

IPO Details

Opening Date	Sep 08, 2022
Closing Date	Sep 13, 2022
Stock Exchange	NSE SME
Lot Size	10000 Shares
Issue Price	₹ 11 per share
Issue Size	40,70,000 Equity Shares
Application Amount	₹ 1,10,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	58,57,388	53.25%
Public	51,42,316	46.75%

Promoter of the Company

- 1 Mr. Hikmatbahadur Krishnabhadur Kunwar

Competitive Strengths

- 1 Location Advantage
- 2 Strong management team and motivated and efficient work force
- 3 Research and Development capability
- 4 Quality Assurance

Company Background

- Company was established in the year 2007 in Gujarat.
- Company is engaged in the business of packaging products made from plastics which caters to the packaging requirements of various industries
- Company supplies total 3 different products, that is, Multilayer films, Printed laminates, and flexible packaging products (pouches and bags). Printed laminates and flexible packaging products are part of Multilayer film only which are later on cut as per requirement of customer.
- Company has three manufacturing unit, all of them are situated in the state of Gujarat.
- As on the date of filing the prospectus, the company had 92 employees on its payroll.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	5,187.24	5,162.08	4,090.92
Net Assets	1,572.56	1,398.28	1,258.44
Total Borrowings	2,538.32	2,390.62	2,018.41
Total Revenue	7,237.01	7,397.88	6,364.32
Profit After Tax	174.28	139.84	89.80

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Company Overview

Sabar Flex India Limited was incorporated in the year 2007 in Gujarat and has been engaged in the business of manufacturing multi-layer films, Printed Laminates and Flexible Packaging Products (pouches and bags). Printed laminates and flexible packaging products are part of Multilayer film only which are later on cut as per requirement of customer.

Analysis

Being incorporated in the year 2007, company has around 15 years of experience in the business of packaging products made from plastics which caters to the packaging requirements of various industries. Company mainly manufactures the following three products –

Flexible Packaging



Flexible Laminates



Printed Multilayer/Monolayer Film



Company has three manufacturing plants in Gujarat and the total capacity of these plants and its utilization is summarized in the table below –

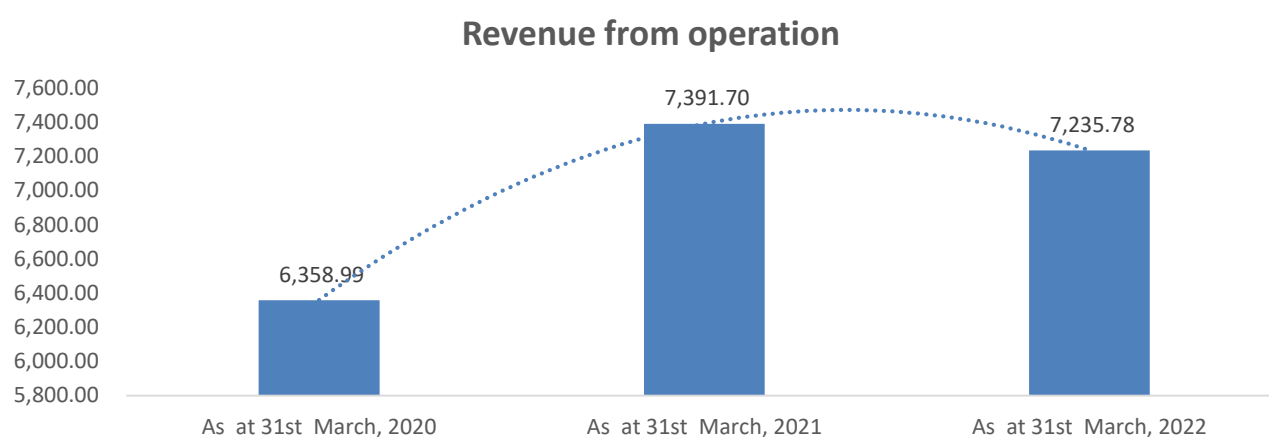
Particular	FY 2020	FY 2021	FY 2022
Total Installed Capacity (in MT)	5,400.00	5,400.00	5400.00
Capacity Utilization (in MT)	2,620.00	2,823.00	3,014.90
Capacity Utilization (in %)	48.52	52.28	55.83

Company has been gradually increasing its capacity utilisation and still has enough capacity to be utilised. The company won't have any production crunch because of its capacity. Although the capacity increased in FY 22, the company could not convert it into increase in Revenue as the Revenue in 2022 has been almost at the

same level of 2021. A summary of the revenue from operations has been given in the table below –

(Amount in Lakh)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Revenue from operation	6,358.99	7,391.70	7,235.78



Majorly the company has been generating revenue from the states near Gujarat, but in recent times the company has started generating orders from South India which is a new market for the company. For the last 6 Months, the company is also pitching for exports to neighbouring countries and have started getting favourable response from Nepal. As mentioned in the prospectus, the company is also focusing supplying its product in the pharmaceutical industry.

