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IPO Report

05th Sept '24

Snapshot

Company is engaged in the business of manufacturing and selling of Flexible Intermediate Bulk Containers (FIBCs) i.e. large flexible bags and other industrial packaging products such as woven sacks, woven fabric and narrow fabric, tapes in the Indian domestic market and overseas. Company offer customised products and cater to the bulk packaging solutions of its clients from diverse industries like chemicals, agrochemicals, food mining, waste disposal industry, agriculture industry, lubricants and edible oil by supplying them company’s FIBC products for transportation purposes and their packaging requirement

VALUATION

Company is bringing the issue at price band of Rs 78-83 per share at p/e multiple of 19x on post issue FY24 PAT basis. Company has diverse customer base with Cost-Effectiveness of FIBCs , Multi- product portfolio, Integrated Manufacturing Facility , Quality Standard Certifications & Quality Tests & Experienced Promoter and senior management team . Company being multi-market Company with product development capabilities has growing demand for sustainable packaging solutions. . Hence ,looking after all above we recommend “Subscribe” on issue.

Price Band (Rs./Share)	78-83
Opening date of the issue	05th Sept '2024
Closing Date of the issue	09th Sept '2024
No of shares pre issue	6,68,20,852 Eq Shares
Issue Size	Rs 169.65 Cr
No of shares	2,04,40,000 Eq Shares
Fresh issue	1,47,50,000 Eq Shares
Offer For Sale	56,90,000 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	180

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer
Non-Institutional	15% of the offer
Retail	35% of the offer
Lead managers	PNB Investment Services Limited, Unistone Capital Private Limited
Registrar to the issue	Link Intime India Pvt. Ltd

WHAT WE LIKE

Diverse customer base

Over the years, company have nurtured relationships with clients across various industries, consistently providing them with its product offerings. Company maintain relationships with many clients, and their repeat business provides company with an understanding of future revenues and a stable client base. Company help and design customized FIBCs, by offering complete range of FIBC for packaging all possible products. This enables company’s customers to improve performance and to reduce the cost thereby helping company in retaining its customers and getting price advantage over other suppliers. Over the years company have developed and rolled out a broad range of products

Multi- product portfolio

Company offer a wide range of packaging solutions to its clients since company manufacture variety of FIBC bags for packaging all possible products including, food products, chemicals, minings etc. Company’s products are logistic solutions for diverse industry and the success of company’s business does not depend upon a few sectors. Company is a one-stop solution to all FIBC packaging needs and putting efforts to grow majorly on the same.

Integrated Manufacturing Facility

Company own and operate five (5) Manufacturing Facilities strategically located at Indore (Madhya Pradesh). The location of company’s units is in proximity to Mumbai, Maharashtra and major industrial zones having good connectivity to ports, airports, and highways, which enhances company’s capability of supplying company’s products in time and on a cost-effective basis to its clients. Company’s manufacturing facilities are constructed over an area of 21,613 Sq. Mtr., with an installed extrudious capacity of 2,300 Mt/ month approximately and its utilized capacity of 2,200 Mt/ month approximately



COMPANY BACKGROUND

In terms of competence, company's core competencies include a wide product range, multi-location facilities, recurring orders, global presence, scale of production, technical expertise, environmental contribution, and recycling efforts. Company offer a wide range of packaging solutions to its clients since company manufacture variety of FIBC bags, woven bags and container liners etc. Company manufacture FIBC bags for packaging all possible products including, food products, chemicals, minings etc. Company's products are logistic solutions for diverse industries and the success of its business does not depend upon a few sectors. Company is a one-stop solution to all FIBC packaging needs. Company is among the few companies in India with large portfolio. For ease of operations and better management and control, company manufacture specific products under various Subsidiaries. Company have established its services for more than 20 (twenty) years and operate out of five (5) manufacturing units. Company operate and manage its business through its subsidiaries viz. Honourable Packaging Private Limited (HPPL), Shree Tirupati Balajee FIBC Limited (STBFL) and Jagannath Plastics Private Limited (JPPL) as well.

