



DAVINSONS
RETAIL LTD.



IPO Note

Davin Sons Retail Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Davin Sons Retail Limited was originally incorporated on Feb 08, 2022. The registered office is located at New Delhi, India.
- **Business Activity:** The company is engaged in the business of manufacturing and designing of readymade garments for men. They also distribute FMCG products to large FMCG companies.
- **Revenue Stream:** The company derives majority of almost equal amount of revenue from sale of readymade garments and FMCG products as on Sep-24.
- **Human Resource:** The company has 20 full-time employees as on Dec 20, 2024.

Objects of the Issue -

- To finance the Capital Expenditure for purchase of warehouse
- To part finance the requirement of Working Capital
- To meet General Corporate Purposes

Promoters Name -

Mohit Arora, Nohit Arora, Davinder Arora, Lalita Rani and Sonam Arora

Rationale for recommendation -

- ✓ The company's top line and bottom line and profitability margins have seen a sudden increase in FY2024.
- ✓ The company had negative cash flow from operations for FY2022, FY2023, FY2024 and Sep-24.
- ✓ The issue size for IPO is small.
- ✓ The company doesn't have enough experience in the industry.
- ✓ The company has high concentration for customers.
- ✓ The industry is highly fragmented and competitive.

IPO Details

Opening Date	Jan 02, 2025
Closing Date	Jan 06, 2025
Allotment Date	Jan 07, 2025
Listing Date	Jan 09, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹55
Issue Size	8.78 Cr.
Fresh Issue	8.78 Cr.
Offer for Sale	-
Application Amt	₹ 1,10,000 (2,000 shares)

INDUSTRY - Trading

Avg. P/E ratio - 35.4

	KPIs			(In Lakhs)
KPI's	FY 22	FY 23	FY 24	Sep-24
Revenue	88.88	515.86	1,339.16	628.42
EBITDA	7.41	163.94	233.56	107.87
Net Profit	5.74	151.53	164.04	73.58
RoCE	147.4%	68.71%	38.73%	12.79%*
ROE	-	138.55%	29.53%	9.31%*
P/E	-	30.22	11.88	19.67*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
90.68%	63.18%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.63	2.80
BVPS	15.15	30.03
P/E	11.88	19.67
P/BV	3.63	1.83
Mkt Cap (In Cr)	20.17	28.95

*Annualized

Lead Managers -

Navigant Corporate Advisors Limited

Registrar -

KFin Technologies Limited

Business Overview -

Davin Sons Retail Limited is engaged in the business of manufacturing and designing of readymade garments for men offering diverse range of high-quality jeans, denim jackets and shirts for other brands. They are also a FMCG product distributor for the large size FMCG Companies in India for whom they distribute Branded packaged FMCG products like biscuits, Non-Alcoholic Energy Drinks on distributorship basis. and also distribute packaged products including biscuits, Chips, Oil, Non-Alcoholic Energy Drinks, Toffy, Chocolates etc. of various other FMCG Companies on non-distributorship basis. Currently, the company has presence in the state of Delhi, Haryana, Punjab, Bihar, Uttar Pradesh, Rajasthan, Chhattisgarh and Arunachal Pradesh.

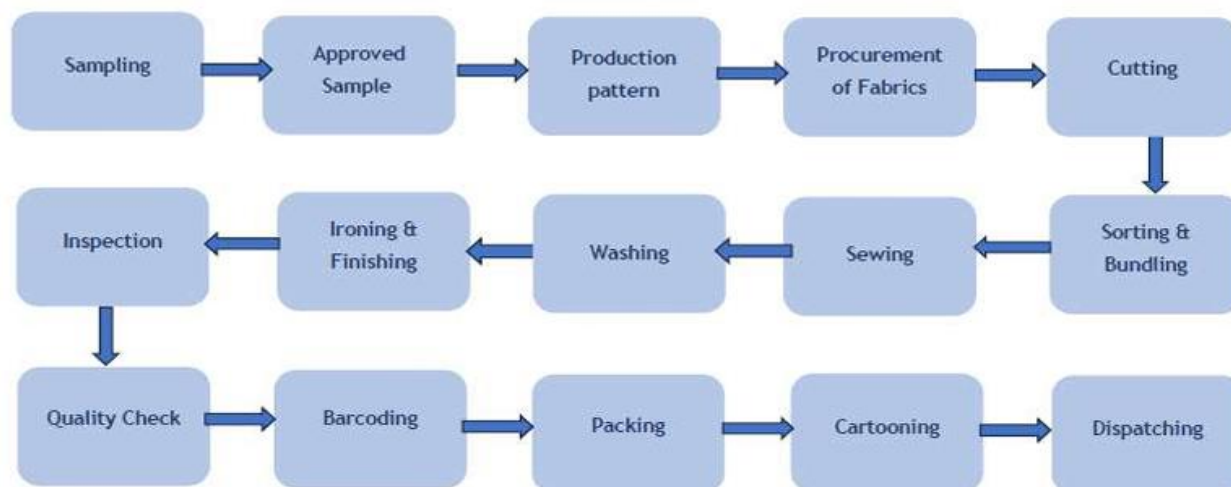
History:

The company was incorporated with the objective to acquisition of proprietorship concern of Mr. Mohit Arora “Jesus Shirts” which was in the business of manufacturing of readymade garments through job work basis. M/s. Jesus Shirts was started in 2012 as a proprietorship firm.

Product Portfolio:

Product	Description
READYMADE GARMENTS	
Horizontal Style Printed Shirts	They have two distinct patterns of striped shirts for men- vertical stripes and horizontal stripes.
Check Style Printed Shirts	The humble design made with horizontal and vertical lines has proved a timeless trend in the men’s fashion segment.
Denim Shirt	Denim shirt is any style of shirt that has been crafted from denim fabric.
Denim Jacket	Denim Jacket is made from denim fabric and is mostly used during winters.
Jeans	Jeans are a type of garment typically made from denim fabric and are characterised by double-stitching and rivets on the seams. It is made of firm cotton in a twill weave and dyed with indigo.
FMCG PRODUCTS	
Food Product	Under food products they distribute various products such as Atta, Salt, Ready to Eat, Ready to cook, Biscuits, wafers, Chocolates, Toffee etc.
Drinks	Energy Drinks (Non-Alcoholic)
Nutritional Products	Coffee, Tea, Mayonnaise, Jam, Soup
Other	Cooking oil, Tea

Manufacturing Process:



Collective Revenue Bifurcation Segment-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Readymade Garments	88.88	100.00	206.31	39.99	725.84	54.20	265.21	42.20
FMCG Products	-	-	309.55	60.01	613.33	45.80	363.21	57.80
Total	88.88	100.00	515.86	100.00	1,339.17	100.00	628.42	100.00

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 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 Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

1. The company intends to expand their geographical reach to other states as well.
2. The company intends to expand its product portfolio and aims to add women and kids wear as well.
3. The company intends to explore acquisition of businesses, which will help them enter into new geographies.

Risk Factors -

The company is highly dependent on top 10 customers for its revenue contributing to 80.51%, 51.56% and 64.71% for Sep-24, FY24 and FY23 respectively.

The promoters have filed 1 criminal case amounting to Rs. 52 lakhs.

The company had negative cash flow from operations for Sep-24, FY24, FY23 and FY22.

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 -

Indian Textile Industry -

The market for Indian textiles and apparel is projected to grow at a 10% CAGR to reach US\$ 350 billion by 2030. Moreover, India is the world's 3rd largest exporter of Textiles and Apparel. India ranks among the top five global exporters in several textile categories, with exports expected to reach US\$100 billion.



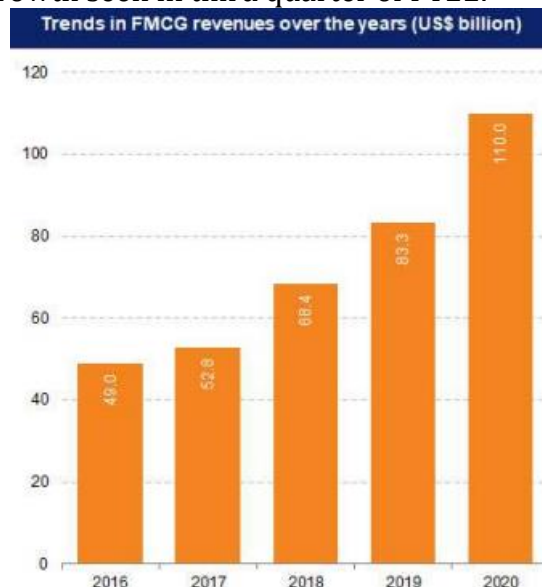
(Source:RHP)

The Indian Technical Textile market has a huge potential of a 10% growth rate, increased penetration level of 9-10% and is the 5th largest technical textiles market in the world. India's sportech industry is estimated around US\$ 1.17 million in 2022-23.