To conclude, the company has a good track record of existence and is engaged in the packing industry which has a prospect to grow at a CAGR of 26.7% from FY 19 to FY 25. The revenue from operations of the company had been static in FY 22 while showing a growth of around 16% in FY 21 vs FY 22. Considering these factors, the business overview is neutral.

Industry Charts

Exhibit 1: Valuation of Indian Packing Industry is projected to grow at a CAGR of 26.7% from FY 19 to FY 25F

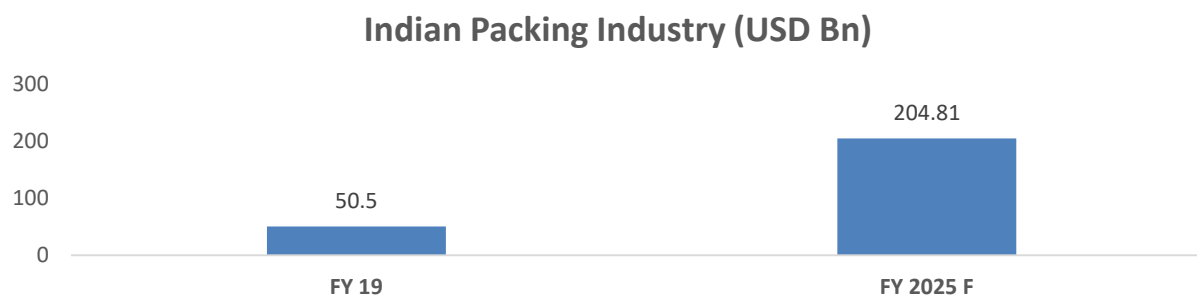
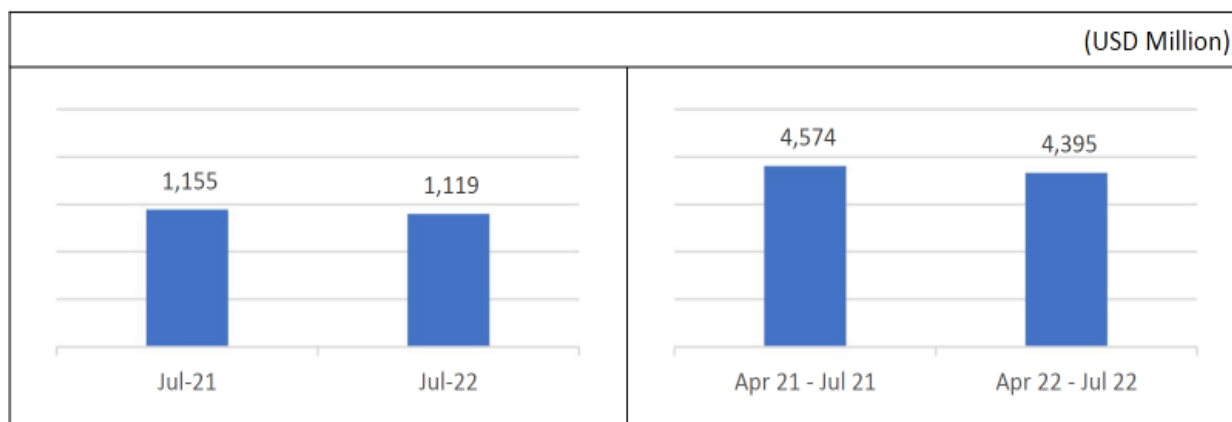


Exhibit 2: Sector Wise Indian Plastic Industry



Exhibit 3: Key Trends in Indian Plastic Exports



(Source: ibef.org and Prospectus)

Investment Overview

Packaging Industry

The India Packaging Market was valued at USD 50.5 billion in 2019, and it is expected to reach USD 204.81 billion by 2025, registering a CAGR of 26.7% during the period of 2020-2025. Packaging is among the high growth industries in India and developing at 22-25% per annum and becoming a preferred hub for packaging industry. Currently the 5th largest sector of India's economy, the industry has reported steady growth over past several years and shows high potential for much expansion, particularly in the export market. Costs of processing and packaging food can be up to 40% lower than parts of Europe which, combined with India's resources of skilled labour, make it an attractive venue for investment. A high degree of potential exists for almost all user segments which are expanding appreciably - processed foods, hard and soft drinks, fruit and marine products.

