

IPO Details

Opening Date	Nov 02, 2022
Closing Date	Nov 07, 2022
Stock Exchange	BSE SME
Lot Size	2000 Shares
Issue Price	₹55 per share
Issue Size	14,30,000 Equity Shares
Application Amount	₹ 1,10,000

IPO Objective

Part funding to purchase and set up additional SACMI CCM24S-F plant for manufacturing of HDPE Beverages Closures

Additional Working Capital Requirement

General Corporate Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	39,70,000	100%
Public	-	-

Promoter of the Company

- Mr. Kalpeshkumar Ishwarlal Pandya
- Mr. Chetankumar Ishwarlal Pandya

Competitive Strengths

- Factory & Manufacturing Process
- Storage of Raw material
- Slitting and Folding
- Counting & Packing
- Customers & Marketing Set-Up
- Experienced Promoters and a well-trained employee base

Company Background

- Company was incorporated in 2018 in the state of Gujarat.
- The Company has fully automatic machines for manufacture of PET Preform & Cap Closure at M/s Gokul Industries, Rafaleshvar Ind. Estate, Nr. Rafaleshvar Rlw. Track, Morbi, Jambudiya, Rajkot, Gujarat- 363642.
- Company is engaged in the business of manufacturing PET Preforms and HPDE Cap closures.
- Company is planning to purchase and set up additional SACMI CCM24S-F plant for manufacturing of HDPE Beverages Closures.
- The customers of the company are from packaged drinking water industry, Carbonated Soft Drinks etc.
- Company had 07 employees as on 31st July, 2022

Financial Summary

For the Period Ended	(In Lacs)		
	Jul-22	Mar-22	Mar-21
Total Assets	1,183.82	926.59	585.73
Net Assets	779.31	300.37	99.54
Total Borrowings	160.56	270.78	328.98
Total Revenue	482.1	1,002.87	615.74
Profit After Tax	93.94	210.83	1.94

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Company Overview

Company was formed in the year 2018 and is engaged in the business of manufacturing Pet Preforms and HDPE Cap Closures. To facilitate the same, the company has its manufacturing activity at M/s Gokul Industries, Rafaleshvar Ind. Estate, Nr. Rafaleshvar Rlw. Track, Morbi, Jambudiya, Rajkot, Gujarat- 363642. The company has been planning to purchase and set up additional SACMI CCM24S-F plant for manufacturing of HDPE Beverages Closures

Analysis

The company has been in the business of producing Polyethylene Terephthalate (PET) and HDPE Cap closures since the year 2018 and therefore does not depict a good track record of existence.

The main products of the company as said earlier are –

PET Preforms



HDPE Cap Closure

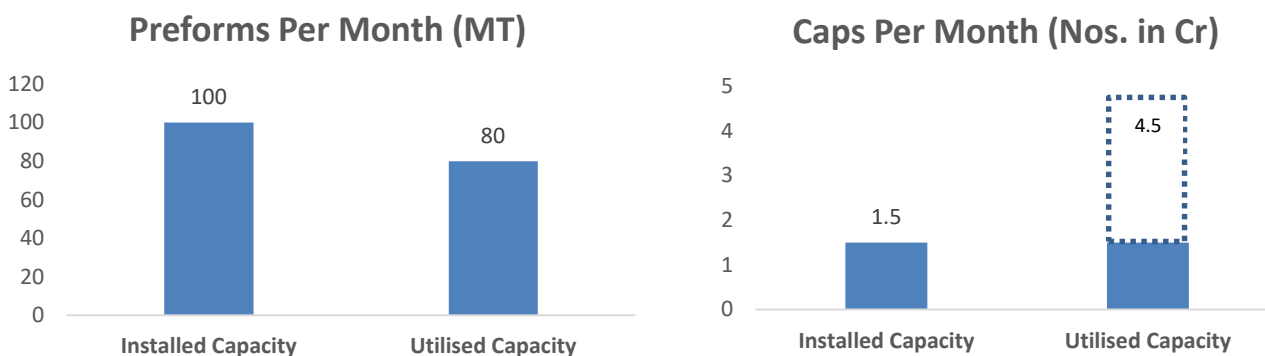


PET Preforms are used mainly by companies for packaged drinking water industry, Carbonated Soft Drinks etc. The PET Preforms are mainly made from premium PET Resin which is prepared by the chemical industry.

Cap-Closure is made by HDPE plastic granules. Company manufactures Alaska 27 mm 3 start – 1.35-gram cap closure suitable for 28 mm Alaska pet preforms in many different colours.

The company has been into manufacturing industry and surprisingly has not mentioned about its existing capacity available and utilised and the proposed enhancement of the capacity has not been talked about.

Talking with the management of the company, it was identified that the company has a capacity to produce 100 MT of Preforms per month and 1.5 crores no. of caps per month. Currently, 80% of the preforms capacity is being utilised and 100% of caps capacity is being utilised. The company would enhance its cap producing capacity by 4.5 crores per month.



Revenue from Operations are from manufacturing and supplying PET preforms and CCM Caps which as a percentage of total income were 99.94% for the four month ended July 31, 2022 and 99.53%, 93.80% and 90.00% for FY 22, FY 21, FY 20 and FY 19 respectively.

