



LONG TERM SUBSCRIBE

IPO Report

16th Aug'23

Snapshot

Pyramid Technoplast Ltd is an industrial packaging company engaged in the business of manufacturing polymer based molded products (Polymer Drums) mainly used by chemical, agrochemical, speciality chemical and pharmaceutical companies for their packaging requirements. Company is one of the leading manufacturers of rigid Intermediate Bulk Containers (IBC) in India manufacturing 1,000 litre capacity IBC (Source: Marketysers Report). Company also manufacture MS Drums made of mild steel (MS) used in the packaging and transport of chemicals, agrochemicals and speciality chemicals. Company's products are marketed and sold under its brand name "Pyramid".

VALUATION

Company is bringing the issue at price band of Rs 151-166 per share at p/e multiple of 19.23x on post issue FY23 basis. Company has diverse customer base with comprehensive product portfolio. Company has strategic location of company's manufacturing units. Company has Quality Standard Certifications & Quality Tests with experienced Promoters and senior management team. Hence, we recommend "Long Tem Subscribe" on issue.

Price Band (Rs./Share)	151-166
Opening date of the issue	18th Aug '2023
Closing Date of the issue	22nd Aug '2023
No of shares pre issue	69516900 Eq Shares
Issue Size	Rs 139-153 Cr
Issue Size	9,220,000 Equity Shares
Fresh Issue	5,500,000 Equity Shares
Offer For Sale	3,720,000 Equity Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	90

BIDDING DETAILS

QIBs (Including Anchor)	30% of the offer (Approx 2,766,000 Eq Shares)
Non-Institutional	20% of the offer (Approx 1,844,000 Eq Shares)
Retail	50 % of the offer (Approx 4,610,000 Eq Shares)
Lead managers	PNB Investment Services, First Overseas Capital
Registrar to the issue	Bigshare Services Pvt Ltd

WHAT WE LIKE

Diverse customer base

Company cater to bulk packaging requirements of its clients from diverse industries like chemicals, agrochemicals, pharmaceuticals, lubricants and edible oil by supplying them Polymer Drums, IBC and MS drums. Company have over the years established relationships with various clients across these industries and continue to serve them its product offerings. Company have served more than 376 customers on a regular basis during the past three financial years.

Comprehensive product portfolio

Company offer complete bulk industrial packaging solutions to its clients since company manufacture both polymer based bulk packaging drums and IBC, as well as MS Drums for packaging. Company's product offering in polymer based packaging by way of drums ranges from 20 litres to 250 litres and IBC which is 1,000 litres. Company also offer the alternative packaging option of MS Drums manufactured from MS enabling company to offer and provide alternative packaging solutions to its customers as per their preferences and requirements. Company use blow molding technology to manufacture industrial packaging products such as jerry cans, polycans, drums (wide mouth, narrow mouth, open top), open top drums, etc. ranging from 20 litres to 250 litres. In addition to these products, company also use injection molding technology to manufacture caps, closures, bungs, lids, handles, 150 lugs for in-house use for the products manufactured by company.

Strategic location of company's manufacturing units.

Company have six (6) manufacturing units out of which four (4) are situated at Bharuch, GIDC, Gujarat and two (2) units are situated at Silvassa, UT of Dadra and Nagar Haveli. Company's units are situated in the industrial belts of Bharuch, Gujarat and Silvassa, UT of Dadra and Nagar Haveli which are manufacturing hubs for various industries like chemicals, agrochemicals, pharmaceuticals, lubricants, edible oil, etc



COMPANY BACKGROUND

Company started commercial production in the year 1998 in Unit I. Presently, company have six (6) strategically situated manufacturing units out of which four (4) are in Bharuch, GIDC, Gujarat and two (2) are situated at Silvassa, UT of Dadra and Nagar Haveli. The seventh (7) manufacturing unit is under construction at the Bharuch, GIDC, Gujarat adjacent to the existing six units. The total installed capacity of company's Polymer Drum manufacturing units is 20,612 MTPA. The total installed capacity of company's IBC manufacturing unit is 12,820 MTPA and the total installed capacity of its MS Drums unit is 6,200 MTPA.