The Indian packaging industry has made a mark with its exports that comprise flattened cans, printed sheets and components, crown cork, lug caps, plastic film laminates, craft paper, paper board and packaging machinery, while the imports include tinsplate, coating and lining compounds and others. In India, the fastest growing packaging segments are laminates and flexible packaging, especially PET and woven sacks. Over the last few years Packaging Industry is an important sector driving technology and innovation growth in the country and adding value to the various manufacturing sectors including agriculture and FMCG segments.

The global packaging industry is developing and expanding day by day and Indian packaging industry is also growing rapidly. This growth is primarily driven by factors like growing pharmaceutical, food processing, manufacturing industry, FMCG, healthcare sector and ancillary in the emerging economies like China, India, Brazil, Russia and few other East European countries

(Source: prospectus)

Addressable Market for Sabar Flex India Limited

The company has been generating revenue from the states near Gujarat, but in recent times the company has started generating orders from South India which is a new market for the company. For the last 6 Months, the company is also pitching for exports to neighbouring countries and have started getting favourable response from Nepal. As mentioned in the prospectus, the company is also focusing supplying its product in the pharmaceutical industry.

Competition

Company operates in a highly competitive environment. The industry is filled with various organized and unorganized players in the industry. The industry is very fragmented which makes the bargaining power of the company very low. The product segment also does not require a huge investment and so the threat of entry is also low making the competition even higher.

Peer Analysis

As Mentioned in the prospectus, the company has 3 peers viz. Rajshree Polypack Limited, TCPL Packaging Limited and Polyplex Corporation Limited. A summary on key figures as compared to these companies is given in the table below –

Company	Sabar Flex India Limited	Rajshree Polypack Limited	TCPL Packaging Limited	Polyplex Corporation Limited
Net Profit (INR Cr)	1.74	9.57	47.35	568.8
EBITDA (INR Cr)	4.89	26.99	157.87	1435.89
Return on Capital Employed	17.10%	11.17%	16.72%	19.56%
Return on Equity	11.08%	8.27%	13.93%	17.15%
EPS (INR)	1.15	10.44	72.33	205.25
P/E* (Times)	9.55	19.51	20.19	10.64

Post-IPO Basis

***As on 05/09/2022**

Promoters' Profile and Management Analysis

Mr. Himatbahadur Krishnabahadur Kunwar



- **Mr. Himatbahadur Krishnabahadur Kunwar** is the Promoter and Managing Director of the Company.
- He is in the line of business from 13 years.
- He holds bachelor's degree in business administration from Gujarat University. He holds a diploma in computer training from ACT Computer Education and a post-graduate diploma in international business from University of Salford.

Analysis on the Company's Promoter and Board of Directors

Mr. Himatbahadur Krishnabhadur Kunwar, Promoter and Managing Director, of the company is the guiding force behind the business decisions of the company. He is having around 13 years of experience in in the packaging industry. He holds a Bachelor of Business Administration degree and is also a post graduate in International Business.

Mr. Manoj Kumar Agarwal is the Executive Director of the company. He is a graduate from Ajmer University and has 5 years of experience in the packaging industry. As mentioned in the prospectus, he has been with the company since its incorporation.

Ms. Sonalben Pratik Bhatt is the additional Non-Executive Director of the company. She is a law graduate from Hemchandracharya North Gujarat University. She is a member of Bar Council of Gujarat. She has experience of around 8 years in practice of law. She is associated with the company since February 17, 2022.

