



IPO Note

Swasth Foodtech India Limited

Recommendation: **NEUTRAL!**

Company Background -

- **Incorporation:** Swasth Foodtech India Limited was originally incorporated on Feb 02, 2021. The registered office is located at West Bengal, India.
- **Business Activity:** The company is engaged in the business of processing of rice bran oil and also market and sell the residue and by-products generated while processing rice bran oil.
- **Revenue Stream:** The company generates majority of the revenue from rice bran refined oil.
- **Human Resource:** The company has 17 permanent employees as on Sep 30, 2024.

Objects of the Issue -

- Setting up of a packing line at existing manufacturing unit
- Funding of working capital requirements of the Company
- General Corporate Expenses

Promoters Name -

Dilip Chhajjer, Shrey Jain, Lakshay Jain, Vandana Chhajjer, Chhajjer Agro Products Private Limited and Dilip Chand Chhajjer (HUF)

Rationale for recommendation -

- ✓ The PE ratio post annualized basis is 15.05 times which makes it fairly priced.
- ✓ The company's financials have remained slightly unsustainable but that should not be a major concern as the company has limited operating history.
- ✓ The company is looking for expansion into other edible oil categories and plans to export in Japan, Europe and America.
- ✓ The company is also setting up a packaging line.
- ✓ The management overview is decent.
- ✓ The company has limited experience in the industry.

IPO Details

Opening Date	Feb 20, 2025
Closing Date	Feb 24, 2025
Allotment Date	Feb 25, 2025
Listing Date	Feb 28, 2025
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹94
Issue Size	14.92 Cr.
Fresh Issue	14.92 Cr.
Offer for Sale	-
Application Amt	₹ 1,12,800 (1,200 shares)

INDUSTRY - Edible Oil

Avg. P/E ratio as per RHP - 24.45

	KPIs			(In Lakhs)
KPI's	FY 22	FY 23	FY 24	Sep-24
Revenue	122.10	9,989.64	13,324.98	8,828.96
EBITDA	1.94	186.03	365.00	314.19
Net Profit	1.14	2.69	193.24	182.94
RoCE	0.24%	15.54%	27.83%	21.28%*
ROE	0.38%	0.89%	30.97%	14.74%*
P/E	2,350.00	1,044.44	18.69	15.05*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	72.90%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	5.03	6.25
BVPS	14.62	42.38
P/E	18.69	15.05
P/BV	6.43	2.22
Mkt Cap (In Cr)	40.14	55.06

*Annualized

Lead Managers -

Horizon Management Private Limited

Registrar -

MAS Services Limited

Business Overview -

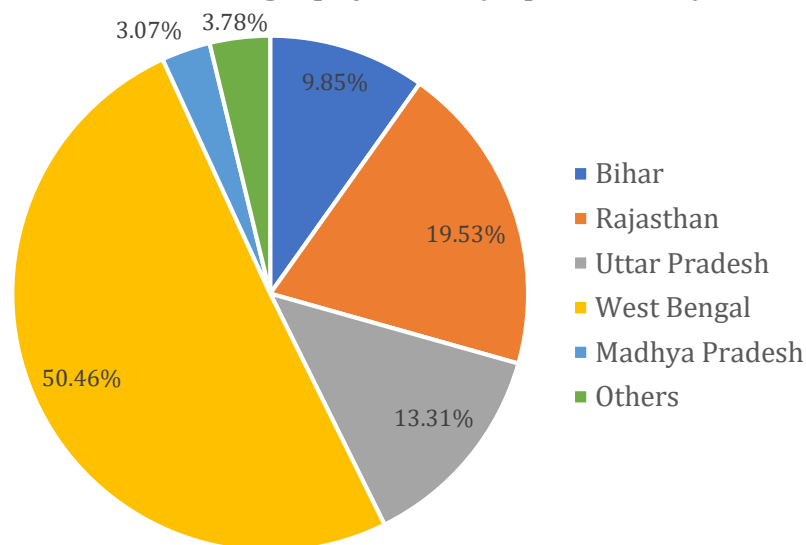
Swasth Foodtech India Limited is engaged in the business of processing of rice bran oil from crude oil, for sale to oil manufacturers and packers. They also market and sell the residue and the by-products generated while processing rice bran oil i.e., fatty acid, gums, spent earth and wax in the open market.