Company's products are tailored to meet the preferences and demands of its customers. Quality checks are conducted at various stages of production to promptly address any defects or errors. Company has an in-house facility for conducting various tests aimed at furthering improvements. Company's products are tailored to meet the preferences and demands of its customers. Quality checks are conducted at various stages of production to promptly address any defects or errors. Additionally, rigorous quality testing, including tensile testing, UV testing, surface resistibility testing in Type C, Rig testing, and Drop testing, is carried out to ensure that company's products adhere to industry standards for safety, durability, and environmental sustainability before they are delivered to clients. Company emphasizes high-quality manufacturing and adheres to various standards. Company consistently check the quality of its products during production to promptly address any defects and ensure they meet industry standards before reaching its clients. Company have clear quality and production procedures in place. Company's products adhere to international standards, and company's manufacturing units I and II hold ISO 9001:2015 and ISO 22000:2018 certifications. Company also have certifications for Quality Management System and Food Safety Management System for the production of Flexible Intermediate Bulk Containers (FIBC), Woven Sacks, and Fabrics of PP (Polypropylene) and HDPE (High-Density Polyethylene). Unit III is certified with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 22000:2018, and SEDEX SMETA four-pillar. This state-of-the-art Food Grade facility is Brand Reputation Compliance Global Standard (BRCGS) and Global food safety initiative (GFSI) certified for food-grade production, equipped with HEPA filters i.e. High Efficiency Particulate Air which is a pleated mechanical air filter, along with controlled air conditioning, metal detectors, automatic bag cleaning machines, and other essentials for manufacturing bags suitable for human and animal food packaging. Company have its in-house research and development activities and have employed people exclusively for providing customer solution for their needs and customization requirement. With company's Research and Development team company hold one granted patent and have two pending patents, demonstrating company's commitment to innovation (Source: Care Edge Report). While carrying out company's operations, company focus on sustainability in all aspects of its operations. Company focus on reusing and recycling plastic products to reduce carbon emissions. Company is dedicated to environmental stewardship, exemplified by the establishment of a 2 MW Solar Power Plant in Village Khodri Nipania, Tehsil Tarana, Dist. Ujjain, Madhya Pradesh for captive consumption. Installed in March 2021, this project is supplemented by a rooftop solar plant in Unit 2, generating 300 KW and an estimated annual production of approximately 32 lakh units. The energy generated from these sources is renewable, green, and clean sources of energy. Also, a solar power plant in Unit IV and Unit V for 142 KW and 650 KW respectively is installed in year 2021 for captive use. The solar power plant is not integral to its core business operations. However, its major benefits lie in cost reduction for production and captive use.

Despite not being a core aspect of Company's operations, the solar power plant was established to mitigate power costs. Solar energy proves to be a more cost-effective alternative compared to the supply provided by M.P. Paschim Kshetra Vidyut Vitaran Co. Ltd. (MPPKVCL). Units generated by the plant are channelled into the grid, with MPPKVCL deducting the supplied units from the company's monthly power bill. This strategy of utilizing selfgenerated power for captive consumption not only reduces production costs but also aligns with the preferences of international clients, who advocate for investments in renewable energy.

While the solar power plant may not be integral to the company's primary business model, its benefits are undeniable. By enhancing cost competitiveness and facilitating captive power consumption, the plant contributes to the company's operational efficiency. Furthermore, its provision of safe, green, and clean energy aligns with the nation's current emphasis on sustainable practices. This solar plant powers company's own operations, and company is one of the very few companies in company's industry with such a large solar power plant for company's captive consumption. Company installed this project in March 2021. The units generating from these plants are renewable, green, and clean sources of energy. Also, a solar power plant in Unit IV and Unit V for 142 KW and 650 KW respectively is installed in year 2021 for captive use. The solar power plant is not integral to company's core business operations. However, its major benefits lie in cost reduction for production and captive use. Company's customer base spans the globe, and its commitment to equality and customer satisfaction, regardless of customer size or location, has been instrumental in company's continued growth and stability. Company has a customer base across industries and geographies both at domestic and overseas. This reduces company's dependence on any one industry or location and provides a natural hedge against market instability in a particular industry or location. Over the years company have established relationships with various clients across industries and continue to serve them its product offerings. Company enjoy long-term relationships with several clients, and their repeat business provides it with a clear view of future revenues and a stable client base.



