

IPO Note

Sah Polymers Ltd.

Dec 29, 2022



Company Overview

Incorporated in 1992, Sah Polymers Ltd. is primarily engaged in the manufacturing and selling of Polypropylene (PP)/High-Density Polyethylene (HDPE) FIBC Bags, Woven Sacks, and HDPE/PP woven fabrics based products. The company also provides customized bulk packaging solutions to business-to-business (“B2B”) manufacturers catering to different industries such as agro pesticides, basic drugs, cement, chemical, fertilizer, food products, textiles, ceramic and steel. Sah Polymers Ltd. has divided its business into two parts - domestic sales (56.38% of FY22 revenues) and exports (43.62% of FY22 revenues). For its domestic market, the company has increased its presence in 5 states and 1 union territory and on the international front, they export the products to 14 countries such as Algeria, Togo, Ghana, Poland, Portugal, France, Italy, Dominican Republic, USA, Australia, UAE, Palestine, UK and Ireland. Presently, the company has one manufacturing facility with an installed production capacity of 3,960 MTPA located at Udaipur, Rajasthan.

Objects of the issue

The IPO proceeds of the fresh issue will be used towards the following purposes:

- Setting up of a new manufacturing facility to manufacture new variant of Flexible Intermediate Bulk Containers (FIBC).
- Repayment/ Prepayment of certain secured and unsecured borrowings in full or part availed by the Company and the Subsidiary Company.
- Funding the working capital requirements of the Company.
- General corporate purposes.

Rating: **AVOID**

Issue Details

Offer Period	30th Dec,2022– 04th Jan, 2023
Price Band	Rs.61 to Rs.65
Bid Lot	230 shares
Issue Size	10.20 million shares
Issue Size	Rs. 0.66 billion
Face Value	Rs. 10 share

Issue Structure

QIB	75%
NII	15%
Retail	10%

BRLM

Pantomath Capital Advisors Private Limited

Registrar

Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
PROMOTER	100.00	60.46
PUBLIC	0.00	39.54
TOTAL	100.00	100.00

Investment Rationale

New manufacturing facility set to widen the company's product portfolio mix

The company aims to set up a new manufacturing facility for manufacturing Flexible Intermediate Bulk Containers (FIBC) with an annual installed capacity of 3,960 MTPA. The current facility of the company manufactures a diverse range of HDPE/PP Woven Sacks and FIBC products with a filling capacity of around 500 KGs per bag/sack. With the new manufacturing facility in place, the company intends to manufacture bags with filling capacities of around 2,500 KGs. This is in line with the expansion plans of the company that aims to cater to the growing demand of the customers and increase its revenue from operations.

Diversified customer base and product offerings bode well for risk mitigation

The company has a wide customer base and offers its services across multiple industries and geographies both at domestic and overseas locations. The company follows a B2B customer segment model, catering to packing requirements of varied industries including agro pesticides, basic drugs, cement, chemical, fertilizer, food products, textiles, ceramic and steel. Additionally, the company sells its products through commission agents domestically and through overseas representatives and merchant exporters globally. Thus, with this well-diversified model, Sah Polymers Ltd. has reduced its dependence on any one particular industry or location and protected itself against any market instability in the future.

Valuation and Outlook

On the way forward, Sah Polymers Ltd. aims on increasing its penetration level in its existing markets and focus more on the domestic side of the business. In January 2022, the company acquired Fibcorp Polyweave Private Limited which helped it to gain a competitive advantage in the market. It is important to note that the name of one of the promoters group company 'Aeroflex Industries Limited' appeared in the RBI defaulters list issued by CIBIL in the past. On the upper end of the price band, the issue is valued at a P/E of 23.1x based on FY2022 earnings which is on the steeper side compared to its listed peers (Rishi Techtex and Jumbo Bag). We, therefore, remain cautious over this issue and recommend an **“AVOID”** rating.

