



INVESTMENT PROPOSAL

LEADING WHEAT FLOUR MANUFACTURER



INTRODUCTION

A well-established and rapidly growing wheat flour manufacturing company **operational since 2017** is seeking investment to scale operations and enhance infrastructure. The company supplies to major **multi-million & billion-dollar revenues** companies in the food industry and has demonstrated consistent annual growth of 20% over the last six years.

FINANCIAL HIGHLIGHTS (FY 2023-24)

- **Revenue:** ₹127.27 crore
- **EBITDA:** ₹3.93 crore (EBITDA Margin: 3.09%)
- **Net Profit After Tax (PAT):** ₹1.785 crore
- **Total Borrowings:** ₹12.90 crore
- **Equity:** ₹10.98 crore
- **Current Ratio:** 2.78 (Indicating good short-term liquidity)
- **ROE:** 16.24% (Higher ROE, indicating good returns).



INVESTMENT OBJECTIVES

The company aims to raise funds for the following key initiatives:

1. Optimizing Working Capital

- A strong Current Ratio of 2.78, but additional working capital will improve raw material procurement and supplier negotiations.
- Prevents short-term liquidity constraints and enables bulk purchases at competitive prices.

2. Expansion: 20,000 MT Wheat Storage Silos

- **Current Storage Limitation:** Traditional godown storage leads to grain losses due to moisture, pests, and spoilage.
- **Silo Benefits:**
 - Reduces wastage and quality deterioration.
 - Allows bulk purchases during low-price periods, ensuring price stability.
 - Improves efficiency by reducing labor and transportation costs.
- **Financial Impact:**
 - Estimated savings of ₹2000-₹3000 per MT on raw material procurement.
 - Annual savings of ₹6.52 - ₹8.79 Cr from storage loss reduction, handling cost reduction, and better procurement strategies.

3. Machinery Upgrades: Higher Capacity Equipment

- **Current Limitations:**
 - Existing equipment operates at lower efficiency, leading to higher energy and maintenance costs.
 - Increased downtime and lower production output.
- **Benefits of Upgrades:**
 - Increased daily production output to meet growing demand.
 - Improved automation reduces labor costs and inefficiencies.
 - Energy-efficient machinery lowers production costs.
- **Financial Impact:**
 - 15-20% increase in production efficiency.
 - Reduction in maintenance and electricity costs.
 - Boost in EBITDA margins by 0.75-1.25%.

4. Modernizing Laboratory for Quality Assurance & R&D

- **Investment in:**
 - Advanced testing equipment for flour consistency and baking performance.
 - Specialty flours for bakery and industrial applications.
- **Competitive Edge:**
 - Enhanced quality control ensures superior and consistent flour.
 - Strengthens brand reputation and trust among institutional buyers.

5. Expansion into Premium Bakery Flour Market

- **Market Opportunity:**
 - Premium bakery flour commands 30-35% higher pricing.
 - Demand is growing from artisanal bakers and major food companies and bulk buyers.
- **Strategic Benefits:**
 - Higher margin product line enhances overall profitability.
 - Diversification reduces dependency on commodity pricing fluctuations.
- **Financial Impact:**
 - Expected to contribute 10-15% of total revenue within three years.
 - EBITDA margins improve due to premium pricing.



BUSINESS PRIORITIES

- **Scalability & Market Expansion** – Expanding production capacity.
- **Revenue Growth & Profitability** – Maximizing profit margins and ensuring a steady increase in revenue.
- **Product Innovation & Quality Assurance** – Ensuring high-quality products with continuous improvement.



ADDED PRIORITIES

- **Customer Acquisition & Retention** – Building long-term relationships with clients and expanding the customer base.
- **Investment in Talent & Training** – Hiring and developing a skilled workforce to maintain excellence.
- **Exploring Export Opportunities** – Expanding into international markets to diversify revenue streams.

