



IPO Note

Phoenix Overseas Limited

Recommendation: **AVOID!**

- Incorporated in 2002, the company has their registered office in Kolkata, West Bengal, India.
 - **Business Activity:** Phoenix Overseas Limited is primarily engaged in the export of agricultural commodities and animal feeds, manufacturing and exporting fashion accessories, and operating cold storage facilities for food preservation.
 - **Revenue Streams:** POL has three primary revenue streams:
 - **Merchant Export Division:** Exporting agricultural commodities and animal feeds (60.51% of revenue in FY 2024) with Bangladesh forming most of their exports. (90%).
 - **Fashion Accessories Division:** Manufacturing and exporting jute, cotton, canvas, and leather bags, along with fashion accessories (0.64% of revenue in FY 2024)
 - **Food Preservation Division:** Operating cold storage facilities for various food products (0.55% of revenue in FY 2024)
- As of September 2024, the company had 29 employees and 3 contractual employees, including its directors, responsible for various business functions.

Objects of the Issue –

- Building Pursuing inorganic growth initiatives.
- Funding Working Capital requirements.
- General Corporate Purposes.

Promoters Name –

Aparesh Nandi, Jayanta Kumar Ghosh and Uday Narayan Singh, BCPL Railway Infrastructure Limited, AN Dealers LLP, JKG Commercial LLP, UNS Commercial LLP and Tricon Logistics Engineering Consultancy Private Limited and Kanhai Singh Welfare Trust.

Rationale for recommendation –

- ✓ Highly fragmented sector. High volume, low margins.
- ✓ High Customer and Supplier Concentration.
- ✓ High dependency on exports to Bangladesh (90%) which is recently facing Political instability.
- ✓ Volatile Revenue.

IPO Details

Opening Date	September 20, 2024
Closing Date	September 24, 2024
Allotment Date	September 25, 2024
Listing Date	September 27, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹61 to ₹64 per share
Issue Size	₹36.03 Cr
Fresh Issue	₹29.31 Cr
Offer for Sale	₹6.72 Cr
Application Amt	₹1,28,000 (2,000 shares)

KPIs (Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24
Revenue	37,730.39	45,097.07	54,837.39
EBITDA	859.19	1,163.71	1,219.46
Net Profit	390.53	371.50	538.39
RoCE	9.77%	10.39%	13.30%
ROE	9.19%	8.13%	10.74%
P/E	8.05	8.39	5.73

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.16%	75.68%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.88	2.78
BVPS	10.18	41.06
P/E	5.73	23.00
P/BV	6.28	1.56
Mkt Cap (In Cr)	94.50	123.82

Lead Managers –

Khandwala Securities Limited

Registrar –

Cameo Corporate Services Limited

Business Overview -

- **History:** Phoenix Overseas Limited (POL) began as a private limited company in 2002, focusing on commodity exports. It transitioned to a public limited company in 2011, expanding its operations into various sectors.
- **Mission:** POL's mission revolves around delivering high-quality products and services through innovation and a customer-centric approach. They aim to be a global leader in their chosen sectors.
- **Values:** The company places a strong emphasis on integrity, stewardship, and building long-term relationships with clients and partners.

Business Vertical	Description	Products	Other Details
Merchant Export Division	Focuses on exporting agricultural commodities and animal feeds, primarily to Bangladesh. The division contributes significantly to the company's revenue and has a sustainable procurement infrastructure across various Indian states.	Soyabean Extraction, Mazie, Mustard/Rapeseed Oil Cake, Copra Oil cake, Fish Meals, Fly Ash, Red Chilli/Spices, Corn Gluten Meal, Deolid Rice Bran, Machinery, Fruits/Vegetables, Wheat, Dry Boro, Wheat Bran, Dried Raw Cashew Nuts In Shell	The top three contributors in FY 24 are M/S Spectra Hexa Feeds Limited with ₹98 Cr., M/s RRP Agro Farm with ₹92 Cr., and M/s Quality Feeds Ltd with ₹63 Cr.