To conclude, the role of the management is not particularly specified in the prospectus. But looking at the brief profile of the management it seems like the strategic and tactical business decisions of the company is been taken by its sole promoter, Mr. Himatbahadur. Mr. Manoj as an executive director might also take part in day-to-day operations but has just 5 years of experience in the packaging industry. Ms. Sonalben is a non-executive director and does not take part in daily operations of the business and also her education and experience does not suit the packaging industry.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	6,358.99	7,391.70	7,235.78
Other income	5.33	6.18	1.23
Total Revenue	6,364.32	7,397.88	7,237.01
Expenses	5,999.78	6,946.77	6,747.98
Depreciation and Amortisation Cost	58.25	62.35	72.58
Finance Cost	184.77	199.71	249.82
Total Expenses	6,242.80	7,208.83	7,070.38
PBT	121.52	189.05	166.63
PBT Margin	1.91%	2.56%	2.30%
EBITDA	364.54	451.11	489.03
EBITDA Margin	5.73%	6.10%	6.76%
Net Profit	89.80	139.84	174.28
Net Profit Margin	1.41%	1.89%	2.41%
Balance Sheet			
Total Borrowings	2,018.41	2,390.62	2,538.32
Net Worth	1,258.44	1,398.28	1,572.56
Tangible Fixed Assets	827.90	885.51	844.54
Net Working Capital	897.57	1278.61	1373.34
Financial Measures			
Inventory Turnover Ratio	3.41	3.10	2.53
Receivables Turnover Ratio	4.99	4.03	5.34
Payables Turnover Ratio	53.06	1.98	2.48
Tangible Fixed Assets Turnover Ratio	7.68	8.35	8.57
Return on Capital Employed	17.49%	17.02%	17.10%
Return on Equity	7.14%	10.00%	11.08%
Debt-Equity Ratio	1.60	1.71	1.61

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 364.54 lacs in 2020 to 489.03 lacs in 2022 growing at a CAGR of 15.82%. The EBITDA margin in 2022 was 6.76%, 6.10% in 2021 and 5.73% in 2020 showing decent and stable growth both in absolute terms and percentage terms.

Net Profit

The net profit of the company has grown from Rs. 89.80 lacs in 2020 to Rs. 174.28 lacs in 2022 growing at a CAGR of 39.31%. The net profit margin of the company was 1.41% in 2020, 1.89% in 2021 and 2.41% in 2022 showing a good and steady growth.

Finance Cost.

The company has incurred finance cost mainly on the long term secured and unsecured loans taken from Banks and NBFCs as well as Working Capital Loan taken from Banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 17.49% in FY 20 and 17.10% in FY 22. The reason for a dip can be attributed to newer loans taken from bank by the company. Also with the infusion of new equity capital through IPO would further reduce the RoCE of the company.

ROE of the company in 2022 was 11.08% vs 7.14% in 2020. The ROE of the company has been improving consistently with consistent increase in net profits. ROE is like to stay at this level in the coming year as increase in equity would reduce the ROE but increase in profits (**assumption**) would increase the ROE.

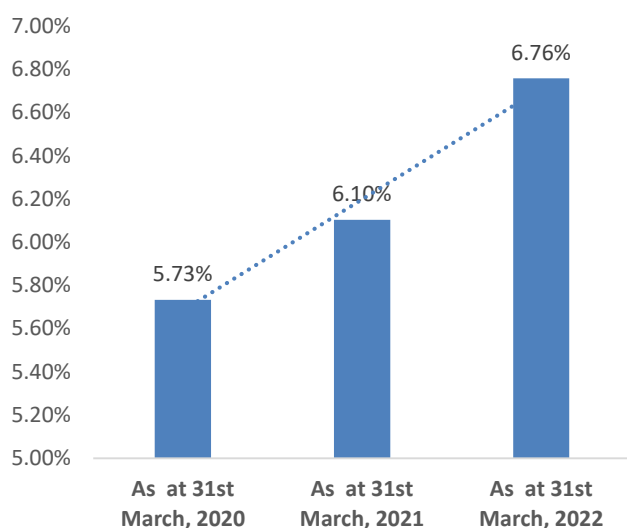
The company's Inventory, Receivables and Payable Turnover Ratios show that the company has effectively managed its receivables but have to look after its Inventory and Payables more thoroughly as the same has been not efficiently managed in 2022 as compared to 2021.

The company has debt-equity ratio of around 1.61 times in FY 22. The same has been at the level from 2020 as in coming times with enough capacity available with the company, we believe capacity enhancement is not required (unless new product

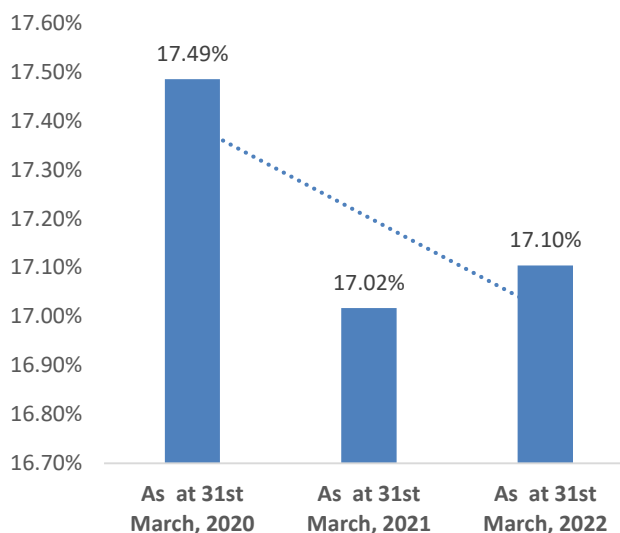
segment is introduced by the company), the ratio is expected to fall due to repayment of loans as well as capital infusion through IPO.

