



IPO Note

Hamps Bio Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Hamps Bio Limited was originally incorporated on January 02, 2007. The registered office is located at Gujarat, India.
- **Business Activity:** The company is engaged in the ethical marketing and distribution of pharmaceutical formulation products ("Pharma") across wide range of dosage including tablets, syrups, capsules, injectables, oil, gel and powder. The company also manufactures freeze dried and frozen products ("FDFP") such as fruits, vegetables, herbs and flowers.
- **Human Resource:** The company has 78 full-time employees as on October 31, 2024.

Objects of the Issue -

- Purchase of plant & machinery for FMCG division
- Enhancing the visibility and awareness of the brand
- General Corporate Purposes.

Promoters Name -

Herrick Shah, Shrenik Shah, Pallavi Shah, Mitali Shah, Herrik Shah HUF and Shrenik Shah HUF

Rationale for recommendation -

- ✓ The company has a P/E of 47.29 times post issue which is slightly highly valued
- ✓ The company has had negative operating cashflows
- ✓ The group companies have had loss for FY 2021
- ✓ The company is highly concentrated in terms of Suppliers, Distributors and State-wise which is Gujarat.
- ✓ The management overview is decent with dual chairmanship.
- ✓ The company is not utilizing its debt opportunity well.
- ✓ The company operates in a highly competitive and fragmented segment.
- ✓ The company does not have any unique strategies planned out.

IPO Details

Opening Date	Dec 13, 2024
Closing Date	Dec 17, 2024
Allotment Date	Dec 18, 2024
Listing Date	Dec 29, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹51
Issue Size	6.22 Cr.
Fresh Issue	6.22 Cr.
Offer for Sale	-
Application Amt	₹ 1,02,000 (2,000 shares)

INDUSTRY - Pharma and FMCG

Avg. P/E ratio of peers - No Peers

KPI's	KPIs			(In Lakhs)
	FY 22	FY 23	FY 24	Oct-24
Revenue	534.05	557.81	647.53	426.67
EBITDA	61.55	86.62	117.72	65.34
Net Profit	12.16	35.89	50.08	34.07
RoCE	15.78%	27.99%	20.67%	10.32%
ROE	12.09%	26.33%	14.84%	9.19%
P/E	100.00	34.00	28.98	47.29*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100%	71.99%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	1.76	1.08
BVPS	17.22	22.80
P/E	28.98	47.29
P/BV	2.96	2.24
Mkt Cap (In Cr)	15.99	22.22

*Annualized

Lead Managers -

Marwadi Chandarana Intermediaries Brokers Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Hamps Bio Limited has been in the industry since 2007. The company is engaged in the following business -

- i) Ethical marketing and distribution of pharmaceutical formulation products (“Pharma”) across a wide range of dosages including tablets, syrups, capsules, injectables, oil, gel and powder used as medicine and nutrition supplements
- ii) Manufacturing of freeze-dried and frozen products (“FDFP” or “FMCG Division”) such as fruits, vegetables, herbs and flowers.

The company is recognized in the pharmaceutical industry under its own brand name “Hamps” and in the freeze-dried and frozen food segment through its own brand “FzyEzy”.

The company also sells its products through more than 50 distributor’s networks as on October 31, 2024, and E-commerce platforms, including Amazon.com, Amazon.ca, and Amazon.eu, Flipkart, Jio Mart, Etc. The company sells the pharma products primarily in 8 States and Union territories and the FDFP products primarily in 6 countries and 22 States and Union territories.

Revenue Breakdown Segment - Wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Oct-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Pharma	393.15	73.62	377.77	67.72	366.43	56.59	211.64	49.60
FDFP	140.89	26.38	180.05	32.28	281.10	43.41	215.03	50.40
Total	534.04	100.00	557.82	100.00	647.53	100.00	426.67	100.00

Segment Wise -

Pharmaceutical Products Division – The company started as an ethical pharmaceutical marketing firm in Gujarat, distributing pharmaceutical and consumer healthcare products. The company procure WHO GMP-certified products from contract manufacturers under its brand “HAMPS,”

Product Portfolio -

in the form of dosage includes tablets, syrups, capsules, injectables and powder which are used as nutrition supplements, injections, pediatric care, toothpaste, mouthwash, antiacid/ PPI, painkiller/ anti-inflammatory, hematantic/ calcium supplements and anti-biotic/ anti-bacterial/ anti-fungal. The product mainly targets Orthopedic, physicians, Gynecologist, Surgeon, Dermatologist, etc.