INVESTMENT PLAN & COST ANALYSIS

Estimated Cost Breakdown for Expansion Initiatives:

Initiative	Estimated Cost (₹ Cr)
20,000 MT Wheat Silos	22 - 29
Machinery Upgrades	4 - 5
R&D and Quality Assurance	3 - 4
Marketing Cost	1 - 2
Total Investment Required	30 - 40

Projected Annual Savings & Revenue Impact:

Savings Factor	Annual Savings (₹ Cr)
Silo Cost Savings	6.52 – 8.79
Premium & Packaged Flour EBITDA Contribution	2.11
Machinery Efficiency Gains	0.47
Economies of Scale Savings	0.60 - 0.80
Total Annual Savings	9.70 - 12.17

INDUSTRY BENCHMARK: LEADING COMPETITOR COMPARISON

A publicly listed competitor specializing in wheat flour and allied products, including refined flour (maida), semolina (suji), and bran, operates in a similar segment with an installed capacity of approximately 100,000 metric tons similar to the company seeking investment which has an installed capacity of 90,000 metric tons. The competitor is also located in the same region as the company seeking investment and is supplying almost similar set of companies and both the companies are dealing with almost the same products.

Key Financial Ratios of the Competitor:

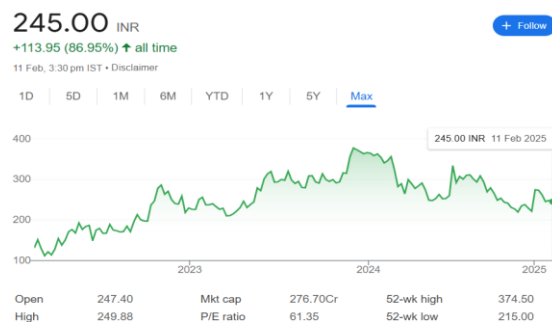
- **P/E Ratio:** 63.16
- **Debt-to-Equity Ratio:** 0.62
- **Current Ratio:** 2.15
- **Quick Ratio:** 1.38
- **Asset Turnover Ratio:** 1.92

This competitor's financial stability and operational efficiency provide a strong industry benchmark for potential investors, demonstrating the high-growth potential of the wheat processing sector.

This publicly listed company has significantly increased its capital expenditures in recent years, focusing on infrastructure and capacity expansion. According to the company's cash flow statements, the capital expenditures were as follows:

- **FY 2022-23:** ₹28.2 crore
- **FY 2023-24:** ₹51.8 crore

These investments have been directed towards enhancing production facilities and expanding operational capacity. In December 2023, the competitor raised ₹42.38 crore through a preferential issue of 1.3 million equity shares at ₹326 per share to marquee investors.



(Figure - Competitor's Share Growth on NSE)

Key Financial Ratios Comparison: Company Seeking Investment vs. Competitor (FY 2023-24)

Category	Financial Ratio	Formula Used	Company Seeking Investment(₹ Cr)	Competitor (₹ Cr)	Observations
Profitability	EBITDA Margin (%)	$(\text{EBITDA} / \text{Revenue}) \times 100$	3.09% (3.9349/127.276)	5.8% (14.8589/256.21)	Competitor has a higher EBITDA margin, indicating better cost control.
Liquidity	Current Ratio	Current Assets / Current Liabilities	2.78 (28.64/10.305)	1.56	Company seeking investment has a stronger liquidity position, meaning it can cover short-term liabilities more comfortably.
Leverage	Debt-to-Equity Ratio	Total Debt / Shareholders' Equity	1.17x (12.903/10.989)	0.62x (56.84/91.52)	Company seeking Investment has higher ratio (1.17) suggests it has more debt relative to equity. A lower ratio indicates lower financial risk, as the competitor relies more on equity than debt for funding.
Returns	Return on Equity (ROE) (%)	$(\text{Net Profit} / \text{Shareholder Equity}) \times 100$	16.24% (1.785/10.989)	3.97%	Company seeking Investment has a much higher ROE, indicating better returns.



WHY INVEST IN THIS COMPANY?

1. Strong Market Presence & Reputed Clientele

- Supplying to top FMCG companies that dominate the Indian market **with multi-million & billion-dollar revenues** and also to many hotel chains and prominent specialty bakeries in India.
- **Long-standing relationships** with institutional buyers ensure steady demand.
- Product tested and **approved for supplies in six major countries**.