Company have obtained UN certification for IBC and MS Drums to meet safety levels outlined by United Nations Recommendations on the Transport of Dangerous Goods, in order to transport them safely (by road, rail, sea and air). Company's manufacturing units are ISO 9001:2015/ ISO 14001:2015/ISO 45001:2018 certified by quality, environment, health and safety management systems for the manufacture of Polymer Drums, carboys, jerry cans, IBC & MS Drums and accessories connected thereto. Further, company's MS Drums meet quality standards as per IS 1783:2014 (Part 1 and 2) laid down by Bureau of Indian Standards. Company's products undergo stringent quality tests to meet industry standards before they are delivered to its clients. Company undertake various strength tests like hydrostatic testing and pneumatic testing on containers for leakages and ruptures, environmental stress cracking resistance test and such other tests. These tests ensure that company's products meet the industry standards required by its clients for safety, durability and environment. Company also undertake "met flow index test" which is carried on raw materials like HDPE, HMHDPE and master batches to ensure the quality of these raw material. Further, company undertake tests such as drop test, leakage test and hydraulic pressure test in case of MS Drums. Company have long term relationships with distributors or vendors, both domestic and international, and have multiple vendors for particular components rather than relying on single sources in order to de-risk itself from supply chain problems. This also allows company to ensure availability for its raw materials as well as enables company to secure the best possible prices for its product.

Company's revenues from operations across product verticals for Fiscals 2023, 2022 and 2021, is as follows
(₹ in lakhs, except for percentages)

Particulars	Fiscal					
	2023		2022		2021	
	Amount	Percentage of Revenue from Operations (%)	Amount	Percentage of Revenue from Operations (%)	Amount	Percentage of Revenue from Operations (%)
Polymer Drums	24807.57	51.68%	21400.58	53.45%	17933.90	57.21%
IBC	15332.46	31.94%	12207.90	30.49%	8283.81	26.42%
MS Drums	4239.24	8.83%	4458.06	11.13%	2677.76	8.54%
Others*	3623.24	7.55%	1975.03	4.93%	2454.71	7.83%
Total	48002.51	100.00%	40041.57	100.00%	31350.18	100.00%



INVESTMENT RATIONALE

<p>Quality Standard Certifications & Quality Tests</p>	<p>Company have obtained UN certification for IBC and MS Drums to meet safety levels outlined by United Nations Recommendations on the Transport of Dangerous Goods, in order to transport them safely (by road, rail, sea and air). Company's manufacturing units are ISO 9001:2015/ ISO 14001:2015/ISO 45001:2018 certified by quality, environment, health and safety management systems for the manufacture of Polymer Drums, carboys, jerry cans, IBC & MS Drums and accessories connected thereto. Further, company's MS Drums meet quality standards as per IS 1783:2014 (Part 1 and 2) laid down by Bureau of Indian Standards. Company's products undergo stringent quality tests to meet industry standards before they are delivered to clients. Company undertake various strength tests like hydrostatic testing and pneumatic testing on containers for leakages and ruptures, environmental stress cracking resistance test and such other tests. These tests ensure that company's products meet the industry standards required by its clients for safety, durability and environment. Company also undertake "met flow index test" which is carried on raw materials like HDPE, HMHDPE and master batches to ensure the quality of these raw material. Further, company undertake tests such as drop test, leakage test and hydraulic pressure test in case of MS Drums. Company's stringent quality systems and processes enable to meet the rigorous and complex requirements of its customers within the stipulated timelines and provide company with track record of reliability. In addition to the quality certifications, company have over the years focused on its brand "Pyramid" mainly for its products. All company's products have company's brand name engraved or embossed, except where the client has requested company to provide space for their own branding requirements. Further, Company has registered one (1) design pattern for IBC under class 3 & 9, with the Controller General of Patents, Designs and Trademarks in India.</p>
<p>Experienced Promoters and senior management team</p>	<p>Company is led by qualified and experienced individual Promoters and senior management team, that has the expertise and vision to manage and grow company's business. Company's Promoters, Bijaykumar Agarwal and Jaiprakash Agarwal have a cumulative experience of over 4 (four) decades in the industry and have been instrumental in company's growth and development. Bijaykumar Agarwal, one of company's Promoters, has been at the helm of company since 2002, prior to which he was associated with Yash Synthetics Private Limited where he was looking after various functions such as manufacturing, sale and marketing. Jaiprakash Agarwal is second generation entrepreneur and bring his acumen in business administration to company's business. In addition to his expertise in business administration, he also looks after manufacturing operations and sales & marketing activities. He strives to maintain regular contacts with customers. Company's Promoters are ably supported by its management team which enables company to understand and anticipate market trends, manage its business operations and growth and leverage customer relationships. The knowledge and experience of company's Promoters, along with senior management team, provides company with a competitive advantage, as company seek to expand its production capacities and, as well as expansion in its existing markets and new markets.</p>



