



IPO Note

Freshara Agro Exports Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Freshara Agro Exports Limited was originally incorporated as a partnership firm in the name "Freshara Picklz Exports" on July 24, 2015. The registered office is located at Chennai, Tamil Nadu.
- **Business Activity:** The company is engaged in the procurement, processing and exporting of preserved Gherkins and other pickled commodities from India to different countries of the world.
- **Revenue Stream:** The company derives majority of its revenue from sale of Gherkins (Rs. 16,444.02 lakhs).
- **Human Resource:** The company has 135 permanent employees as on Sep 30, 2024.

Objects of the Issue -

- Capital Expenditure
- Working capital requirements
- General Corporate Purposes
- Issue expenses

Promoters Name -

Junaid Ahmed, Iqbalahmed Khudrathullah Mohammed and Asma Syed

Rationale for recommendation -

- ✓ The company's bottom line and profitability margins have seen sudden increase over the years and might not be sustainable in the future.
- ✓ The company had negative cash flow from operations for FY2022, 2023 and 2024.
- ✓ The company is highly dependent on gherkins for their revenue stream.
- ✓ The management overview is decent.
- ✓ The DE ratio has been high over the years.
- ✓ The industry is highly fragmented.

IPO Details

Opening Date	Oct 17, 2024
Closing Date	Oct 21, 2024
Allotment Date	Oct 22, 2024
Listing Date	Oct 24, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹110 to ₹116
Issue Size	75.39 Cr.
Fresh Issue	75.39 Cr.
Offer for Sale	-
Application Amt	₹ 1,39,200 (1,200 shares)

INDUSTRY - FMCG

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	11,127.9	12,599.4	19,378.6	10,365.5
EBITDA	-192.09	1,672.67	3,185.51	1,453.84
Net Profit	97.35	908.19	2,182.42	1,137.80
RoCE	-14.96%	59.27%	77.40%	27.57%
ROE	10.45%	48.95%	80.93%	29.67%
P/E	203.51	21.72	9.04	8.61*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post
86.50%	62.58%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	12.83	9.74
BVPS	15.86	53.30
P/E	9.04	11.90
P/BV	7.31	2.18
Mkt Cap (In Cr)	197.20	272.59

*Annualized

Lead Managers -

GYR Capital Advisors Private Limited

Registrar -

Purva Sharegistry (India) Private Limited

Business Overview -

Freshara Agro Exports Limited is engaged in the procurement, processing and exporting of preserved Gherkins and other pickled commodities from India to different countries of the world. The company has been recognized as a 100% export house by Ministry of Commerce & Industry, Govt. of India. 70% of their products are “not ready to eat” and are supplied directly to factories who re-process the products and convert them to finished goods. The remaining 30% of the products are supplied to Food Brokers and Traders in the international market. They sell these under the name “Freshara Picklz”.

Order Book: As on March 31, 2024 the order book of the company is Rs. 9,635.60 lakhs.

Manufacturing Unit and Capacity Utilization: The unit is located at Tirupattur district, Tamil Nadu. The capacity utilization remained at 72.90%, 70.40%, 74.51% and 85.55% for FY2022, 2023, 2024 and Sep-24 respectively.



Product Portfolio:



Product-wise Revenue Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Gherkins	10,708.57	97.09	11,782.45	94.67	16,444.02	84.86
Baby Corns	279.11	2.53	158.02	1.27	400.49	2.07
Banderilla	41.64	0.38	149.08	1.20	352.98	1.82
Chilies, Bell Pepper, Jalapeno	-	-	356.54	2.86	408.90	2.11
Mixed Vegetables (Gherkins, Chillies, Banderillas)	-	-	-	-	1,772.24	9.15
Total of Restaurant Business	11,029.32	100.00	12,446.09	100.00	19,378.63	100.00

Utilization of Net Proceeds –

The net proceeds of the issue will be utilized for capital expenditure of machineries of products relating to vegetables (Rs. 879.97 lakhs), working capital management (Rs. 5,600 lakhs) and remaining for general corporate purposes.