2. Consistent & Strong Financial Growth

- **20%+ YoY revenue growth** over the last six years.
- Positive cash flow with increasing operational efficiency.

3. Favorable Industry Outlook

- India's wheat flour market is expected to grow at a CAGR of **7-8%**.
- Rising demand for premium and specialty flours in FMCG, bakery, and foodservice industries.

4. Planned Expansion with High ROI Potential

- Investment in **20,000 MT wheat silos** to optimize procurement and reduce storage costs.
- **Premium bakery flour segment** expected to contribute **10-15% of total revenue** in 3 years.

5. Cost Optimization & Margin Expansion

- Projected annual savings of ₹10-14 Cr post-expansion through:
 - **Bulk procurement advantages** (₹2000-₹3000 per MT savings).
 - **Energy-efficient machinery** (reducing power & maintenance costs).
 - **Improved storage facilities** (reducing wheat spoilage and wastage).

6. Diversification into Higher-Margin Products

- Entry into **value-added wheat-based products** like fortified flour and gluten-free variants.
- Expansion into **premium flour for bakery chains and industrial buyers**.
- Launch of **Branded Flour in 1kg-2kg packs** on the lines of **specialty flour** available in US, European markets for easy home baking of cakes, biscuits etc. to supply to Modern Retail Chains and Quick Delivery Apps like Swiggy, Blinkit etc.

7. Industry Benchmarking Against Listed Competitors

- **Financial metrics comparable to public-listed companies** in the wheat processing sector.
- **Potential for an IPO in the future**, offering investors strong exit opportunities.

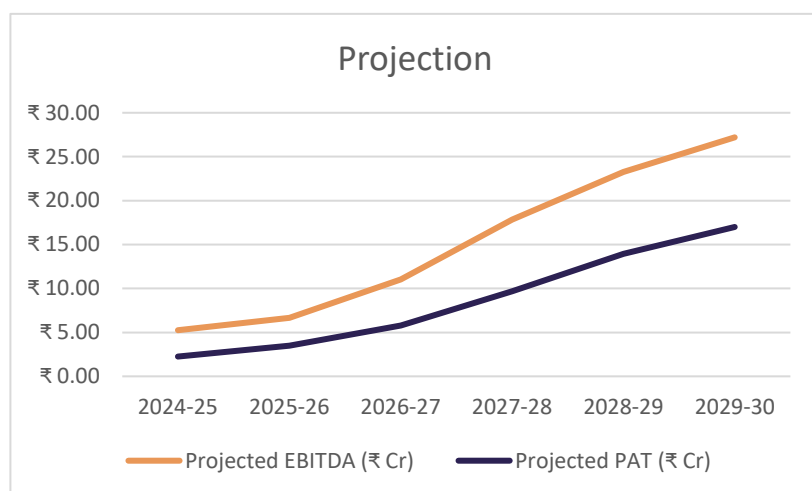
8. Technological Advancements & R&D

- Investment in **advanced testing and quality control labs**.
- R&D focus on developing **specialty flours** for high-value segments.

9. Scalability & Future Expansion Potential

SALES PROJECTION

Year	Projected Turnover (₹ Cr)	EBITDA Margin (%)	Projected EBITDA (₹ Cr)	PAT Margin (%)	Projected PAT (₹ Cr)
2024-25	₹ 150	3.50%	₹ 5.25	1.50%	₹ 2.25
2025-26	₹ 175	3.80%	₹ 6.65	2.00%	₹ 3.50
2026-27	₹ 210	5.25%	₹ 11.03	2.75%	₹ 5.78
2027-28	₹ 255	7.00%	₹ 17.85	3.80%	₹ 9.69
2028-29	₹ 310	7.50%	₹ 23.25	4.50%	₹ 13.95
2029-30	₹ 340	8.00%	₹ 27.20	5.00%	₹ 17.00



EXPLANATION OF PROJECTIONS

1. Turnover Growth:

- **2024-25:** 20% growth based on organic business expansion.
- **2025-26:** 17% growth as this year is focused on infrastructure investments.
- **2026-27 onwards:** Faster revenue growth as efficiency improvements and premium flour expansion take effect.