INVESTMENT RATIONALE

<p><i>Cost-Effectiveness of FIBCs</i></p>	<p>FIBCs are made of flexible woven fabrics, usually polypropylene (PP), and can hold a weight of 500 kg to 2,000 kg. These flexible intermediate containers are commonly used to store dry and mobile products such as grains, seeds, salt, chemicals, sand, clay, cement, etc. FIBCs offer cost-effectiveness, efficient load handling, ease of use, and chemical resistance, making them a swift replacement for alternative bulk packaging options such as paper-based products. Additionally, FIBCs contribute to weight reduction, resulting in lower transportation costs. Beyond the surging demand anticipated in the Asia-Pacific (APAC) region, particularly in the food & beverage industry, other key end-use sectors including chemicals, pharmaceuticals, construction, metals & mining, among others, are progressively transitioning to FIBCs due to their advantages, such as cost-efficiency and enhanced handling convenience. FIBC reduce the total weight of bulk packaging due to their negligible weight. They can also be stored in a small space by folding and pressing multiple container bags together. In addition, due to Container bags' low cost and lightweight, forklift trucks can be used for mechanical processing, which is very convenient to handle. Besides, the adoption rate is higher than that of corrugated paper packaging, which is widely used in the pharmaceutical, chemical, and food industries. Moreover, since Container bags are light in weight and can be used multiple times, they have lower packaging costs and transportation costs. At the same time, with the substitutes made of metal materials, the production process is complex with associated production costs. Therefore, cost-effectiveness is one of the driving factors of the FIBC market (Source: Care Edge Report)</p>
<p><i>Quality Standard Certifications & Quality Tests</i></p>	<p>Company emphasizes the production of quality products. Comprehensive inspections are conducted at each stage of production to address any concerns promptly, ensuring compliance with industry standards before distributing company's products to customers. Company's commitment to excellence is demonstrated through clearly defined quality and production procedures. Company's products consistently meet global standards, backed by certifications for Manufacturing units I and II - ISO 9001:2015 and ISO 22000:2018 from International Certification Services Private Limited and Staunchly Management and System Services Limited, respectively. Furthermore, company's Quality Management System and Food Safety Management System Standard certifications for the production of Flexible Intermediate Bulk Containers (FIBC), Woven Sacks, and Fabrics of PP (Polypropylene) and HDPE (High-Density Polyethylene) reinforce company's commitment. Unit III holds certifications for ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 22000:2018, and SEDEX SMETA four-pillar. This advanced Food Grade facility boasts BRCGS and GFSI certifications for foodgrade production, featuring HEPA filters, controlled air conditioning, metal detectors, automatic bag cleaning machines, and other essentials for manufacturing bags</p>
<p><i>Experienced Promoter and senior management team</i></p>	<p>Company is led by qualified and experienced individual Promoter and senior management team, who has the expertise and vision to manage and grow company's business. Company's Individual Promoter, Binod Kumar Agarwal has done his graduation in Chemical Engineering from REC Rourkela (now NIT Rourkela). He has a cumulative experience of over three and half decades in the field of packaging industry and have been instrumental in Company's growth and development. His knowledge and experience makes him an expert in the domain of manufacturing and understanding of product requirement of the customer on the basis of material goods that need to be transported and safety norms that need to be understood and followed.</p>



OBJECTS OF OFFER

The Offer comprises of a Fresh Issue of 1,47,50,000 Equity Shares and the Offer for Sale of 56,90,000 Equity Shares, by Company.

Objects of the Fresh Issue

Company intend to utilize the net proceeds of the Fresh Issue to meet the following objects:

1. Repayment and/or prepayment, in part or full, of certain of company's outstanding borrowings availed by Company.
2. Investment in company's subsidiaries HPPL, STBFL and JPPL for Repayment and/or prepayment, in part or full, of certain of outstanding borrowings availed
3. Funding the incremental working capital requirements of Company;
4. Investment in company's subsidiaries HPPL, STBFL and JPPL for funding working capital requirements and
5. General corporate purposes.

RISKS

All company's manufacturing facilities are situated at Pithampur, Madhya Pradesh resulting in concentration in a single region. Any interruption for a significant period of time, in these facilities may in turn adversely affect company's business, financial condition and results of operations.

Source:RHP

INDUSTRY OVERVIEW

Growth & Opportunities in FIBC Industry

- **Rapid Industrialization**

One of the primary drivers of growth in this industry is the rapid pace of industrialization worldwide. FIBCs are increasingly being adopted by manufacturers in the chemical and agriculture sectors for the transportation of various commodities, including grains, rice, potatoes, cereals, and liquid chemicals. Additionally, these bags are used to store and transport construction supplies such as carbon black, steel, alloys, minerals, cement, and sand. Moreover, the FIBC market is expanding due to growing environmental concerns and the rising demand for lightweight, biodegradable bulk packaging materials, particularly in the pharmaceutical sector. Pharmaceutical-grade FIBCs play a crucial role in the storage and prevention of contamination for a wide range of medical products. Innovations in product development, such as the introduction of FIBC variations designed for hygienic packaging solutions, are further contributing to the industry's growth.