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, price, variation of products and health and safety records.
- 2. Geographic Competition:** The company faces competition from small, big, unorganized and established players in both domestic and international market.
- 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 –

1. The company intends to diversify their product portfolio by adding product lines to include health-focused options, such as low-sodium or sugar-free pickles.
2. The company intends to expand distribution channels by partnering with popular retail chains in Middle Eastern countries.
3. The company intends to enter new geographic markets for their export expansions.

Risk Factors –

The company's significant portion of revenue is derived from sale of Gherkins which contributed to 84.90%, 93.50%, and 90.90% for FY2022, 2023 and 2024 respectively.

The company has filed 2 cases for criminal matters amounting to Rs. 19.73 lakhs.

The company had negative cash flow from operations for FY2022, 2023 and 2024.

The debt-equity ratio has remained high for FY2022, 2023 and 2024.

PEER ANALYSIS –

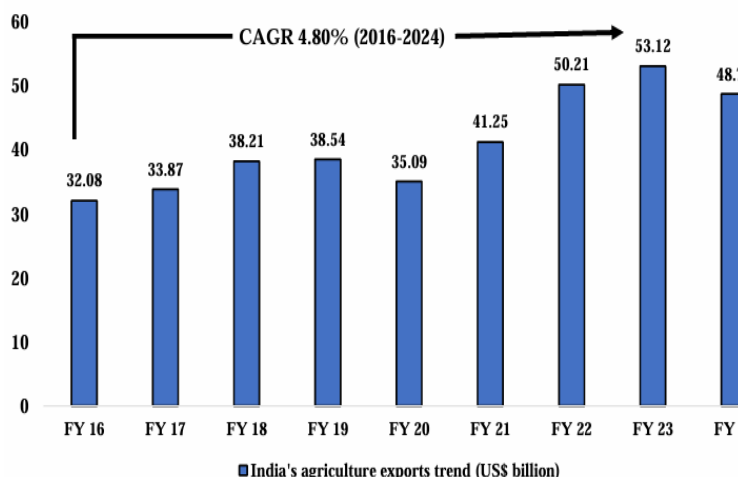
The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

INDUSTRY OVERVIEW –

Agriculture and Food Industry in India -

India is one of the largest agricultural product exporters in the world. In April-January 2024, the overall value of export of agricultural products stood at US\$ 38.65 billion. India’s agricultural and processed food products exports stood at US\$ 4.34 billion (April May) in 2024-25. In FY24, India’s agricultural exports are likely to touched at US\$ 48.9 billion.

India's agriculture exports trend (US\$ billion)

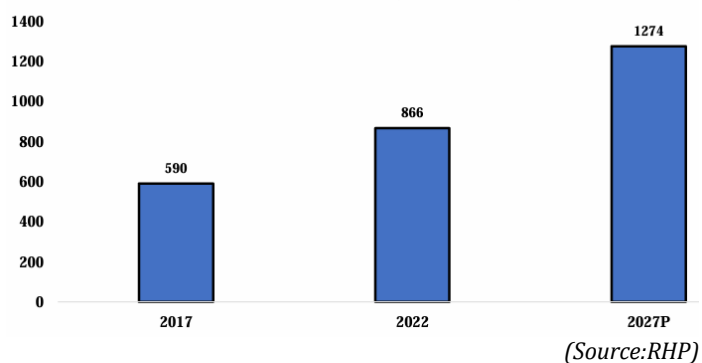


(Source:RHP)

Food Processing Industry in India -

The market size of food processing sector in India is estimated to reach US\$ 1,274 billion in 2027 from US\$ 866 billion in 2022. India’s agricultural and processed food exports gone up to more than US\$ 50 billion in 2022-23, accounting for 22.6% of the overall agri-food exports.

