IPO REVIEW

Shellz India IPO

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- The company is engaged in the manufacturing and marketing of confectionery products with a diversified product portfolio of over 300+ SKUs.
- It is operating in a highly competitive and fragmented segment.
- The company posted marginal growth in its top lines for the reported periods, but bumper profits raise eyebrows and concern over its sustainability.
- Based on its recent average financial data, the issue appears exorbitantly priced.
- Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About the Company

Shellz India Ltd. (SIL) is engaged in the manufacturing and marketing of confectionery products in India, with a diversified product portfolio comprising over 300+ SKUs across multiple categories, including Choco delights, jellies, baked treats and other confectionery formats. The company also manufactures and supplies food and bakery ingredients. It focuses on developing confectionery products at accessible price points and distributing them across a wide geographic footprint, including urban and semi-urban markets, as well as smaller towns and rural areas.

According to Ken Report, the Indian confectionery market size was INR 93.1 thousand crore in FY’25 and is projected to grow to INR 125.8 thousand crore by FY’30, at a CAGR of 6.3%. The market has demonstrated robust growth, expanding at a CAGR of 9.1% between FY’19 and FY’25, driven by rising consumer demand for affordable indulgences, increased frequency of festive consumption, and deeper penetration of packaged chocolate and sugar confectionery across both urban and rural markets. Confectionery items priced between INR 1–10 accounted for the highest purchase intent at 86%, indicating their dominant role in daily consumption patterns.

The Indian confectionery market has seen a significant transformation, driven by the shift in tastes of urban and semi-urban consumers. Small-pack, low-cost options priced under INR 10 have penetrated Tier 2/3 cities, making innovative flavors and textures more accessible. India’s economy confectionery market was valued at INR 50.5 thousand crores in FY’25, reflecting the continued relevance among price sensitive consumers, particularly in Tier 2–3 cities and rural areas. India consumed 523.0 million kg of confectionery, with a per capita consumption of 0.37 kg in FY’23, which reached 0.39 kg by FY’25, substantially lower than countries like Germany (14.4), USA (9.1), and Japan (3.2). Despite the low per capita figure, India's absolute population base is driving total consumption reaching 576 million kg in FY’25, positioning it as a high-volume yet under-penetrated market.

India’s low per capita base presents significant room for expansion, with consumption projected to rise to 0.5 kg by FY’30E, growing at a CAGR of ~4.6%. This growth is being driven by urbanization, rising incomes, a young population, and increasing access to affordable SKUs. SIL markets its consumer products under two brands, “Hugs” and “Tosca”. Under its flagship “Hugs” brand, it offers products across four categories, including baked treats, Choco delights, jellies, and panned and sugar confectionery. The “Hugs” portfolio is largely positioned at mass-market price points, with a majority of products priced at ₹10 or below.

According to the Ken Report, 68% of non-adult consumers opt for confectionery, including chocolate, at price points of ₹10 or below. Confectionery products are typically impulse-driven purchases, and sales are influenced by product availability and visibility at retail points. According to the Ken Report, 92% of grocery consumption in India continues to occur through Kirana stores. As on March 31, 2026, its products are distributed through a network of over 300 super stockists and are available across Kirana outlets in around 24 states in India. Its distribution model is focused on driving volumes through repeat purchase-driven SKUs and wide retail penetration. The company is in the highly competitive and fragmented segment.

Under our “Tosca” brand, it offers products with a relatively higher unit selling price, positioned towards mass-premium segments. The brand is currently being developed with a focus on e-commerce and quick commerce channels. The “Tosca” portfolio comprises products with differentiated formats and packaging targeted at urban consumers. The company is also expanding the “Tosca” portfolio to include products incorporating cereal-based ingredients, aligned with evolving consumer preferences for differentiated snacking options. As part of this portfolio, it formulated “Tosca Oat Choco”, an oat and cereal-based bar positioned as an alternative to traditional confectionery formats, containing approximately 33% less sugar than certain leading chocolate bars, based on internal product comparisons.