2. EBITDA Growth:

- **2025-26:** EBITDA margin remains low as investments are being deployed.
- **2026-27:** Margin improvement begins with cost savings from silos and higher premium flour sales.
- **2027-28 onwards:** Stronger EBITDA as premium products contribute more revenue.

3. PAT Growth:

- **2025-26:** A slight increase in PAT as company enhances investments on wheat storage.
- **2026-27 onwards:** Profitability increases as operational efficiencies and new revenue streams improve margins.



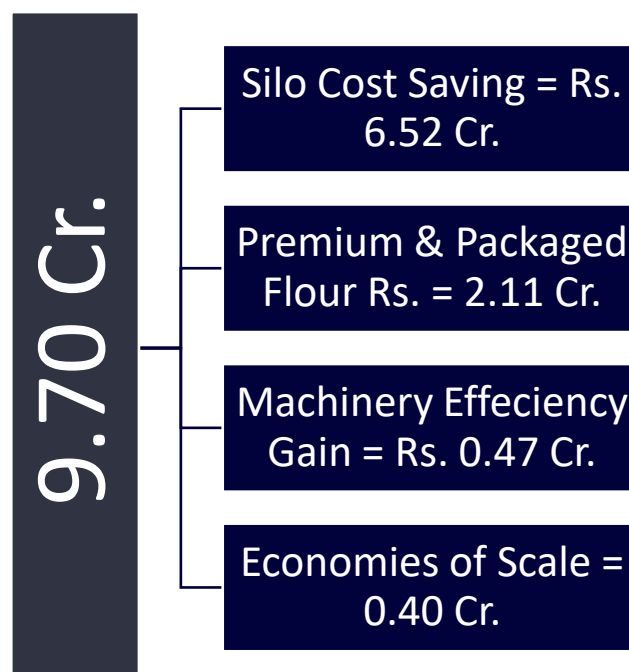
THE ASK & BREAKUP = RS. 20 CR

72.5% CAPEX	22.5% TECHNOLOGY	5% MARKETING
<ul style="list-style-type: none">• SILO CONSTRUCTION	<ul style="list-style-type: none">• MACHINERY UPGRADE• LAB & R&D UPGRADE	<ul style="list-style-type: none">• LAUNCHING 1KG, 2KG PACKS OF SPECIALITY FLOUR

BALANCE Rs. 20 Cr. WILL BE FUNDED USING DEBT FOR TOTAL REQUIREMENT OF Rs. 40 Cr.



PROJECTED ANNUAL SAVINGS BREAKUP





VALUATION ESTIMATES

The Price-to-Earnings (P/E) ratio is a key metric used to evaluate a company's valuation by comparing its current share price to its per-share earnings. In the context of THIS COMPANY, a **P/E ratio of 53** can be justified based on several factors:

1. Industry Benchmarks:

- **Food Processing Sector:** The Indian food processing industry has an average P/E ratio of approximately 53.
- **Peer Comparisons:** THE COMPETITOR trades at a P/E of approximately **63**, indicating that similar companies in the flour milling and specialty food sector command high multiples due to stable demand and profitability.

2. Growth Trajectory:

- **Consistent Revenue Growth:** THIS COMPANY has demonstrated a consistent annual growth rate of 20% over the past six years, indicating robust performance and market demand.
- **Strategic Expansion Plans:** The company's initiatives, such as constructing 20,000 MT silos and developing premium bakery flour, are anticipated to further enhance profitability and market share and increase EBITDA by 9.70 Cr. Besides EBITDA also increasing due to increased sales. **Potential to reach EBITDA of 18-20 Cr. (4-5x)** within 2-3 years after current expansion and sales improvement.

3. Market Position and Clientele:

- **Esteemed Client Base:** Supplying to major FMCG brands underscores THIS COMPANY's strong market position and reliability.
- **Product Diversification:** The move into premium bakery flour caters to a growing market segment, potentially leading to higher profit margins.

4. Investor Sentiment:

- **SME IPO Performance:** Recent SME IPOs in the food processing sector have seen high oversubscription rates, reflecting strong investor interest and confidence in the industry's prospects.
- **Industry Tailwinds & Investor Sentiment:** P/E ratios are often influenced by positive industry trends.