Market Size (US\$ billions)

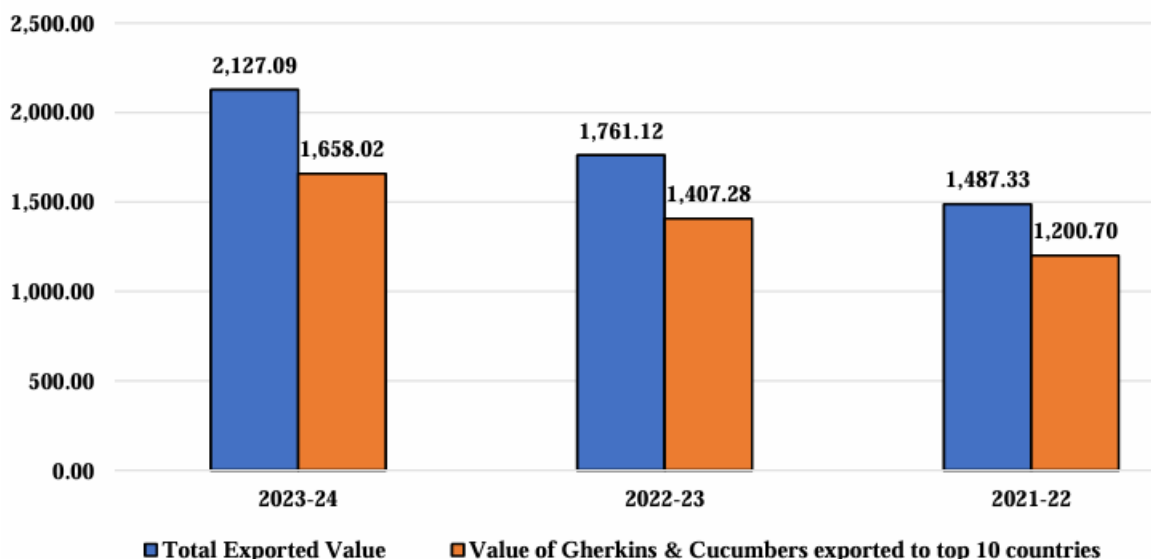


(Source:RHP)

Indian Gherkins & Pickles Vegetable Export Industry -

India is the world's largest supplier of gherkins, having exported 2,44,243.54 metric tonnes to over 90 countries as of January in FY2024. Nearly 15% production of the world’s gherkin requirement is met by India. In the FY 2023-24, India exported 2,44,243.54 metric tonnes of pickled cucumbers and gherkins in which India exported ₹2,127.09 crores worth of pickled gherkins and cucumbers, followed by 2,27,699.01 metric tonnes in FY2022-23 translating into ₹1,761.12 crores worth of exports and in the FY 2021-22, India exported 2,17,521.42 metric tonnes which was around ₹1,487.33 crores of pickled gherkins and cucumbers. This showed a compounded annual growth rate of 3.93% overall in the exports and a compounded annual growth rate (CAGR) of 12.66%.

Total Exported in comparison to Top 10 importing countries of gherkins and cucumbers (Values in ₹ crores)



(Source:RHP)

Key Management -

- The overall management of the company is decent.
- The promoter and management have decent experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- Mohammed Yousuf (CFO) has 5 years of experience in finance and accounts.



Key Management Persons Name -	Junaid Ahmed
Age	40
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 9 years of experience in the business
Qualification	Engineering and MBA Degree
Other Directorships	Junaid Constructions LLP
Key Management Persons Name -	Iqbalahmed Khudrathullah Mohammed
Age	67
Designation and No. of years of experience	Promoter and Whole-Time Director, 9 years of experience in the business and 35 years of experience in the construction industry
Qualification	Engineering
Other Directorships	Junaid Constructions LLP
Key Management Persons Name -	Asma Syed
Age	36
Designation and No. of years of experience	Promoter and Whole-Time Director, 9 years of experience in the industry
Qualification	Post-Graduation
Responsibility	Handles the role of a Customer Relationship Manager (CRM) in the company
Other Directorship	-
Key Management Persons Name -	Gnanasambandam Venkatraghavan
Age	47
Designation	Non-Executive Independent Director
Qualification	MBA Degree, Executive Post Graduate Diploma in Human Resource Management
Other Directorship	Pathfinder Payroll Solutions Private Limited and Shaya Polymers Limited
Key Management Persons Name -	Perumal Ravikumar
Age	54
Designation	Non-Executive Independent Director
Qualification	Bachelor of Science
Other Directorship	Supreme Power Equipment Limited
Key Management Persons Name -	Loganathan Karthik
Age	30
Designation	Non-Executive Independent Director, 5 years of experience in Auditing and Assurance, Taxation.
Qualification	Bachelor of Commerce and Chartered Accountant
Other Directorship	K E K And Associates LLP