OBJECTS OF OFFER

Offer for Sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholder. Company will not receive any proceeds from the Offer for Sale.

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment and/or pre-payment, in full or part, of certain outstanding borrowings availed by company;
2. Funding working capital requirements of company; and
3. General corporate purposes

RISKS

Company's business is dependent on its manufacturing units which are strategically located in Gujarat and UT of Dadra & Nagar Haveli. Any shutdown of operations of company's manufacturing units may have an adverse effect on company's business and results of operations.

Source:RHP

INDUSTRY OVERVIEW

POLYMER DRUMS & HM-HDPE INDUSTRY:

INDIA MARKET OVERVIEW

High-density polyethylene, or HDPE, is the specific type of plastic used in the production of polymer drums. For storing and moving goods, barrels and drums have been used for millennia. The oldest of these containers were built of readily accessible materials like wood or clay. Steel production enabled the creation of steel drums a century ago, and synthetic polymer drum and barrel production quickly followed. Modern technology made it possible to mass-produce plastic at low cost. Since HDPE was created to be sturdy and long-lasting enough to hold even the most dangerous chemicals, it swiftly gained popularity during the 20th century. HDPE, a polymer-based plastic, is ideal for an industrial application because it doesn't react with many everyday components and won't react with many other chemicals and substances. HDPE barrels are made using plastic mould, which make it simple to build a smooth, cylindrical-shaped drum in great quantities while keeping expenses to a minimum. Polymer drums come in two basic types: open head and tight head. For storage or transportation, open head polymer drums can be sealed with a tight lid and fasteners or left open-topped. The top of the container will be used for both filling and emptying because it has the single entrance. This type of polymer drum is available in a wide range of sizes. These drums with an open head are sturdy, resilient, and capable of holding hazardous waste. Furthermore, polymer drums with a tight head are sealed at the top and bottom. With the exception of one or two specific apertures designed to funnel liquids in and out, they are entirely sealed. These tiny gaps are themselves closed off using a bung or other sturdy stopper. Tight-head polymer drums are frequently considered to be more secure than open-head polymer drums since they are sealed. They are produced in a smaller range of capacities. Due to the need for simple funneling of the contents into and out of the drum, tight-head drums are ideal for the storage and transportation of liquids. They are useful for liquids like oils, big volumes of beverages, and others. Drums with tight heads offer more protection for liquids than those with open heads. Open-head polymer drums are excellent for storing semi-solids, powders, and thick liquids since the lid may be removed for considerably simpler access to the contents. An open-head drum is frequently used to store food, but it can also be used to store chemicals or hazardous waste.