				
				
				

Fashion Accessories Division	Specializes in manufacturing and exporting bags, belts, wallets, and other fashion accessories made from jute, cotton, canvas, and leather. The manufacturing unit is located in Kolkata and caters to clients in Europe, UAE, and Australia, including Woolworths Group.	Jute Bags/Canvas Bags, Leather Bags/Wallets	Golden Point Advertising Llc is the biggest client generating 1 Cr. In FY 24
Food Preservation Division	Operates a multipurpose cold storage facility with a capacity of 11,827 MT, situated at Malda Industrial Centre, Narayanpur, District Malda, West Bengal, acquired through the amalgamation of Phoenix Cold Storage Private Limited. Offers preservation solutions for various food products, including fruits, vegetables, eggs, fish, and more.	Cold Storage Rent	



Growth Strategies

1. Financial Strategy

- **IPO Proceeds:** The company plans to raise INR 3,603.20 lakhs through an IPO.
- **Allocation:**
 - **Working capital:** INR 1,000 lakhs
 - **Inorganic growth (subsidiary for crude oil processing):** INR 600 lakhs
 - **General corporate purposes:** Up to 25% of gross proceeds
- **Inorganic Growth:** The investment in a crude oil processing subsidiary aims to expand the company's product portfolio and increase its presence in the edible oil market.

2. Growth Drivers

- **Market Expansion:** The company intends to increase its geographical presence by exporting to new countries.
- **Operational Efficiency:** The focus on improving operational efficiency through process improvements and technology development could lead to cost reductions and improved profitability.
- **Customer Reach:** Segregating the market into business and influencer tiers may enable targeted marketing and enhance customer acquisition and retention.

Business Strategy Analysis

The company's strategy combines organic growth (operational efficiency, market expansion) with inorganic growth (crude oil processing subsidiary) to diversify revenue and leverage existing strengths. Success hinges on effective execution, risk management, navigating seasonality, and maintaining strong relationships. Though lacking a distinct USP, experienced management and market presence offer a solid base for growth.

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.

Competition -

• Porter's Five Forces:

- **Bargaining Power of Suppliers:** Moderate, depending on the specific commodity or raw material.
- **Bargaining Power of Buyers:** Moderate, with some large institutional buyers in the Merchant Export Division.
- **Threat of New Entrants:** Moderate barriers to entry in commodity trading and cold storage, higher barriers in fashion accessories manufacturing.
- **Threat of Substitutes:** Varies by industry segment, with some substitutes available for agricultural commodities and fashion accessories.
- **Rivalry Among Existing Competitors:** High competition in all three sectors.
- **Life Cycle and Business Cycle Analyses:** The industries POL operates in are generally mature, with cyclical fluctuations in demand and prices.

Risk Factors -

- The company, primarily exporting agricultural produce, faces high risk due to over 90% of its exports being concentrated in Bangladesh.
- The company's heavy reliance on a few key customers (top 10 contributing over 94% of revenue in FY2024) poses a significant risk to its business and operations.
- The company's heavy reliance on merchant exports (majority of revenue) makes it vulnerable to disruptions in that division, potentially impacting its overall operations and profitability.
- The company's reliance on a few key suppliers (top 10 accounting for INR 476 Cr. in purchases in FY2024) poses a risk to its operations if supply is disrupted.
- The company's reliance on potato storage revenue in Malda district, West Bengal, makes it vulnerable to potato crop failures, potentially impacting its financial performance.
- The company's reliance on seasonal agricultural products and the potential for inaccurate demand forecasting could lead to surplus stock, impacting its financial performance.
- The potential withdrawal or modification of government export benefits, which currently contribute to the company's profitability through incentives like a percentage of achieved FOB value (2%, 3%, or 5%) and duty drawbacks, could negatively impact its financial performance.
- The company's heavy reliance on West Bengal ports for nearly all (99.81%) of its exports in FY2024 poses a significant risk to its business and financial performance if disruptions occur at these ports.
- Company had negative cashflows in FY 22 and FY 24.
- The company faces outstanding litigations, primarily related to direct and indirect tax matters, with a total amount involved of INR 513.39 lakhs (FY not specified), which could potentially impact its business and financial condition if determined adversely.
- The company's group companies, particularly BCL Bio Energy, have incurred losses in the past, with a total loss of INR 16.78 lakhs in FY2024. Potential future losses could negatively impact the company's reputation and business.