Freeze Dried and Frozen Products (FDFP) - Manufacture the FDFP products at a manufacturing unit in Gujarat, operating under both B2B and B2C business models. The FDFP products are produced through contract manufacturing arrangements and are also sold under its brand “FzyEzy.”

Product Portfolio -

Products primarily consist of fruits, vegetables, herbs, and flowers, processed using freeze-drying technology, also referred to as lyophilization or sublimation technology.



Mango Powder Black Jamun Powder Mango

Competition -

1. **Market Competition, High** - Intense competition from local, multinational, and global firms, coupled with margin pressure from small, unorganized players and industry consolidation.
2. **Threat of New Entrants, Low** - Established brand image, product innovation, and resource-heavy competition deter new players, but unorganized local players can still enter easily.
3. **Bargaining Power of Buyers, High** - Customers have multiple options in a competitive market, increasing pressure on pricing, quality, and innovation.
4. **Bargaining Power of Suppliers, Moderate** - Potential consolidation in supplier markets and dependency on specific suppliers could impact procurement costs and supply continuity.
5. **Threat of Substitutes, Moderate** - Competitors developing superior or more affordable products may render the company's offerings uncompetitive.

Business Strategies -

1. The company intend to install new plant and machinery which will increase the production capacity.
2. The company's goal is to expand the operations nationally across India and globally, establishing the brand as widely recognized
3. The company aim to further strengthen the brand by increasing the visibility through marketing initiatives and delivering qualitative products at competitive prices.
4. The company aim to continue to maintain the cost management focus, including in-house integrated manufacturing capabilities, across the business to deliver growth

Risk Factors -

The company's top 10 suppliers contributed 7.78%, 9.50%, 14.85%, and 43.77% for the FY ended 2022, 2023, 2024 and October 2024 respectively.

The company's top 10 distributors from the pharma segment contributed to 68.76%, 69.04%, 59.60%, and 63.16% for the FY ended 2022, 2023, 2024 and October 2024 respectively.

The company's revenue from Gujarat contributed to 71.41%, 70.76%, 65.70%, and 68.80% for the FY ended 2022, 2023, 2024 and October 2024 respectively.

The company has certain litigations amounting to Rs. 36.11 lakhs.

Both the group companies had incurred a loss during FY 2021.

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

INDUSTRY OVERVIEW -**Pharmaceutical Industry –**

India is the largest provider of generic drugs globally and is known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is currently ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% since the past nine years. Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing, biosimilars, and biologics are some of the major segments of the Indian pharma industry. India has the greatest number of pharmaceutical manufacturing facilities that are in compliance with the US Food and Drug Administration (USFDA) and has 500 API producers that make for around 8% of the worldwide API market.

Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK. The domestic pharmaceutical industry includes a network of 3,000 drug companies and ~10,500 manufacturing units. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. India is rightfully known as the "pharmacy of the world" due to the low cost and high quality of its medicines.

FMCG Sector -

The FMCG sector in India expanded due to consumer-driven growth and higher product prices, especially for essential goods. FMCG sector provides employment to around 3 million people accounting for approximately 5% of the total factory employment in India. FMCG sales in the country was expected to grow 7-9% by revenues in 2022-23. The key growth drivers for the sector include favourable Government initiatives & policies, a growing rural market and youth population, new branded products, and growth of e-commerce platforms. Resilience needs to be the key factor in the manufacturing process, daily operations, retail and logistic channels, consumer insights and communication that will help FMCG companies to withstand the test of time and create more value for consumers in the long run. India's fast-moving consumer goods (FMCG) sector grew 7.5% by volumes in the April-June 2023 quarter, the highest in the last eight quarters, led by a revival in rural India and higher growth in modern trade.