The Indian Medical Textiles market for drapes and gowns is around US\$ 9.71 million in 2022 and is expected to grow at 15% to reach US\$ 22.45 million by 2027

FMCG Industry in India -

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 third quarter of FY23, the FMCG sector clocked a value growth of 9.0% YoY — lower than the 9.2% YoY value growth seen in third quarter of FY22.



(Source:RHP)

Indian food processing market size reached US\$ 307.2 billion in 2022 and is expected to reach US\$ 470 billion by 2028, exhibiting a growth rate (CAGR) of 9.5% during 2023-2028.

Key Management -

Key Management Persons Name -	Mohit Arora
Age	38
Designation	Promoter, Chairman and Managing Director, 10+ years of experience in Garment & Textile Industry
Qualification	Higher Secondary
Responsibility	Looks after of routine operational activities of the Company
Other Directorships	Davin Impex Private Limited
Key Management Persons Name -	Nohit Arora
Age	34
Designation and No. of years of experience	Promoter and Whole-time Director, 9+ years of experience Garment & Textile Industry
Qualification	Higher Secondary
Responsibility	Guides Company in growth strategies, operations, opportunities and lighting the Company in increasing its scale
Other Directorships	Upvastra Clothing Private Limited
Key Management Persons Name -	Sonam Arora
Age	35
Designation	Promoter and Non-Executive Director
Qualification	Graduate in Arts
Other Ventures	Works as a freelancer
Key Management Persons Name -	Ms. Sapna
Age	30
Designation and No. of years of experience	Non-Executive Independent Director, 4+ years of experience in corporate law, Securities law, Trademark & Secretarial Compliances
Qualification	Company Secretary
Other Directorships	Sham Foam Limited and Western Overseas Study Abroad Limited
Key Management Persons Name -	Saloni Mehra
Age	30
Designation and No. of years of experience	Non-Executive Independent Director, 2+ years of experience in corporate law, Securities law, Trademark & Secretarial Compliances
Qualification	Company Secretary, Post Graduate Commerce (M. Com) and Graduate in Commerce (B.Com.)
Other Directorships	Bluegod Entertainment Limited, Aar Shyam India Investment etc.

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- Shruti Khanna (CFO), is a qualified CA and has experience of 10 years in taxation, accounting and audit.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22*	FY 23**	FY 24***	Sep-24
Revenue from Operations	88.88	515.86	1,339.16	628.42
Other Income	0.02	8.21	-	5.67
Total Income	88.90	524.07	1,339.16	634.09
Expenses				
Purchase if stock-in-trade	47.84	358.40	1,009.87	452.30
Changes in inventories of finished goods and WIP	-1.05	-82.28	-153.15	-27.28
Employee Benefit Expenses	28.75	51.91	82.90	49.78
Finance Cost	0.05	0.09	2.04	8.83
Depreciation and Amortization Expense	0.04	0.71	11.06	5.90
Other expenses	5.93	23.89	165.98	45.75
Total Expenses	81.56	352.72	1,118.70	535.28
EBITDA	7.41	163.94	233.56	107.87
EBITDA Margin	0.08	31.78%	17.44%	17.17%
Profit/(Loss) before tax	7.34	171.35	220.46	98.81
Tax Expense				
Current tax	1.60	19.76	57.32	25.69
Deferred Tax	-	0.06	-0.90	-0.46
Total Tax	1.60	19.82	56.42	25.23
Profit/(Loss) for the year	5.74	151.53	164.04	73.58
Net Profit Margin	6.46%	29.37%	12.25%	11.60%

*This includes only proprietorship firm M/s. Jesus Shirt's data.