Industry Overview

1. Agriculture Export Industry

• Key Players:

- APEDA (Agricultural and Processed Food Products Export Development Authority) - responsible for promoting and developing agricultural exports.
- Major exporters of various commodities like rice, spices, marine products, etc.

• Policies:

- Agriculture Export Policy 2018 - aims to double agricultural exports by 2022 and diversify the export basket.
- Financial Assistance Scheme (FAS) - provides financial support to exporters for infrastructure development, quality enhancement, and market promotion.

• Key Drivers:

- Increasing global demand for food, driven by population growth and rising incomes.
- Government support through policies and initiatives.
- Shift towards high-value and processed agricultural products.
- Growing focus on organic and sustainable farming practices.

• Recent News:

- India's overall agricultural product export value reached US\$ 19.74 billion in April-August 2023, showing continued growth.
- The government is actively promoting exports through virtual buyer-seller meets and the establishment of Agri-Cells in embassies.
- Focus on expanding market access for Indian agricultural

3. Bags and Handbags Industry

• Key Players:

- Global luxury brands like Gucci, Chanel, Burberry, LVMH, and Hermès
- Domestic manufacturers and exporters catering to various market segments

• Policies:

- No specific policies were explicitly mentioned in the provided text, but regulations related to environmental sustainability and labor practices can impact the industry

• Key Drivers:

- Increasing environmental awareness and consumer preference for reusable and eco-friendly bags
- Rising disposable incomes and fashion consciousness, driving demand for stylish handbags
- Growth of e-commerce and online retail platforms, expanding market reach

• Recent News:

- The India handbags market is projected to reach USD 1.42 billion by 2027, with a CAGR of 7.15%, indicating strong growth potential.
- Growing emphasis on sustainable materials and ethical production practices in the fashion industry.

2. Cold Storage Industry

• Key Players:

- Ministry of Food Processing Industries (MoFPI) - plays a crucial role in promoting the development of the cold chain sector.
- Major cold storage providers like Snowman Logistics, Coldman Logistics, etc.

• Policies:

- Mission for Integrated Development of Horticulture (MIDH) - provides financial assistance for setting up cold storage and other post-harvest infrastructure.
- Other schemes and subsidies to encourage private investment in cold chain infrastructure.

• Key Drivers:

- Rising demand for perishable goods due to changing consumer preferences and dietary habits.
- Growth in organized retail and e-commerce, requiring efficient cold chain logistics.
- Government focus on reducing food wastage and improving agricultural supply chains.
- Technological advancements in refrigeration and storage solutions.

• Recent News:

- The Indian government is implementing schemes for setting up cold storage facilities across the country, particularly for perishable horticultural produce.
- Focus on integrating cold chain infrastructure with the overall logistics network.

Key Management –

Key Management Persons Name -	Aparesh Nandi
Age	60
Designation and No. of years of experience	Founder promoter and Managing Director, 25+ years of experience in Merchant Export Business, 20+ years of experience in food processing and preservation industry as well as 40+ years of experience in railway infrastructure business.
Qualification	Commerce graduate from the University of Calcutta
Roles and Responsibility	Formulating Business Strategies, arranging and addressing the financial needs and laying down the vision and goals for the Company.
Other Directorships:	1. BCL Bio Energy Private Limited; 2. KBC Solvex Private Limited. 3. Resilient Exports Private Limited 4. Tricon Logistics Engineering Consultancy Private Limited; 5. BCPL Railway Infrastructure Limited; 6. AN Dealers LLP; 7. KS Vinimay LLP

