

## Shine Fashions (India) Ltd.

SSIS IPO GRADE 2/5 (Weak Fundamentals)  
19<sup>th</sup> October, 2020

### Rating Overview

Incorporated in 2019, Shine Fashions (India) Ltd is one of the leading importers and suppliers of Microdot Fusible Interlinings. The company is primarily engaged in supplying, trading, and importing of non-woven interlining fabrics, woven interlining fabrics, and microdot fusible interlinings. It offers a diversified range of products such as Cap Interlinings, Woven Stretch Interlining, Hot Web Adhesive, Tricot, Cotton Fusible Interlinings, and Trafetta.

Business sources products from reliable manufacturers and supply goods in bulk to customers in different sizes to cater to diverse customers' requirements. The company produces the best quality of fabrics, for which, it has various departments at its infrastructure facilities such as testing, quality control, packaging, and others.

The company has posted non-annualized EPS of Rs. 3.45 and Rs. - (0.26) for the periods ended on March 31, 2020, and May, 31, 2020 respectively. For the said periods, it has reported RoNW of 10.37% and - (0.82) respectively. The issue is priced at a P/BV of 1.25 based on its NAV of Rs. 31.93 as on May 31, 2020, and at a P/BV of 1.19 based on post issue NAV of Rs. 34.23. Our overall fundamental rating of Shine Fashions is Weak Financials. The offer price is overvalued and the company it is unlikely that the issue will roll out in the market. Avoid.

Note: The analyst has no plans of subscribing to the offer and does not hold any shares in the company prior to, or at the time of writing this review.

### Business Overview

Shine Fashions India Ltd. (SFIL) is primarily engaged in importing, supplying and trading of non -woven interlining fabrics, woven fusible interlinings and microdot fusible interlinings. The company sources its products from reliable manufacturers of the market. The interlinings produced are in different sizes, to cater to diverse customers' specifications. It is offering high-grade quality and fine finish products to customers. SFIL provides the bulk of products to customers in the stipulated time frame and as per their choice.

Company's proficiency lies in understanding the specific requirement of customers and based on which it places the order of products to the manufacturer having requisite manufacturing facilities. The company supervises the entire manufacturing process including selection of interlinings produced till dispatch of the goods to customers place, to assure product quality and customer satisfaction. Thus it is doing third party business which is considered a very risky model of business.

## Financial Performance

The company was incorporated on September 11, 2019, Therefore the information presented relating to the Company is based on the restated financial statements of the Company for the period ended March 31, 2020, and May 31, 2020, prepared in accordance with Indian GAAP.

For the period ended March 31, 2020, the company has posted a net profit of Rs. 0.34 cr. on a turnover of Rs. 7.96 cr. For two months period ended on May 31, 2020, of the current fiscal, it has reported a loss of Rs. 0.03 cr. on a turnover of Rs. 0.02 cr.).

According to the offer documents, the company has posted non-annualized EPS of Rs. 3.45 and Rs. - (0.26) for the periods ended on March 31, 2020, and May, 31, 2020 respectively. For the said periods, it has reported RoNW of 10.37% and - (0.82) respectively. The issue is priced at a P/BV of 1.25 based on its NAV of Rs. 31.93 as on May 31, 2020, and at a P/BV of 1.19 based on post issue NAV of Rs. 34.23.

Summary of financial Information	
Particulars	For the year/period ended (Rs in Million)
	31-Dec-19
Total Assets	447.27
Total Revenue	511.83
Profit After Tax	42.21

## Issue Details

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To part finance its working capital (Rs. 1.00 cr.) and general corpus fund (Rs. 0.20 cr.) needs, SFIL is coming out with a maiden IPO of 399000 equity share of Rs. 10 each at a fixed price of Rs. 40 per share to mobilize Rs. 1.60 cr. The issue opens for subscription on October 22, 2020, and will close on October 26, 2020. Minimum application is to be done for 4000 shares and in multiples thereon, thereafter. Post allotment, shares will be

listed on BSE SME. The issue constitutes 28.52% of the post issue paid-up equity capital.

**SFIL is spending Rs. 0.40 cr. (25% of the total issue fund) for this IPO process indicating the fully structured format of this issue.**

The issue is solely lead managed by Shreni Shares Pvt. Ltd. and Cameo Corporate Services Ltd. is the registrar to the issue. Shreni Shares Pvt. Ltd. is also acting as a Market Maker for this IPO.

Having issued initial equity at par, it raised further equity at a price of Rs. 2971 per share in December 2019 and also issued bonus shares in the ratio of 49 for 1 in the same month. The average cost of acquisition of shares by the promoters is Rs. 0.000025 and Rs. 99.47 per share.

SFIL's current paid-up equity capital of Rs. 1.00 cr. will stand enhanced to Rs. 1.40 cr. post this issue.

<b>Application Dates</b>	<b>Oct 22, 2020 – Oct 26, 2020</b>
<b>Issue Type</b>	Book Built Issue IPO
<b>Face Value</b>	₹10 per equity share
<b>IPO Price</b>	₹40 per equity share
<b>Market Lot</b>	3000 Shares
<b>Listing At</b>	BSE SME
<b>Issue Size</b>	[.] Eq Shares of ₹10 (Up to ₹1.60 Cr)

### Issue Timeline

<b>Basis of Allotment Date</b>	Oct 29, 2020
<b>Initiation of Refunds</b>	Oct 30, 2020
<b>Credit of Shares to Demat Account</b>	Oct 31, 2020
<b>IPO Listing Date</b>	Nov 2, 2020

## Investment Strategy

Non-impressive financial performance, minuscule working data (just for 9 month's) and the tiny equity raise concern. The issue is exorbitantly priced considering negative earnings for the two months of the ongoing fiscal. Investors may keep away from this company which is coming with a fully structured model of issue. Due to the structured model, the issue is likely to sail through.