- **Cost Effective for End-Use Industries** Flexible Intermediate Bulk Containers (FIBCs) offer cost-effectiveness, efficient load handling, ease of use, and chemical resistance, making them a swift replacement for alternative bulk packaging options such as paper-based products. Additionally, FIBCs contribute to weight reduction, resulting in lower transportation costs. Beyond the surging demand anticipated in the Asia-Pacific (APAC) region, particularly in the food & beverage industry, other key end-use sectors including chemicals, pharmaceuticals, construction, metals & mining, among others, are progressively transitioning to FIBCs due to their advantages, such as cost-efficiency and enhanced handling convenience.

- **Growing Pharmaceutical Product and Chemical Material Trade among European Countries** Flexible Intermediate Bulk Containers (FIBCs) are United Nations-certified high-quality, non-polluting transport solutions. The growing demand for industrial chemicals and pharmaceuticals in Europe and the growing trade volume among European countries are driving the development of this industry market. According to the Federation of European Pharmaceutical Industry Associations, Germany exported nearly 15% of its medicines globally in 2019. Whereas, according to the European Chemical Industry Council, the chemical industry is the second-largest manufacturing industry in the UK, with revenues of \$74.6 billion and value-added of \$22.8 billion in 2019, followed by the food and beverage processing industry. Furthermore, the UK's chemical industry is active in all key sectors, including petrochemicals, basic inorganic substances, agrochemicals, polymers, paints, and industries including fuel additives, lubricants, construction chemicals, and more. The increased use of products in the industrial sector thus drives sales in Europe.

Growing Demand for Cereals boosts New Zealand Market Flexible intermediate bulk container bags (FIBC) are widely used in agricultural applications, where these bags can be used to maintain the freshness of agricultural products and extend their shelf life. Also, a wide variety of FIBCs can fulfil the transportation needs of a variety of different items. For example, Baffle bags and circular FIBCs are ideal for storing dry grainy produce like legumes, beans, and rice and Fine powders like salt. Whereas giant bags are ideal for handling livestock feed and pet food, as they help maintain the nutritional value of the product. According to the U.S. Department of Agriculture, New Zealand's grain and feed import volumes in 2022 rose to the highest level ever, importing 3.7 million metric tons (MMT), up 13% from the previous year. National grain and feed demand continue to outstrip domestic supply by nearly double, with New Zealand producing 2.1 MMT in 2022, but consuming an estimated 5.8 MMT.



Consolidated Financials

(Rs in lakhs)

Financials	FY22	FY23	FY24
Total Revenue (A)	44418.05	47543.33	53966.08
Total Expenditure (B)	41327.42	42739.22	47775.07
EBIDTA	3090.63	4804.11	6191.01
EBIDTA Margin	6.96	10.10	11.47
Other Income	960.72	270.32	1316.03
Depreciation	715.24	580.72	691.27
EBIT	3336.11	4493.71	6815.77
Interest	1602.46	1782.86	2071.52
PBT	1733.65	2710.85	4744.25
Share of profit in Asso	0.00	0.00	0.00
PBIT	1733.65	2710.85	4744.25
Exceptional	0.00	0.00	0.00
PBT	1733.65	2710.85	4744.25
Tax	367.76	639.05	1136.98
PAT	1365.89	2071.80	3607.27
NPM	3.08	4.36	6.68
ROE%	14.81	18.80	20.84
EPS	2.31	3.51	5.74
Eq Cap	114.57	115.80	6,682.09
Net Worth	9,222.96	11,021.19	17,306.51

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Lakhs)	EPS	NAV	ROE %
Shree Tirupati Balajee Agro Trading Company Limited		55282.11	5.74	27.54	20.84
Peers					
Commercial Syn Bags Ltd	37.13	28875.73	1.81	32.02	5.66
Emmbi Industries Limited	22.07	37759.60	5.62	96.17	5.85
Rishi Techtex Limited	33.01	11196.16	1.82	43.09	4.23

(Source: RHP)



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