Key Management Persons Name -	Uday Narayan Singh
Age	65
Designation and No. of years of experience	Promoter and Non-Executive Director; 25+ years of experience in Merchant Export Business, 20+ years of experience in food processing and preservation industry as well as 40+ years of experience in railway infrastructure business.
Qualification	Arts graduate from Ravishankar University, Raipur
Roles and Responsibility	Business Development
Interest in other entities:	1. BCL Bio Energy Private Limited; 2. Tricon Logistics Engineering Consultancy Private Limited; 3. BCPL Railway Infrastructure Limited; 4. KBC Solvex Private Limited; 5. KS Vinimay LLP; 6. AN Dealers LLP; 7. JKG Commercial LLP; 8. UNS Commercial LLP

Key Management Persons Name -	Jayanta Kumar Ghosh
Age	60
Designation and No. of years of experience	Promoter and Non-Executive Director; 25+ years of experience in Merchant Export Business, 20+ years of experience in food processing and preservation industry as well as 40+ years of experience in railway infrastructure business.
Qualification	commerce graduate from Vidyasagar College under the University of Calcutta.
Roles and Responsibility	Concentrates on the Railway Infrastructure Business of one of its group companies, BCPL Railway Infrastructure Ltd. and is the key person as far as business development of the said group company is concerned.
Interest in other entities:	1. BCL Bio Energy Private Limited 2. KBC Solvex Private Limited 3. Resilient Exports Private Limited 4. Tricon Logistics Engineering Consultancy Private Limited 5. BCPL Railway Infrastructure Limited 6. JKG Commercial LLP

Sudipta Kumar Mukherjee, 63, is an Independent Director with 40 years of banking experience, having retired from Bank of India as a General Manager (appointed 2022).

Sanghamitra Mukherjee, 60, a Director since 2015, is a former Principal with 32 years in administration.

Ranjit Kumar Mondal, 58, joined in 2024 with 31 years of agro-products promotion experience at APEDA.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	37,730.39	45,097.07	54,837.39
Other Income	97.81	34.54	77.71
Total Income	37,828.20	45,131.61	54,915.10
Expenses			
Cost of Material Consumed	72.29	216.66	211.43
Purchase of Stock in Trade	32,625.82	42,330.62	47,939.71
Changes in inventories of finished goods	565.69	-2139.68	1449.93
Employee Benefit Expenses	149.92	172.31	175.78
Handling, Administrative, Selling and Other Expenses	3,457.48	3,353.45	3,841.08
Depreciation and Amortisation Expenses	63.3	70.22	63.19
Finance Cost	371.42	631.60	510.03
Total Expenses	37,305.92	44,635.18	54,191.15
EBITDA	859.19	1,163.71	1,219.46
EBITDA Margin	2.28%	2.58%	2.22%
Profit/(Loss) before tax	522.28	496.43	723.95
Tax Expense			
Current tax	121.27	124.19	180.9
Deferred Tax	3.10	0.74	1.3
Previous year Income Tax	7.38		3.36
Total Tax	131.75	124.93	185.56
Profit/(Loss) for the year	390.53	371.50	538.39
Net Profit Margin	1.04%	0.82%	0.98%

Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	492.2	492.2	492.2
Reserves and Surplus	3,754.39	4,078.32	4,520.06
Total Equity	4,247.23	4,571.04	5,012.67
2. Non-current liabilities			
Long-term borrowings	633.18	435.04	202.66
Deferred Tax Liabilities (net)	91.30	92.04	93.35
Long-term provisions	18.87	21.87	25.12
Total Non-current liabilities	743.35	548.95	321.13
3. Current liabilities			
Short -term borrowings	2,348.08	3012.2	2,734.45
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	330.54	1,118.44	685.98
Total outstanding dues of creditors other than micro enterprises & small enterprises	1,700.86	5,332.06	4,249.51
Other Current Liabilities & Provisions	110.52	103.78	158.84
Total Current liabilities	4,490.00	9,566.48	7,828.78
Total Liabilities	5,233.35	10,115.43	8,149.91
Total Equity and Liabilities	9,480.58	14,686.47	13,162.58

