesale to companies and readymade garment manufacturers in Punjab. The company specializes in knitted cloth, which are used for manufacturing of ladies and gents' jackets. The business process is given below -



2. **Silver Ornaments** – The company offers a wide range of designs and articles with a choice of weight of products, such as silver rings, silver ladies pajeb, silver gents kada, silver plate set, silver glass, silver bangles, silver bowls, silver chains, and other silver jewellery. The business process is given below -



Product-wise Revenue-Bifurcation -

(Amt in Lakhs)

Particulars	Image	FY 2022		FY 2023		FY 2024	
		Amt	%	Amt	%	Amt	%
Knitted Cloths		24.56	85.04	1,223.31	83.21	2,126.18	96.38
Silver ornaments		4.32	14.96	246.89	16.79	79.80	3.62
Total		28.88	100.00	1,470.20	100.00	2,205.98	100.00

Utilization of Net Proceeds –

The net proceeds of the issue will be utilized for funding working capital requirements (Rs. 87.31 lakhs) and for general corporate purposes (Rs. 12.96 lakhs).

Competition -

- 1. Market Competition:** The textile (trading) industry and online retail industry is highly competitive where the key factors of competition primarily comprise of quality, price and availability of the product and variety of products offered as well as customer service.
- 2. Geographic Competition:** The company faces competition from international, national, regional and niche brands and unorganized players.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies –

The company recently purchased machinery for manufacturing of knitted cloth, and they aim to manufacture what they have been outsourcing till now.

Risk Factors –

The company's significant portion of revenue is dependent on top 10 customers which contributed to 87.17%, 66.95% and 85.69% for FY2024, 2023 and 2022 respectively.

The company is largely dependent on top 10 suppliers which contributed to 100%, 83.81% and 95.69% for FY2024, 2023 and 2022 respectively.

The company only operates in the state of Punjab.

The company had negative cash flow from operations for FY 2023 and 2022.

PEER ANALYSIS –

Particulars	Avax Apparels and Ornaments Limited			Anand Rayons Limited			Aarnav Fashions Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.53%	4.72%	6.26%	0.88%	0.94%	0.91%	2.22%	0.10%	1.57%
EBITDA Margin	4.68%	6.75%	9.52%	2.42%	2.15%	2.14%	7.62%	5.04%	7.69%
RoCE	82.32%	54.66%	63.79%	21.22%	17.51%	17.15%	9.31%	5.31%	8.83%
ROE	61.45%	39.35%	43.91%	9.81%	9.51%	8.66%	5.38%	0.22%	3.13%
EPS (INR)	0.94	9.07	18.06	1.96	2.10	2.10	2.20	0.09	1.33
P/E	74.47	7.72	3.88	25.31	16.79	18.10	27.86	308.56	18.96

Interpretation –

- The product/service offered by the peer companies is different and not comparable on an apple-to-apple basis.
- The company's market cap is very less compared to its peers.
- The cash conversion cycle of Avax Apparels and Ornaments is less compared to Aarnav Fashion and more than Anand Rayons.
- The NP margin and EBITDA margin of the company is better than its peers
- The RoCE and RoE of the company is high compared to peers for FY2024.
- The PE ratio of the company is less compared to peers.

INDUSTRY OVERVIEW -

Textile Market in India -

The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025-26. India has a 4% share of the global trade in textiles and apparel.

India is the world’s largest producer of cotton. Estimated production stood at 362.18 lakh bales during cotton season 2021-22. Domestic consumption for the 2021-22 cotton season is estimated to be at 338 lakh bales. Cotton production in India is projected to reach 7.2 million tonnes (~43 million bales of 170 kg each) by 2030, driven by increasing demand from consumers.