In addition to marketing and sales of consumer products under own brands, it also undertakes private label manufacturing for third-party customers. The company also exports products to international markets, including countries in the Middle East, South Asia and Europe. These channels complement its core consumer business and support diversification across customers, product formats and routes to market. As of August 31, 2026, it had 258 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 3350400 equity shares of Rs. 10 each to mobilize Rs. 59.97 cr. at the upper cap. The company has announced a price band of Rs. 170 – Rs. 179 per share. The minimum application to be made is for 1600 shares and in multiples of 800 shares thereon, thereafter. The issue opens for subscription on October 15, 2026 and will close on or before October 19, 2026. The shares will be listed on BSE SME. The IPO constitute 27.76% of the post-IPO paid-up capital of the company. From the net proceeds of the issue, the company will utilize Rs. 23.00 cr. for working capital, Rs. 22.00 cr. for repayment/prepayment of certain

borrowings, and the rest for general corporate purposes.

The IPO is solely lead managed by Socradamus Capital Pvt. Ltd., while Bigshare Services Pvt. Ltd. is the registrar to the issue. Mansi Share & Stock Broking Pvt. Ltd., is a market maker, and also a syndicate member.

After issuing initial equity capital at par value, the company issued further equity shares in the price range of Rs. 55.00 – Rs. 1490.00, per share between March 2014, and September 2025. It has also issued bonus shares in the ratio of 11 for 1 in November 2025. The average cost of acquisition of shares by the promoters us ₹ 8.06, and ₹ 34.92 per share

Post-IPO, company's current paid-up equity capital of Rs. 8.72 cr. (8716704 equity shares) will stand enhanced to Rs. 12.07 cr. (12067104 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 216.00 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted total income/ net profit, of Rs. 162.81 cr. / Rs. 5.25 cr. (FY24), Rs. 187.39 cr. / Rs. 8.30 cr. (FY25), Rs. 193.18 cr. / Rs. 13.37 cr. (FY26). For Q1 of FY27 ended on June 30, 2026, it earned a net profit of Rs. 4.08 cr. on a total income of Rs. 47.43 cr. The company posted marginal growth in its top lines for the reported periods, but marked bumper jump in its bottom lines for the reported periods, that raises eyebrows and concern over its sustainability.

Its trade receivables of Rs. 53.89 cr. raise alarm as it is higher than the top line for the said period. It's stood at Rs. 24.87 cr. as of June 30, 2026 remains major concern.

For the last three fiscals, the company has reported an average EPS of Rs. 11.90 and an average RoNW of 21.40%. The issue is priced at a P/BV of 2.48 based on its NAV of Rs. 72.31 per share as of June 30, 2026 , but its post-IPO NAV data is missing from the offer documents.

If we attribute FY27 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 13.24, and based on FY26 earnings, the P/E stands at 16.16. The issue appears exorbitantly priced based on its recent average earnings.

The company has posted PAT Margins of 3.24% (FY24), 4.44% (FY25), 6.94% (FY26), 8.63% (Q1-FY27), and RoCE margins of 15.89%, 17.50%, 19.11%, 4.69%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends for any financial year. It has adopted a dividend policy in November 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Annapurna Swadisht, as its listed peer. It is currently trading at a P/E of 8.0 (as of October 13, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears as an eye-wash.

Merchant Banker's Track Record

This is the 7th mandate from Socradamus Capital Pvt. Ltd., in the last three fiscals. Out of the last 6 listings, 3 opened at discount, and the remaining 3 with premiums raging from 17.65% to 90.00% on the date of listing. The merchant banker has an average track record.

Conclusion / Investment Strategy

SIL is engaged in the manufacturing and marketing of confectionery products with a diversified product portfolio of over 300+ SKUs. It is operating in a highly competitive and fragmented segment. The company posted marginal growth in its top lines for the reported periods, but bumper profits raise eyebrows and concern over its sustainability. Based on its recent average financial data, the issue appears exorbitantly priced. Boosted profits for Q1-FY27 appears window dressing to fetch fancy valuations for the IPO. Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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