ASSETS**1. Non-current assets**

Property, Plant and Equipment's	1,093.27	1,174.6	1270.2
Capital WIP	88.56		
Intangible Assets	0.02	0.02	0.02
Investment Property	63.20	63.2	63.2
Non Current Investments	354.13	697.52	898.78
Other Non- current Assets	224.63	235.42	1,196.67

Total Non-Current assets	102.16	236.62	530.66
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2. Current assets

Inventories	2,217.51	4,368.51	2,889.87
Trade Receivables	4,272.98	3,115.04	4,740.3
Cash & Cash equivalents	279.03	3,562.98	858.7
Other Current Assets	887.25	1,469.18	1,244.84

Total Current assets	7,656.77	12,515.71	9,733.71
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Total Assets	9,480.58	14,686.47	13,162.58
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Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-343.67	4,042.63	-610.54
Net Cash Flow from Investing Activities	-230.56	-541.39	-965.28
Net Cash Flow from Financing Activities	-487.01	-217.3	-1128.45

Key Ratios

Particulars	FY 21	FY 22	FY 23
<u>Per Share Data</u>			
Diluted EPS	7.95	7.63	11.17
BV per share	8.63	9.29	10.18
<u>Operating Ratios</u>			
EBITDA Margins	2.28%	2.58%	2.22%
PAT Margins	1.03%	0.82%	0.98%
Inventory Days	17.01	10.32	18.98
Debtor days	41.34	25.21	31.55
Creditor Days	22.66	55.32	37.42
<u>Return Ratios</u>			
RoCE	15.95%	21.36%	21.68%
RoE	9.19%	8.13%	10.74%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	8.09	3.83	5.81
Market Cap / Sales	0.33	0.27	0.23
P/E	8.05	8.39	5.73
Price to Book Value	7.42	6.89	6.28
<u>Solvency Ratios</u>			
Debt / Equity	0.70	0.75	0.59
Current Ratio	1.71	1.31	1.24
Quick Ratio	1.21	0.85	0.87
Asset Turnover	3.98	3.07	4.17
Interest Coverage Ratio	7.71	7.58	11.23

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.	QVC Exports Limited	24.07	86.00	Aug 28, 2024	68.20
2.	Euphoria Infotech India Limited	9.60	100.00	Jan 30, 2024	69.90
3.	Kaushalya Logistics Limited	36.60	75.00	Jan 08, 2024	135.00
4.	Vishnusurya Projects and Infra Limited	49.98	68.00	Oct 10, 2023	360.00

The company has handled 4 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 18th September 2024.

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

Recommendation -**Financial Performance:**

- **Revenue:** Growing @ CAGR of 21% in past three years but remains volatile.
- **Profitability:** Low PAT (0.98% in FY 24) and EBITDA margins (2.22% in FY 24)
- **Efficiency:** Asset utilization and inventory management have shown improvement.
- **Liquidity:** Short-term liquidity position has weakened.
- **Leverage:** Debt levels have decreased; company could use more leverage for tax benefits.
- **Supplier Relations:** Extremely high creditor days could strain supplier relationships.
- **Valuation:** Market valuation has decreased relative to sales and book value; additionally Post-issue P/E of 21 times is over-priced looking at the performance of the company and sector.

Management Overview: While the management team possesses experience and education, their backgrounds lack diversity. Much of the board and management have been with the company since its inception, limiting their exposure to external perspectives and specialized expertise.

The company faces several risks: high dependence on Bangladesh exports, few key customers and suppliers, potato crop reliance, seasonal demand fluctuations, potential loss of government benefits, concentration on West Bengal ports, past negative cash flows, ongoing litigations, and group company losses.

For the above stated reasons we would recommend to **AVOID** this IPO for the time being.

Disclaimer

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