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	11,127.91	12,599.45	19,378.65	10,365.55
Other Income	712.77	100.76	422.94	380.56
Total Income	11,840.68	12,700.21	19,801.59	10,746.11
Expenses				
Cost of raw materials consumed	6,868.50	8,545.99	12,876.33	5,955.81
Changes in Inventories of finished goods, work-in-progress	391.36	-1,094.71	-686.15	-382.74
Direct Manufacturing Expenses	3,564.19	2,830.45	3,129.59	2,626.53
Employee Benefit Expenses	234.45	314.91	469.73	364.42
Finance Cost	265.62	286.62	377.05	275.37
Depreciation and Amortization Expense	94.20	103.68	122.68	72.32
Other expenses	261.50	330.14	403.64	307.89
Total Expenses	11,679.82	11,317.08	16,692.87	9,219.60
EBITDA	-192.09	1,672.67	3,185.51	1,453.84
EBITDA Margin	-1.73%	13.28%	16.44%	14.03%
Profit/(Loss) before tax	160.86	1,383.13	3,108.72	1,526.51
Tax Expense				
Current tax	34.51	454.94	937.30	380.71
Deferred Tax	29.00	20.00	-11.00	8.00
Total Tax	63.51	474.94	926.30	388.71
Profit/(Loss) for the year	97.35	908.19	2,182.42	1,137.80
Net Profit Margin	0.87%	7.21%	11.26%	10.59%

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	931.58	1,855.49	1,700.00	1,700.00
Reserves and surplus	-	-	996.77	2,134.58
Total Equity	931.58	1,855.49	2,696.77	3,834.58
2. Non-current liabilities				
Long-term borrowings	871.76	658.27	1,132.37	1,035.89
Deferred Tax liability	99.00	119.00	108.00	116.00
Long-term provisions	11.11	14.35	19.93	24.57
Total Non-current liabilities	981.87	791.62	1,260.30	1,176.46
3. Current liabilities				
Short-term Borrowings	2,607.33	3,515.62	9,623.61	9,589.33
Trade Payables				
(i) Total outstanding dues of MSME	77.55	55.20	67.92	92.15
(ii) Total outstanding dues of creditors other than MSME	1,048.60	1,457.47	2,008.86	1,146.02
Other Current Liabilities	217.14	470.45	207.33	248.87
Short-term provisions	23.57	344.79	793.01	512.32
Total Current liabilities	3,974.19	5,843.53	12,700.73	11,588.69
Total Liabilities	4,956.06	6,635.15	13,961.03	12,765.15
Total Equity and Liabilities	5,887.64	8,490.64	16,657.80	16,599.73
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	1,715.77	1,902.55	2,199.23	2,231.38

Particulars	FY 22	FY 23	FY 24	Sep-24
Capital Work-In-Progress	-	13.54	654.66	1,229.92
Intangible Assets	1.04	1.52	0.80	0.44
Non-Current Investments	-	10.00	60.00	110.00
Other Non-Currents Assets	108.28	30.70	-	25.76
Total Non-Current assets	1,825.09	1,958.31	2,914.69	3,597.50
2. Current assets				
Inventories	462.36	1,996.75	3,165.73	3,732.75
Trade Receivables	2,908.23	3,250.72	7,733.14	7,010.83
Cash & Cash equivalents	134.37	328.21	375.44	92.32
Short term loans and advances	557.59	956.65	2,468.80	2,166.33
Total Current assets	4,062.55	6,532.33	13,743.11	13,002.23
Total Assets	5,887.64	8,490.64	16,657.80	16,599.73

