

APEX FROZEN FOODS LTD

Issue Details	
Issue Opens	22-Aug-17
Issue Closes	24-Aug-17
Issue Size (Rs. Crore)	152.25
Face value (per equity share)	10
Price Band (Rs.)	171- 175
Lot Size (No of Share)	80
No of Shares on Offer (crore)	0.87
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	04-Sept-17

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	99.90	72.08
Public (incl institutions and employees)	0.10	27.92
Total	100.0	100.0

Issue Date: 22nd Aug – 24th Aug 2017
Price Band (Rs.) : 171- 175
Lot Size (No. of Share) : 80
Company Background

Incorporated in 1995, Apex Frozen Foods Limited is in the business of produces and exports aquaculture products. They supply their products to food companies, retail chains, restaurants, club stores and distributors. Apex produces two kinds of shrimps namely the Whiteleg shrimp (*Litopenaeus vannamei*) and the Black Tiger Shrimp (*Penaeus monodon*). They have operations in the United States, United Kingdom and various European countries.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-17	FY-16	FY-15	FY-14	FY-13
Total Assets	257	179	165	140	94
Total Revenue	710	608	604	515	255
Profit After Tax	25	20	19	13	9

Concerns

- Risks arising from foreign exchange rate fluctuations, could adversely affect financial condition and results of operations.
- Increase in operation costs and other charges, may adversely affect results of operation and profitability.
- Company faces competition in its business from other competitors in International market.

Strengths

- Established customer relationship.
- Robust financial performance.
- Proven and experienced management.
- Focus on quality control measures and R&D initiatives.

Our View

On the upper price band of Rs.175 and on FY17 EPS of Rs.10.17, P/E ratio works out to 17.2x. Even based on last 3 years EPS of Rs.9.04, P/E Ratio works out to be 19.3x. Means company is asking the higher price band of Rs.175 in the P/E Ratio 17.2x and 19.3x. Its listed peers like Zeal Aqua is trading at P/E ratio of 100.24 (Highest) and the water base Ltd at P/E ratio of 28.54 (Lowest). Hence the issue price of Rs175 is reasonably priced.

Company revenues grew at 29% CAGR in last 3 years. However, it earns low margins. Stock markets are taking corrections. Recent SIS IPO listed with 8% premium, however closed 4% down at the time of listing. Cochin shipyard IPO which was expected to make debut has closed with 22% profits on the day of listing. Considering these factors, and looking at company's financials and expansion plans, investors may consider investment for medium to long term.

Objects of the Issue

The object of the issue are to:

1. Setting up a new shrimp processing unit with a proposed capacity of 20,000 MTPA at East Godavari District, Andhra Pradesh ("Project");
2. General Corporate purposes