MS-DRUMS INDUSTRY:

INDIA MARKET OVERVIEW

Mild steel, a ferrous metal comprised of iron and carbon, is used to make the MS drums, a safe and secure rigid packaging option. These barrels have a number of distinguishing qualities, including low cost, ease of handling, safety & security while shipping, fire resistance, reusability, recycling, and many more. Mild steel is a cheap material with qualities that make it appropriate for most common engineering applications. The mild steel barrels' corrosion resistance, solid structure, thermal stability, and compact shape make them ideal for storing liquids, such as the commonly used heavy-duty drums used to store paints, dyes, and other chemicals. These mild steel barrels are also used to store various items in environments with high levels of ambient moisture. The quality of mild steel containers is consistently upheld in compliance with international requirements thanks to the use of complete quality management. The pesticide, fuel, medicine, fragrance, food, resin, lubricant, coating, chemical, and metallurgy sectors all utilize them extensively. They are widely available in a variety of categories, including open steel drums, closed steel drums, polymer drums, and steel-plastic composite drums. Low-carbon mild steel is referred to as "ferromagnetic" because of the high iron content that gives it strong magnetic characteristics. Mild steel has a maximum carbon content of 0.16% to 0.29% and a comparatively high melting point of 1450°C to 1520°C. Steels with a higher carbon content melt at a lower temperature than mild steel. Due to its high melting temperature, mild steel becomes more ductile under heat, which makes it particularly appropriate for forging, drilling, cutting, and welding. It is also simple to build. Low-carbon mild steel's qualities make it significant in a variety of end-use sectors, resulting in an astounding demand. The increased demand for drums for packaging will add to the market's rapid expansion. Mild steel drums are a popular choice in the packaging sector due to qualities like as recyclability for reuse, durability, high sustainability, outstanding strength, and eco-friendliness. Mild steel barrels are used as a transportation container for chemicals and other liquids in the food, coatings, construction, and healthcare industries. It is also great for bulk packing. Rapid expansion in the food and beverage sector, along with increased packaging innovation, will help to increase product consumption. One of the primary elements boosting mild steel barrel sales is the manufacturing and industrial sector's



INDUSTRY OVERVIEW

output performance. The main players in several end-use sectors have moved their production facilities and expanded their markets in South and East Asia as a result of the cheap manufacturing costs in developing nations like India. The necessity for improved industrial packaging is obvious with stabilized manufacturing sector activity since there is a strong association between industrial output and demand for industrial packaging.


Consolidated Financials
(Rs in Lakhs)

Financials	FY21	FY22	FY23
Total Revenue (A)	31350.19	40041.57	48002.51
Total Expenditure (B)	28367.86	35821.24	43019.88
EBIDTA	2982.33	4220.33	4982.63
EBIDTA Margin	9.51	10.54	10.38
Other Income	267.44	222.58	200.22
Depreciation	439.41	442.04	492.58
EBIT	2810.36	4000.87	4690.27
Interest	522.48	485.09	405.30
PBT	2287.88	3515.78	4284.97
Prior Period Item	-1.38	0.00	3.61
PBT	2289.26	3515.78	4281.36
Tax	590.02	901.17	1105.29
PAT	1699.24	2614.61	3176.07
NPM	5.42	6.53	6.62
ROE %	34.79	34.77	29.61
EPS	5.41	8.43	10.24
Eq Cap	391.06	391.06	3,128.48
Net Worth	4,884.60	7,520.36	10,725.02

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Total Income for Fiscal 2023 (in Rs Lakhs)	EPS	NAV	ROE %
<i>Pyramid Technoplast Limited</i>	<i>10</i>	<i>---</i>	<i>48202.74</i>	<i>10.24</i>	<i>34.28</i>	<i>29.41</i>
Peers						
Time Technoplast Limited	1	14.16	429319	9.69	102.92	9.61
TPL Plastech Limited	2	20.50	27184.24	2.06	14.79	13.89
Mold-Tek Packaging Limited	5	41.10	73130.11	24.40	168.46	14.40



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