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-460.77	-0.83	-3,760.11	842.15
Net Cash Flow from Investing Activities	-398.52	-310.32	-1,108.04	-728.62
Net Cash Flow from Financing Activities	832.09	505.00	4,915.38	-396.65

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	0.57	5.34	12.83	13.47	EV/EBITDA	-	3.41	4.11	4.16
BV per share	-	-	15.86	73.68	Market Cap / Sales	2.45	2.16	1.41	1.31
Operating Ratios					P/E	203.51	21.72	9.04	8.61
EBITDA Margins	-1.73%	13.28%	16.44%	14.41%	Price to Book Value	-	-	7.31	1.57
PAT Margins	0.87%	7.21%	11.26%	10.65%	Solvency Ratios				
Inventory days	15.17	57.84	59.63	65.90	Debt / Equity	3.73	2.25	3.99	0.84
Debtor days	95.39	94.17	145.65	123.77	Current Ratio	1.02	1.12	1.08	1.12
Creditor days	59.64	61.45	56.74	36.90	Quick Ratio	0.91	0.78	0.83	0.52
Return Ratios					Asset Turnover	1.89	1.48	1.16	0.62
RoCE	-14.96%	59.27%	77.40%	22.16%	Interest Coverage Ratio	-1.08	5.47	8.12	4.85
RoE	10.45%	48.95%	80.93%	18.28%					

*Annualized

INTERPRETATION -

1. The top line has increased over the years. In FY2023 there was an increase by 13% and in FY2024, it increased by 54% which was due to increase in number of export contracts.
2. The net profit has increased over the years by 832.91% in FY2023 and 140.30% in FY2024. This sudden increase slightly raises concern and might not be sustainable.
3. The EBITDA margin and PAT margin has seen a sudden increase for FY2023.
4. The RoCE and ROE have increased over the years.
5. The PE ratio has improved over the years.
6. The DE ratio for all the years have been high.
7. They had negative cash flow from operations for FY 2022, 2023 and 2024.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is GYR Capital Advisors Private 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 –

GYR Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Afcom Holdings Limited	73.83	108.00	Aug 09, 2023	548.25
2.	Sathlokhar Synergys E&C Global Limited	92.93	140.00	Aug 06, 2019	428.80
3.	S A Tech Software India Limited	23.01	59.00	Aug 02, 2024	147.30
4.	Petro Carbon and Chemicals Limited	113.16	171.00	Jul 02, 2024	262.00
5.	Medicamen Organics Limited	10.54	34.00	Jun 28, 2024	56.00
6.	HOAC Foods India Limited	5.54	48.00	May 24, 2024	132.05
7.	ABS Marine Services Limited	96.29	147.00	May 21, 2024	255.70
8.	Naman In-Store (India) Limited	25.35	89.00	Apr 02, 2024	199.00
9.	Koura Fine Diamond Jewelry Limited	5.50	55.00	Mar 14, 2024	41.10
10.	Thaai Casting Limited	47.20	77.00	Feb 23, 2024	171.80

The company has handled 27 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 15th Oct 2024.

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

Recommendation -

Freshara Agro Exports Limited has been in the industry since 2015 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 11.90 times which makes it fairly priced.

The company's top line had seen sudden increase in FY2024. The bottom line had seen huge jump for FY2023. Also, the profitability margins have seen a sudden increase in FY2023. These sudden increase raises concern and might not be sustainable in the long run. They also had negative cash flow from operations for FY2022, 2023 and 2024. The DE ratio has also remained high over the years.

India is the largest exporter of gherkins and there is demand of this product as well, but the industry is highly competitive and fragmented and there are many established players. Although, the business operations of the company are good, the financial health raises concern.

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

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