Manufacturing Unit: The company has one manufacturing facility having capacity of 125 MT per day. It is located at Purba Burdwan, West Bengal. They operate as a zero waste unit, wherein all the residue or by-products manufactured during the production process are either re-used in the production process or are sold to third parties or in the open market. The capacity utilization remained at 24.25%, 46.95% and 53.92% in FY23, FY24 and Sep-24 respectively.



The below chart shows the revenue earned by the Company across various domestic states:

Revenue Bifurcation Geography-Wise (Sep 30, 2024)



Business Model: The company follows a B2B business model, primarily selling rice bran oil in bulk to oil manufacturers, packers, and re-packers. They also supply to branded players, unbranded sellers, and those who further distribute in bulk or under their own brands.

Revenue Bifurcation product-wise:

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Rice Bran Refined Oil	-	-	7,490.15	74.98%	11,717.03	87.93%	7,875.80	89.20%
Sale of By-Products	-	-	656.03	6.57%	955.19	7.17%	402.77	4.56%
Traded Goods*	122.10	100.00%	1,843.46	18.45%	652.76	4.90%	550.39	6.23%
Total	122.10	100%	9,989.64	100%	13,324.98	100%	8,828.96	100%

* It includes rice bran refined oil, maize, de oiled rice bran, palmolein oil, fatty, husk and rice bran crude oil.

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, price and product range.
- 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 -

- The company intends to set up a packaging line at existing manufacturing unit in order to pack products on their own brands and also utilise for third parties.
- The company intends to enter new product categories viz. sunflower oil, mustard oil, soya oil and palm oil for both institutional customers and prospective end use customers.
- The company is proposing to expand its business operations globally by exporting products/by-products to countries/continents such as Japan, Europe and America.

Risk Factors -

The promoters/ directors have 1 case against them for tax matters amounting to Rs 11.88 lakhs.

The company had negative cash flow from operations in FY23.

PEER ANALYSIS -

Particulars	Swasth Foodtech India Limited			Halder Venture Limited			Sarveshwar Foods Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.93%	0.03%	1.45%	2.50%	1.60%	1.79%	0.55%	1.12%	1.91%
EBITDA Margin	1.59%	1.86%	2.74%	4.89%	5.51%	6.37%	4.95%	5.81%	7.19%
RoCE	0.24%	15.54%	27.83%	29.58%	11.91%	24.36%	13.22%	14.58%	17.92%
ROE	0.38%	0.89%	30.97%	44.92%	11.34%	19.67%	2.07%	3.65%	6.64%
EPS (INR)	0.04	0.09	5.03	71.38	18.76	36.92	0.05	0.10	0.18
P/E	2350.00	1044.44	18.69	4.61	13.51	7.35	28.60	21.90	52.50

- The company is not comparable on an apple-to-apple basis due to limited operating experience and both the peers mentioned do not generate significant revenue from rice bran oil.
- The market cap of the company is less compared to its peers.
- Halder Venture (72%) and Sarveshwar Foods (41%) both generate revenue significantly from exports whereas Swasth Foodtech is not involved in exports as of yet.
- The PE ratio of the company is better than Sarveshwar Foods.