**This includes both M/s. Jesus Shirt and Davin Sons Retail's data.

***This includes data of only Davin Sons Retail..

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	5.00	10.97	366.68	366.68
Reserves and surplus	-	98.40	188.81	262.41
Total Equity	5.00	109.37	555.49	629.09
2. Non-current liabilities				
Long-term borrowings	-	128.15	19.00	16.17
Deferred Tax Liabilities	-	0.06	-	-
Total Non-current liabilities	-	128.21	19.00	16.17
3. Current liabilities				
Short-term Borrowings	-	-	5.00	178.28
Trade Payables	-	177.11	196.18	83.29
Other Current Liabilities	-	3.48	9.01	6.70
Short-term provisions	-	37.79	98.44	122.68
Total Current liabilities	-	218.38	308.63	390.95
Total Liabilities	-	346.59	327.63	407.12
Total Equity and Liabilities	5.00	455.96	883.12	1,036.21
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	-	9.86	41.66	44.40
Deferred Tax Assets (net)	-	-	0.84	1.30
Long term loans and advances	-	15.26	11.96	16.67
Other Non- current Assets	-	1.50	6.03	16.59

Particulars	FY 22	FY 23	FY 24	Sep-24
Total Non-Current assets	-	26.62	60.49	78.96
2. Current assets				
Inventories	-	117.82	270.97	298.25
Trade Receivables	-	201.82	411.79	422.39
Cash & Cash equivalents	-	55.30	55.40	107.16
Short term loans & advances and Other current assets	5.00	54.40	84.47	129.43
Total Current assets	5.00	429.34	822.63	957.23
Total Assets	5.00	455.96	883.12	1,036.19

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-5.00	-0.01	-132.87	-86.36
Net Cash Flow from Investing Activities	-	-19.61	-44.09	-23.75
Net Cash Flow from Financing Activities	5.00	73.56	177.05	161.88

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	-	1.82	4.63	2.80	EV/EBITDA	0.67	1.11	2.24	7.72
BV per share	10.00	99.71	15.15	43.10	Market Cap / Sales	32.57	5.61	2.16	2.30
Operating Ratios	-				P/E	-	30.22	11.88	19.67
EBITDA Margins	8.34%	31.78%	17.44%	17.17%	Price to Book Value	5.50	0.55	3.63	1.28
PAT Margins	6.46%	29.37%	12.25%	11.60%	Solvency Ratios				
Inventory days	-	83.59	74.06	86.85	Debt / Equity	-	1.17	0.04	0.12
Debtor days	-	142.80	112.24	123.00	Current Ratio	-	1.97	2.67	2.45
Creditor days	-	180.37	70.91	33.70	Quick Ratio	-	1.43	1.79	1.37
Return Ratios	-				Asset Turnover	17.78	1.13	1.52	0.61
RoCE	147.40%	68.71%	38.73%	12.79%	Interest Coverage Ratio	147.4	1,813.7	109.07	11.55
RoE	114.80%	138.55%	29.53%	9.31%					

*Annualized

**It is inclusive of both proprietorship and restated financial data.

INTERPRETATION –

- The top line had seen a sudden increase by 250% in FY2024. The reason for the same is that, there has been surge in demand of garment business and they also started distribution of FMCG products for large FMCG Companies. They also catered to the needs of new clients and expanded to new states where there is high demand.
- The net profit had also seen an increase by 190% in FY2024.
- The EBITDA margin and PAT margin have seen a slight decrease in FY2024.
- The PE ratio has improved over the years.
- The RoCE and RoE had seen a surge in FY2024 and the annualized figures for FY25 is quite low.
- The company had negative cash flow from operations for Sep-24, FY2024, FY2023 and FY2022.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Navigant Corporate Advisors 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 –

Navigant Corporate Advisors Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Faalcon Concepts Limited	12.09	62.00	Apr 26, 2024	57.39
2.	KCK Industries Limited	4.50	30.00	Jul 08, 2022	62.95
3.	Rex Pipes and Cables Industries Limited	6.24	26.00	Aug 10, 2021	73.20
4.	Focus Business Solution Limited	1.22	19.00	Jul 13, 2021	93.10

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

*CMP for the above-mentioned companies is taken as of 30th Dec 2024.

As per the offer document, the above-mentioned mandates KCK Industries has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Davin Sons Retail Limited has been in the industry since 2022 and doesn't have enough experience in the industry. Although, the proprietorship firm M/s. Jesus Shirts which was acquired by Davin Sons Retail was incorporated on 2012. The management overview of the company is decent.

The P/E on a post-IPO annualized basis is around 19.67 times which makes it fairly priced.

The company's top line and bottom line has seen a sudden increase in FY2024. The profitability margins have seen a slight dip in FY2024. The company had negative cash flow from operations for Sep-24, FY2024 and FY2023. The RoE has decreased in FY2024.

The company is operating in trading of FMCG and manufacturing readymade garments. Both of the industry is highly fragmented and competitive and it already has dominant players.

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

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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