FMCG market reached US\$ 167 billion as of 2023. Total revenue of FMCG market is expected to grow at a CAGR of 27.9% through 2021-27, reaching nearly US\$ 615.87 billion. In 2022, urban segment contributed 65% whereas rural India contributed more than 35% to the overall annual FMCG sales. Good harvest, government spending expected to aid rural demand recovery in FY24. The sector had grown 8.5% in revenues and 2.5% in volumes last fiscal year. In the January-June period of 2022, the sector witnessed value growth of about 8.4% on account of price hikes due to inflationary pressures. In Q2, 2022, the FMCG sector clocked a value growth of 10.9% Y-o-Y higher than the 6% Y-o-Y value growth seen in Q1.

(Source: RHP)

Key Management -

Key Management Persons Name -	Herrick Shah
Age	42
Designation	Promoter, Chairman and Managing Director, 20 years of experience in Pharmaceutical Formulation.
Qualification	Bachelor's degree in pharmacy, Diploma in Export and Import
Responsibility	strategy, performance and risk management of the Company
Other Directorships	V4U Healthcare Private Limited, HSDL Innovative Private Limited

Key Management Persons Name -	Shrenik Shah
Age	39
Designation and No. of years of experience	Promoter and Whole Time Director, 16 years of experience in Pharmaceutical and Product Development
Qualification	M.S. in Orthopedic, MBBS
Responsibility	Product development and key area of system management
Other Ventures	V4U Healthcare Private Limited

Key Management Persons Name -	Pallavi Shah
Age	45
Designation and No. of years of experience	Promoter and Non-Executive Director, 2 decades in Pharma industry
Qualification	Bachelor of Pharmacy
Responsibility	-
Other Directorships	-

Key Management Persons Name -	Radhika Kanodia
Age	25
Designation and No. of years of experience	Non-Executive Independent Director, 3 years in Statutory Audit, Tax Audit, CARO Reporting, SEBI LODR
Qualification	passed the Professional Competence Examination conducted by The Institute of Chartered Accountants of India
Other Directorships	R & B Denims Limited

Key Management Persons Name -	Jinay Palrecha
Age	32
Designation and No. of years of experience	Non-Executive Independent Director, 8 years of experience in the field of Accounting and Taxation
Qualification	Bachelor of Commerce, fellow member of Institute of Chartered Accountants of India
Other Directorships	-

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Mitali Shah, aged 39, is one of the Promoter, and Chief Financial Officer (CFO). She has completed his Bachelor of Commerce and Post Graduate Diploma in Business Management. She has experience of more than 13 years in field of Commerce and Financial Evaluation. She is responsible for accounts, taxation and finance of the company

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Oct-24
Revenue from Operations	534.05	557.81	647.53	426.67
Other Income	0.42	0.68	2.60	9.75
Total Income	534.47	558.49	650.13	436.42
Expenses				
Cost of Material Consumed	18.15	21.24	31.06	33.55
Purchase of Stock-in-Trade	192.52	142.52	217.10	121.23
Changes in Inventory, Finished Goods, and Work in Progress	8.99	16.20	-77.81	-29.47
Employee Benefit Expenses	141.00	140.68	158.86	111.21
Finance Cost	18.96	17.73	14.96	7.74
Depreciation and Amortization Expense	32.52	33.87	40.36	21.18
Other expenses	111.84	150.55	200.60	124.81
Total Expenses	523.98	522.79	585.13	390.25
EBITDA	61.55	86.62	117.72	65.34
EBITDA Margin	11.53%	15.53%	18.18%	15.31%
Profit/(Loss) before tax	10.49	35.70	65.00	46.17
Tax Expense				
Current tax	-	-	16.58	12.52
Deferred Tax	-1.67	-0.19	-1.66	-0.42
Total Tax	-1.67	-0.19	14.92	12.10
Profit/(Loss) for the year	12.16	35.89	50.08	34.07
Net Profit Margin	2.28%	6.43%	7.73%	7.81%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Oct-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	150.00	150.00	196.00	313.60
Reserves and surplus	-49.43	-13.70	141.42	57.18
Total Equity	100.57	136.30	337.42	370.78
2. Non-current liabilities				
Long-term borrowings	78.80	47.62	29.55	47.32
Other Long-term Liabilities	4.64	4.55	7.33	9.70
Total Non-current liabilities	83.44	52.17	36.88	57.02
3. Current liabilities				
Short-term Borrowings	125.51	126.15	74.97	91.00
Trade Payables				
(i) Total outstanding dues of MSME	38.34	50.76	19.51	7.47
(ii) Total outstanding dues of creditors other than MSME	-	-	8.17	29.13
Short-term provisions	1.92	2.15	16.83	12.52
Other Current Liabilities	14.53	28.35	20.99	76.09
Total Current liabilities	180.30	207.41	140.47	216.21
Total Liabilities	263.74	259.58	177.35	273.23
Total Equity and Liabilities	364.31	395.88	514.77	644.01
ASSETS				
1. Non-current assets				
Property Plant & Equipments	215.43	260.64	255.66	312.25
Intangible Assets	-	-	0.82	1.72
Non-current investments	3.69	0.26	0.11	3.06
Deferred Tax Assets (Net)	3.33	3.52	5.18	5.60