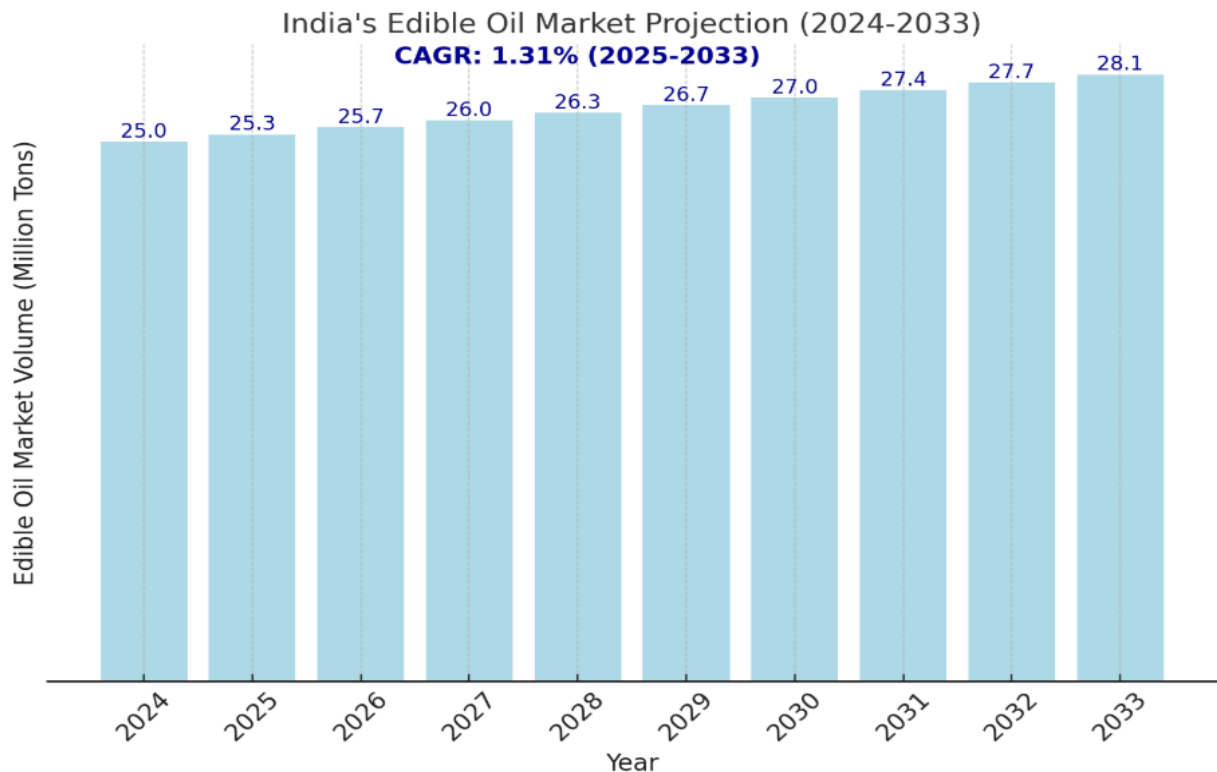
INDUSTRY OVERVIEW -

Indian Edible Oil industry -

India's edible oil market is a vital component of the country's food industry, with a significant portion of the population relying on various edible oils for daily cooking. Within this sector, rice bran oil has emerged as a notable segment due to its health benefits and domestic production advantages.

Market Size and Growth

- **Edible Oil Market:** In 2024, India's edible oil market reached a volume of 25.0 million tons. Projections indicate a compound annual growth rate (CAGR) of 1.31% from 2025 to 2033.



- **Rice Bran Oil Market:** Globally, the rice bran oil market was valued at USD 7.86 billion in 2023 and is expected to grow to USD 18.35 billion by 2032, with a CAGR of 10.02% during the forecast period. India holds a dominant position in rice bran oil production, accounting for 46.8% of the global market share.

Government Initiatives

To reduce dependence on imports and boost domestic production, the Indian government has launched several initiatives:

- **National Mission on Edible Oils:** Approved in October 2024, this program allocates ₹101 billion (approximately \$1.2 billion) to double India's edible oil production by 2030-31. The focus is on increasing oilseed productivity through high-yielding varieties and advanced technologies, aiming to raise production from 12.7 million metric tons to 25.45 million tons, thereby meeting about 72% of domestic demand.
- **Palm Oil Production Enhancement:** Efforts are underway to triple palm oil output within six years by expanding oil palm plantations and supporting farmers. This initiative is expected to increase production to 1.2 to 1.5 million metric tons by 2030-31, up from the current 400,000 tons.

Future Outlook

The Indian edible oil market is poised for steady growth, driven by government policies, increasing health awareness, and a shift towards domestically produced oils like rice bran oil. The emphasis on sustainable and self-reliant production is expected to reshape the market landscape in the coming years.

Key Management -

Key Management Persons Name -	Dilip Chhajer
Age	57
Designation and No. of years of experience	Promoter and Managing Director, 25+ years of experience in manufacturing, trading of edible oil, related products, cold storage and trading of agriculture crops.
Qualification	Bachelor of Commerce
Responsibility	Responsible for overall management and supervision of operations of the Company
Other Directorships	Chhajer Agro Products Private Limited, Infine Exports Private Limited and Shelter Trading Business Private Limited

Key Management Persons Name -	Shrey Jain
Age	26
Designation and No. of years of experience	Promoter, Whole-Time Director and CFO, 5+ years of experience in accounts and finance management
Qualification	Bachelor's degree in business administration and executive post graduate diploma in business management- finance
Responsibility	Heads the accounts and finance division of the Company
Other Directorships	Chhajer Agro Products Private Limited and Saswat Satya Global Trading LLP