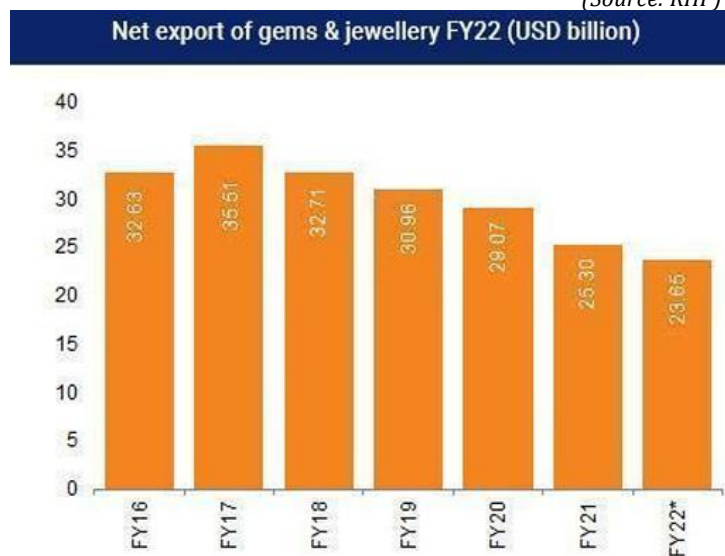
(Source: RHP)



Gems and Jewellery Market in India -

India’s gems and jewellery exports reached US\$ 39.14 billion in 2021-22, a 54.13% rise from the previous year. In October 2022, India’s gems and jewellery exports was at US\$ 1.48 billion. The Government of India is aiming at US\$ 70 billion in jewellery export in the next five years (until 2025), up from US\$ 35 billion in 2020.

(Source: RHP)



Key Management -

- The overall management of the company is not satisfactory.
- The promoter and management doesn't have enough experience.



Key Management Persons Name -	Harinderpal Singh Sodhi
Age	33
Designation and No. of years of experience	Promoter and Managing Director, 8 years of experience as a business manager
Qualification	Bachelors of Arts
Other Directorships	Avax Industries Private Ltd.

Key Management Persons Name -	Harish Kumar
Age	35
Designation and No. of years of experience	Promoter and Executive (Whole-Time) Director, 9 years of experience in wholesale trading
Qualification	Bachelors of Arts
Other Directorship	-

Key Management Persons Name -	Deepika
Age	34
Designation and No. of years of Experience	Executive (Whole-time) Director, 5 years of experience as IT consultant
Qualification	B. Tech in computer science
Other Directorship	-

Key Management Persons Name -	Amitabh Agrawal
Age	49
Designation and No. of years of experience	Non-Executive Independent Director, 17 years of experience in handling listing compliances, secretarial compliances and corporate restructuring
Qualification	Company Secretary
Other Directorships	Siddhika Coatings Limited, Sir Bio Tech India Private Limited, Shreesri Buildtech Private Limited, Gpj Buildwell Private Limited etc.

Key Management Persons Name -	Gurvinder Singh Vohra
Age	63
Designation	Non-Executive Independent Director
Qualification	Higher Secondary Certificate
Other Ventures	Agent for LIC

Key Management Persons Name -	Pradeep Srivastava
Age	41
Designation and No. of years of experience	Non-Executive Independent Director, 14 years of experience in law and secretarial compliances
Qualification	L.L.B. degree and B.Sc. degree
Other Ventures	-

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	28.87	1,470.20	2,205.98	1,500.93
Other Income	0.00	0.01	-	-
Total Income	28.87	1,470.21	2,205.98	1500.93
Expenses				
Cost of Material Consumed	-	-	-	125.95
Purchase if stock-in-trade	27.17	1,366.51	1,923.50	1,338.75
Changes in Inventories of finished goods, work-in-progress	-	-61.71	17.17	-172.95
Employee Benefit Expenses	-	33.89	37.06	35.56
Finance Cost	-	1.94	6.64	4.82
Depreciation and Amortization Expense	-	2.75	9.35	14.48
Other expenses	0.35	32.29	18.18	28.42
Total Expenses	27.52	1,375.67	2,011.90	1,375.03
EBITDA	1.35	99.22	210.07	154.32
EBITDA Margin	4.68%	6.75%	9.52%	10.28%
Profit/(Loss) before tax	1.35	94.54	194.08	125.90
Tax Expense				
Current tax	0.30	25.38	56.18	37.31
Deferred Tax	0.03	-0.28	-0.28	-2.03
Total Tax	0.33	25.10	55.90	35.28
Profit/(Loss) for the year	1.02	69.44	138.18	90.62
Net Profit Margin	3.53%	4.72%	6.26%	6.04%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.08	76.52	76.52	76.52
Reserves and surplus	0.58	99.97	238.16	328.77
Total Shareholder's Fund	1.66	176.49	314.68	405.29
Minority Interest				
Total Equity	1.66	176.49	314.68	405.29
2. Minority Interest	-	-	-	-
Total Equity	1.66	176.49	314.68	
3. Current liabilities				
Financial Liabilities				
(a) Borrowings	30.00	-	71.50	72.02
(b) Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	25.48	144.75	39.10	512.83
(iii) Other Financial Liabilities	0.20	-	-	3.27
Deferred Tax Liabilities	0.03	-	-	-
Other Current Liabilities	-	0.28	2.56	1.93
Current Tax Liabilities (Net)	0.30	25.37	56.77	93.74
Total Current liabilities	56.01	170.40	169.93	683.79
Total Liabilities	56.01	170.40	169.93	683.79
Total Equity and Liabilities	57.67	346.89	484.61	1,089.08
ASSETS				