Financial Charts

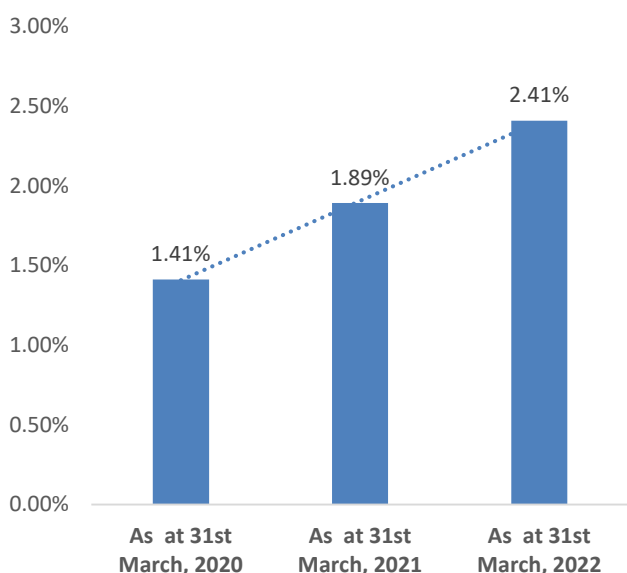
EBITDA Margin



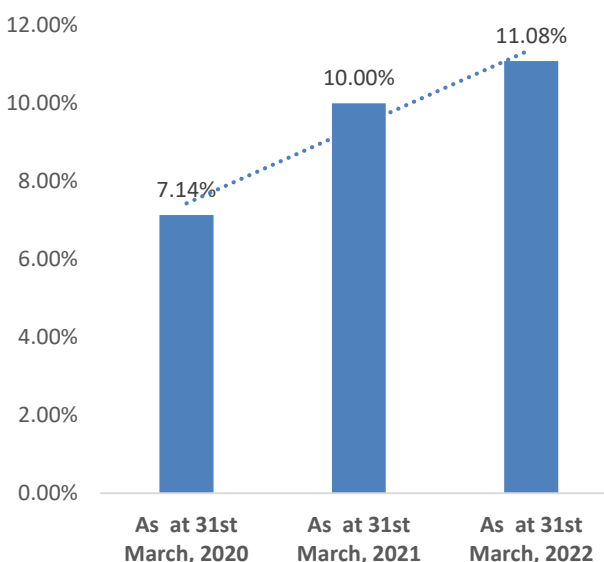
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company uses plastics which is a major threat as government has already banned the single use plastic in recent times.
2. The plastic packaging industry has been in to threat of substitute or alternate product. If an alternate product is innovated, plastic packaging may be adversely affected.
3. In FY 22, company has reported around Rs. 38 crores of sales to related parties out of Rs. 72.37 crores
4. Company seems to be majorly dependent on a single personnel, its Promoter.

Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors and the previous issue details have been taken from the Lead Manager's website and Chittorgarh.com. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Naapbooks Limited	3.99	74/-	15/09/2021	89.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	26.00
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	17.00
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	55.50
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	45.35

#CMP is taken as on 06th September 2022

This is the 6th IPO of the Lead Manager, all the last 5 listings have been in premium. The lead manager made its first IPO quite recently and had been handling IPOs of less than 5 crores.

Financial Snapshot

Being incorporated in the year 2007, the company has a good track record of existence. The company is into packaging industry but its major raw material is plastic which has been a reason of concern in recent times.

The revenue of the company has been static in 2022 at the same levels of 2021, however the net profit margin has improved. **However, it is to note that the company has reported around Rs. 38 crores as Sale of Materials in its Related Party Transaction for FY 22.**

The promoter of the company has good experience and education background. The executive director has 5 years of experience in the packing industry, which leads to an assumption that currently the company might be dependent on its sole promoter.

To conclude, there are mixture of view on the company and we believe to **safeguard the capital and skip applying in the IPO** and wait for the company's upcoming results to look upon how it has been able to grab the opportunities it saw in the South Indian market as well as markets of Nepal. Also, the related party transaction would be a key thing to look at.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.