Key Management Persons Name -	Lakshay Jain
Age	22
Designation	Promoter and Whole-Time Director
Qualification	Bachelor's degree in engineering
Responsibility	Overseeing the production of the Company
Other Directorships	Chhajer Agro Products Private Limited and Saswat Satya Global Trading LLP

Key Management Persons Name -	Vandana Chhajer
Age	54
Designation and No. of years of experience	Promoter and Non-Executive Director, 3+ years of experience in management and administration
Qualification	Bachelor's degree in arts
Other Directorships	Chhajer Realty LLP

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Silpi Agarwal and Chandan Gupta are Non-Executive Independent Directors of the Company. They have an average experience of 4 years and have education qualification in their respective fields.
- Seema Agarwal (CS), aged 38 years, has 4+ years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	122.10	9,989.64	13,324.98	8,828.96
Other Income	0.48	3.91	107.19	34.25
Total Income	122.58	9,993.55	13,432.17	8,863.21
Expenses				
Cost of Material Consumed	-	9,233.75	12,186.25	7,586.73
Purchases of stock-in-trade	96.99	1,795.62	606.56	558.08
Change in Inventories of Stock In Trade	-	-1,430.41	-47.82	219.42
Employee Benefit Expenses	-	24.08	23.20	17.07
Finance Cost	0.90	117.33	187.52	92.72
Depreciation and Amortization Expense	-	51.79	68.86	34.89
Other expenses	23.17	180.57	191.79	133.47
Total Expenses	121.06	9,972.73	13,216.36	8,642.38
EBITDA	1.94	186.03	365.00	314.19
EBITDA Margin	1.59%	1.86%	2.74%	3.56%
Profit/(Loss) before tax	1.52	20.82	215.81	220.83
Tax Expense				
Current tax	0.38	-	10.55	33.53
Tax for prior years	-	0.04	-	-
Deferred Tax	-	18.09	12.02	4.36
Total Tax	0.38	18.13	22.57	37.89
Profit/(Loss) for the year	1.14	2.69	193.24	182.94
Net Profit Margin	0.93%	0.03%	1.45%	2.07%

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	299.06	299.06	426.97	426.97
Reserves and surplus	1.14	3.83	197.07	380.01
Total Equity	300.20	302.89	624.04	806.98
NON-CURRENT LIABILITIES				
Long-term borrowings	495.94	542.39	409.07	342.41
Deferred Tax liability	-	18.09	30.11	34.47
Long-Term Provisions	-	0.58	0.80	1.21
Total Non-current liabilities	495.94	561.06	439.98	378.09
CURRENT LIABILITIES				
Short-term Borrowings	295.82	1,839.79	1,929.80	2,017.65
Trade Payables				
(i) Total outstanding dues of MSME	-	-	15.27	38.42
(ii) Total outstanding dues of creditors other than MSME	13.33	239.14	134.54	370.37
Other Current Liabilities	159.67	116.32	39.56	53.13
Short-term provisions	0.09	-	0.77	26.81
Total Current liabilities	468.91	2,195.25	2,119.94	2,506.38
Total Liabilities	964.85	2,756.31	2,559.92	2,884.47
Total Equity and Liabilities	1,265.05	3,059.20	3,183.96	3,691.45
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	-	1,179.77	1,117.91	1,093.19

Particulars	FY 22	FY 23	FY 24	Sep-24
Other Intangible Assets	-	0.12	0.10	0.09
Capital Work in Progress	1,068.45	-	-	4.99
Other Non- current Assets	34.33	35.36	44.92	54.51
Total Non-Current assets	1,102.78	1,215.25	1,162.93	1,152.78
CURRENT ASSETS				
Inventories	-	1,480.27	1,765.32	2,030.39
Trade Receivables	-	91.43	84.98	339.93
Cash & Cash equivalents	5.08	110.47	38.11	22.28
Short term loans and advances	157.20	161.78	48.07	34.45
Other Current Assets	-	-	84.55	111.60
Total Current assets	162.28	1,843.95	2,021.03	2,538.65
Total Assets	1,265.06	3,059.20	3,183.96	3,691.43

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	5.41	-1,212.24	31.28	51.31
Net Cash Flow from Investing Activities	-1,089.96	-140.08	-5.51	11.90
Net Cash Flow from Financing Activities	1,089.92	1,473.09	-102.93	-71.53