Particulars	FY 22	FY 23	FY 24	Sep-24
1. Non-current assets				
Property, Plant & Equipment	2.58	17.28	94.63	85.01
Intangible Assets	-	0.47	0.29	0.24
Other financial assets	-	1.01	0.22	0.22
Deferred Tax Assets (Net)	-	0.25	0.53	2.56
Other Non- current Assets	9.75	10.98	-	-
Total Non-Current assets	12.33	29.99	95.67	88.03
2. Current assets				
Inventories	-	61.71	44.54	217.49
Trade Receivables	25.79	210.94	306.26	744.62
Cash & Cash equivalents	14.13	34.00	25.98	1.08
Other Current Assets	5.40	10.25	12.16	37.87
Total Current assets	45.32	316.90	388.94	1,001.06
Total Assets	57.65	346.89	484.61	1,089.09

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-13.98	-35.68	10.95	-20.19
Net Cash Flow from Investing Activities	-2.58	-17.91	-86.52	-4.80
Net Cash Flow from Financing Activities	30.00	73.45	67.55	0.11

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.94	9.07	18.06	17.44	EV/EBITDA	12.99	1.44	1.71	3.00
BV per share	1.53	23.07	41.13	121.00	Market Cap / Sales	25.20	0.49	0.33	0.24
Operating Ratios					P/E	74.47	7.72	3.88	4.01
EBITDA Margins	4.68%	6.75%	9.52%	10.28%	Price to Book Value	45.63	3.03	1.70	0.58
PAT Margins	3.53%	4.72%	6.26%	6.04%					
Inventory days	-	15.32	7.37	75.35	Solvency Ratios				
Debtor days	326.06	52.37	50.67	257.97	Debt / Equity	18.07	-	0.23	0.08
Creditor days	342.30	38.66	7.42	182.07	Current Ratio	0.81	1.86	2.29	1.46
Return Ratios					Quick Ratio	0.81	1.50	2.03	0.38
RoCE	82.32%	54.66%	63.79%	33.34%	Asset Turnover	0.50	4.24	4.55	1.38
RoE	61.45%	39.35%	43.91%	19.58%	Interest Coverage Ratio	-	49.73	30.23	5.43

*Annualized

INTERPRETATION –

1. The top line has increased over the years (by 4,993% in FY2023 and by 50.05% in FY2024). The increase in FY2024 was mainly due increase in sales of knitted cloth and the sudden increase in FY2023 was mainly due to the company's foray into the online sale of silver ornaments and sales of knitted cloths.
2. The net profit had seen a sudden increase of 6,746% in FY 2023 which was mainly due to a sudden increase in revenue and an increase of 98.99% in FY2024.
3. The PAT margin and EBITDA margin have also increased consistently over the years.
4. The RoCE and ROE have been inconsistent over the years.
5. The PE ratio has improved over the years.
6. The company had negative cash flow from operations for FY 2023 and 2022.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is SKI Capital 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 –

SKI Capital Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Macob Technologies Limited	19.46	75.00	Jul 24, 2024	158

The company has handled 1 mandate in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 6th Jan 2025.

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

Recommendation -

Avax Apparels and Ornaments Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is not satisfactory.

The P/E on a post-IPO basis is around 5.26 times which makes it fairly priced compared to its peers PE.

The company's top line and bottom line has seen a huge jump in FY2023 which raises concern and might not be sustainable in the long run. However, the profitability margins have increased consistently over the years. Also, the company had negative cash flow from operations for FY2023 and 2022.

The company has a high concentration of customers and suppliers and loss of any may adversely affect the financial condition of the company.

The industry is highly competitive and fragmented as there are many established players.

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

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