Particulars	FY 22	FY 23	FY 24	Oct-24
Other Non- current Assets	8.64	8.21	9.31	23.12
Total Non-Current assets	231.09	272.63	271.08	345.75
2. Current assets				
Inventories	56.88	36.72	122.82	165.26
Trade Receivables	69.06	75.97	98.93	93.97
Cash & Cash equivalents	5.11	4.88	5.84	10.56
Short term loans and advances	-	-	12.43	23.26
Other Current Assets	2.17	5.66	3.68	5.21
Total Current assets	133.22	123.23	243.70	298.26
Total Assets	364.31	395.86	514.78	644.01

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Oct-24
Net Cash Flow from Operating Activities	33.27	122.95	-29.15	74.53
Net Cash Flow from Investing Activities	50.82	-74.92	-36.69	-95.85
Net Cash Flow from Financing Activities	-94.41	-48.27	66.80	26.04

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	Oct-24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	Oct-24
Diluted EPS	0.51	1.5	1.76	1.08	EV/EBITDA	4.87	3.52	3.70	3.56
BV per share	6.70	9.09	17.22	31.66	Market Cap / Sales	4.16	3.98	3.43	3.03
<u>Operating Ratios</u>					P/E	100.00	34.00	28.98	47.29
EBITDA Margins	11.53%	15.53%	18.18%	42.75%	Price to Book Value	7.61	5.61	2.96	1.61
PAT Margins	2.28%	6.43%	7.73%	6.26%					
Inventory days	38.98	24.09	69.42	82.50	<u>Solvency Ratios</u>				
Debtor days	47.20	49.71	55.76	46.91	Debt / Equity	2.03	1.27	0.31	0.13
Creditor days	64.88	115.94	39.40	39.93	Current Ratio	0.74	0.59	1.73	1.38
<u>Return Ratios</u>					Quick Ratio	0.42	0.42	0.86	0.94
RoCE	15.78%	27.99%	20.67%	26.77%	Asset Turnover	1.47	1.41	1.26	0.66
RoE	12.09%	26.33%	14.84%	4.73%	Interest Coverage Ratio	1.53	2.98	5.17	20.83

PEER ANALYSIS –

The company as per the offer document believes they have no listed peers for comparison.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Marwadi Chandarana Intermediaries Brokers Private Limited. This is their first Issue.

Recommendation -

Hamps Bio Limited has been in the industry since 2007 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 47.29 times which makes it highly priced compared to the peer companies.

Hamps Bio operates in a very highly competitive and fragmented industry. The company has seen a negative operating cash flow for FY 2024. The financial outlook of the company is decent, and the growth is stagnant indicating the same in the future.

The company has a very high concentration towards suppliers, and distributors, and is dependent on Gujarat for the majority of its revenue increasing the risk. The company has a very healthy debt-to-equity ratio yet is not utilizing the debt opportunity well. The company's objective for raising funds is not very satisfactory.

Investors can **AVOID** this company.

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