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	0.04	0.09	5.03	6.25	EV/EBITDA	560.25	13.84	8.01	3.46
BV per share	10.04	10.13	14.62	42.38	Market Cap / Sales	23.02	0.28	0.30	0.31
Operating Ratios					P/E	2,350	1,044.44	18.69	15.05
EBITDA Margins	1.59%	1.86%	2.74%	3.56%	Price to Book Value	9.36	9.28	6.43	2.22
PAT Margins	0.93%	0.03%	1.45%	2.07%	Solvency Ratios				
Inventory days	-	54.23	48.49	36.20	Debt / Equity	2.64	7.86	3.75	0.87
Debtor days	-	3.35	2.33	3.18	Current Ratio	0.35	0.84	0.95	0.95
Creditor days	50.30	7.90	4.21	17.77	Quick Ratio	0.35	0.17	0.12	0.12
Return Ratios					Asset Turnover	0.10	3.27	4.19	5.55
RoCE	0.24%	15.54%	27.83%	21.28%	Interest Coverage Ratio	2.16	1.14	1.58	3.01
RoE	0.38%	0.89%	30.97%	14.74%	*Annualized				

INTERPRETATION –

- The top line has increased over the years. It increased by 8,081.52% in FY23. The increase can be justified as the company started generating revenue from Jun 2022. So, there was no sale of manufactured goods in FY22. Then it increased by 33.39% in FY24 which was due to increase in production and sale of finished product and better capacity utilization.
- The net profit also increased over the years. It increased by 135.96% in FY23 and increased by 7,083.64% in FY24. Since FY23 was the first year of operation there was no sale in FY22. In FY24, the price realization of refined oil increased and better capacity utilization resulted in sudden increase in FY24.
- The EBITDA margin increased consistently over the years. The PAT margin saw a slight decrease in FY23 which should not be major concern as the company had commenced its business in FY23 so purchases increased.
- The DE ratio has remained high in FY22, FY23 and FY24.
- There is negative cash flow from operations for FY23.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Horizon Management 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 –

Horizon Management Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rexpro Enterprises Limited	53.65	145.00	Jan 29, 2025	87.05
2.	Citichem India Limited	12.60	70.00	Jan 03, 2025	34.68
3.	Abha Power and Steel Limited	38.54	75.00	Dec 04, 2024	38.00
4.	Onyx Biotec Limited	29.34	61.00	Nov 22, 2024	63.55
5.	Osel Devices Limited	70.66	160.00	Sep 24, 2024	254.20
6.	Forcas Studio Limited	37.44	80.00	Aug 26, 2024	87.50
7.	Tunwal E-Motors Limited	115.64	59.00	July 23, 2024	39.05
8.	Veritas Advertising Limited	8.48	114.00	May 21, 2024	85.60
9.	Shree Karni Fabcom Limited	42.49	227.00	Mar 14, 2024	689.80
10.	M.V.K. Agro Food Product Limited	65.88	120.00	Mar 07, 2024	33.80

The company has handled 11 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 17th Feb 2025.

As per the offer document, the above-mentioned mandates Rexpro Enterprises, Citichem India Limited opened at par, Onyx Biotec Limited and M.V.K. Agro Food Product Limited opened at discount and all have opened at a premium on the listing day.

Recommendation -

Swasth Foodtech India Limited has been in the industry since 2021 and has limited experience in the industry.

The P/E on a post-IPO annualized basis is around 15.05 times which makes it fairly priced.

The company's management is decent and the promoters have decent experience in the industry.

The company's revenue saw a sudden increase in FY23, which is not a major concern since it only began its operations in Jun 2022. The net profit also experienced a sharp rise in FY24 as the the price realization of refined oil increased and better capacity utilization resulted in that sudden increase. While the EBITDA margin consistently increased over the years, the PAT margin saw a slight decrease in FY23. However, the company reported negative cash flow from operations in FY23. Overall, its financials appear somewhat unsustainable for now, and given its incorporation in 2021, there is limited historical data on its financial performance.

The company has demonstrated significant growth since its incorporation. The company intends to expand its product portfolio by entering into sunflower oil, mustard oil, soya oil and palm oil for both institutional customers and prospective end use customers. They are also planning to start export in Japan, Europe and America.

Overall, the company has limited operating history and slightly unstable financial performance due to operations starting in June 22. Additionally, the industry remains highly competitive and fragmented in which the company is operating.

Thus, looking at the above factors mentioned we have a **NEUTRAL** opinion on this IPO. Investors can check for further company updates.

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