Cash flow Statement

(Rs in lakhs)

Particulars	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	(21)	(79)	139	259
Cash flow from investing activities	(288)	(1,079)	(233)	(83)
Cash flow from financing activities	424	1,111	86	(166)
Net increase/(decrease) in cash and cash equivalents	115	(47)	(8)	10
Cash and cash equivalents at the beginning of the period	190	254	104	98
Cash and cash equivalents at the end of the period	91	190	194	104

Source: RHP, Stoxbox Research

Income Statement

(Rs in lakhs)

Particulars	Q1FY23 (consolidated)	FY22 (consolidated)	FY21 (standalone)	FY20 (standalone)
Revenue				
Revenue from Operations	2,722	8,051	5,507	4,910
Total Revenue	2,722	8,051	5,507	4,910
Expenses				
Cost of Materials Consumed	1,560	4,732	3,121	3,154
Purchases of Stock in Trade	315	1,232	675	184
Change in inventory of finished goods, work in progress and stock-in-Trade	54	(331)	56	5
Employee benefit expenses	166	315	224	216
Other expenses	428	1,402	1,129	1,171
Total Operating Expenses	2,523	7,350	5,205	4,730
EBITDA	199	701	302	180
Depreciation and Amortization expenses	28	101	81	77
Other income	37	72	27	81
EBIT	208	673	249	185
Finance costs	36	124	87	133
Exceptional Item	-	-	-	-
PBT	172	549	162	51
Current tax	41	109	27	8
Tax relating to previous years	-	-	-	-
Deferred Tax charge/ (credit)	6	3	8	14
MAT Credit reversed/(availed)	-	-	-	-
Total tax	47	112	35	22
PAT	125	438	127	30
Diluted EPS	1	3	1	0

Source: RHP, Stoxbox Research

Balance Sheet

(Rs in lakhs)

Particulars	As at June 30,2022 (consolidated)	FY22 (consolidated)	FY21 (standalone)	FY20 (standalone)
Equity and Liabilities				
Equity Share Capital	1,560	1,560	1,560	1,560
Other Equity	-	-	449	322
Equity attributable to the owner of the parent	939	845	-	-
Non-controlling interest	276	260	-	-
Total Equity	2,774	2,665	2,009	1,881
Non-Current Liabilities				
Financial Liabilities				
(i)Long term Borrowings	151	145	90	-
Deferred tax liabilities(net)	149	143	143	135
Total Non Current Liabilities	300	288	232	135
Current Liabilities				
Financial Liabilities				
(i)Short term Borrowings	3,164	2,909	1,290	1,037
(ii)Lease liabilities	-	-	-	-
(iii)Trade Payables	960	785	341	448
Other current liabilities	194	123	164	86
Provisions	7	-	4	5
Current tax liabilities (net)	136	96	18	0
Total Current Liabilities	4,461	3,914	1,817	1,577
Total liabilities	4,761	4,202	2,049	1,712
Total Equity and Liabilities	7,535	6,867	4,058	3,593
Assets				
Non-Current Assets				
Property, plant and equipment	1,562	1,558	1,421	1,272
Capital work in Progress	925	668	2	-
Goodwill	308	308	-	-
Other intangible assets	1	2	4	2
Other financial assets	66	67	57	53
Other non current assets	209	148	2	9
Total Non current assets	3,071	2,750	1,484	1,336
Current Assets				
Inventories	1,605	1,559	572	561
Trade Receivables	1,540	1,386	969	900
Cash and cash equivalents	91	190	194	104
Bank balances other than cash and cash equivalents	60	59	51	66
Loans	941	697	685	543
Current tax assets	4	3	2	-
Other current assets	224	222	101	84
Total Current Asset	4,464	4,116	2,573	2,257
Total Assets	7,535	6,867	4,058	3,593

Source: RHP, Stoxbox Research

Key Risks

- The company's revenue from operations is heavily reliant on its top ten customers.
- The company has experienced negative cash flows from operations in the recent past and may continue to expect so in the future.
- The company operates in a highly competitive industry which may affect its business operations and profitability.

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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