To conclude, the company does not have much experience in the line of products it currently serves and there is a huge competition in this industry. The industry although has grown quite well in recent times, but has a threat of certain environmental regulations. The revenue growth of the company on an annualised basis is good showing a CAGR of around 36% from FY 21 to FY 23 (Annualised). The company is planning to set up additional caps manufacturing facility but not much details regarding the same has been provided.

Industry Charts

Exhibit 1: Sector Wise Indian Plastic Industry

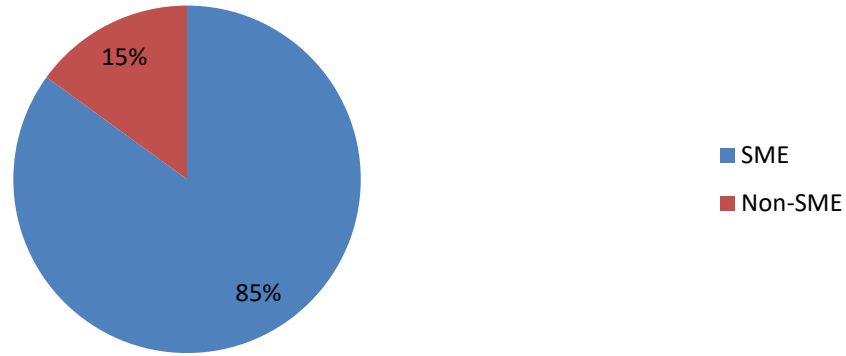


Exhibit 2: Indian Plastic Packing Industry to grow at a CAGR of 8.01% from FY 21 to FY 27.

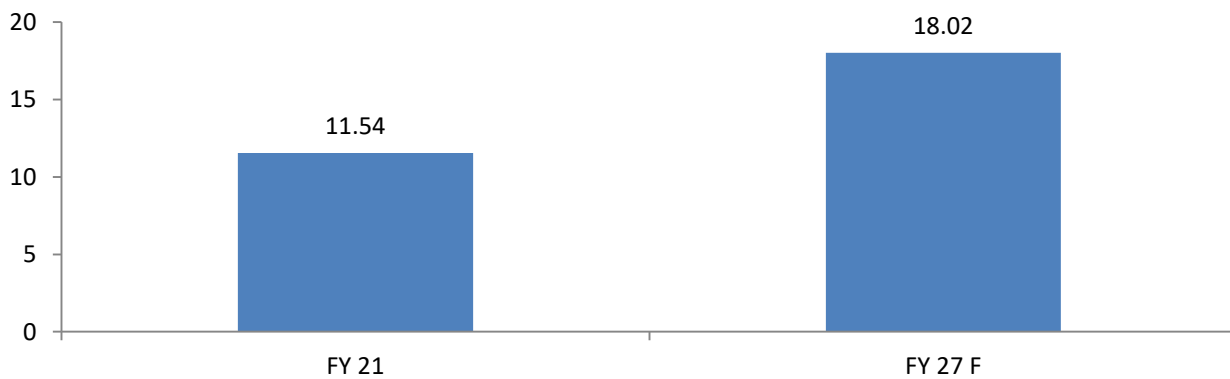
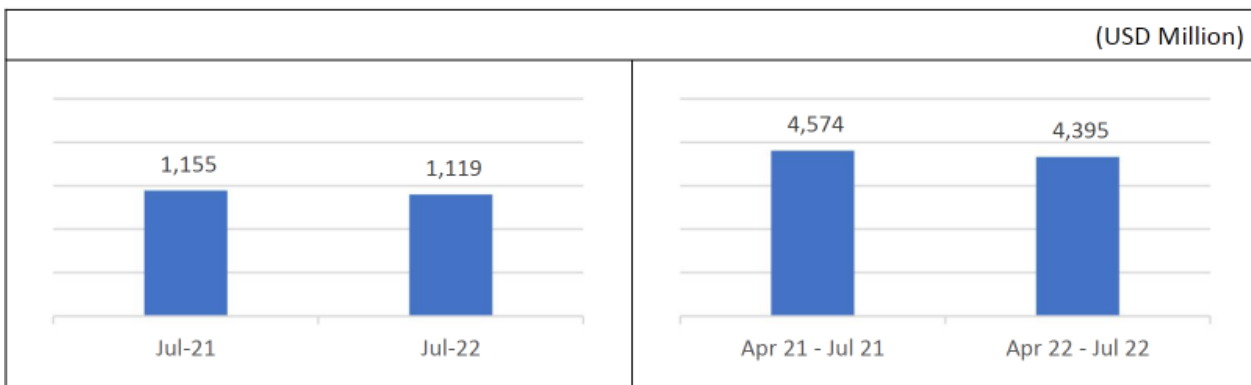


Exhibit 3: Key Trends in Indian Plastic Exports



(Source: ibef.org , plexconcil, techsciresearch)

Investment Overview

PET Industry

In India PET has become the primary preference in the packaging sector owing to the rigidity it offers, its eco-friendly attribute and recyclable nature. The demand for PET in the packaging of food and beverages witnessed a steep inclination after the sudden outbreak of Coronavirus in the final quarter of FY 20. This astonishing increase in demand is a ripple effect of the increasing awareness of hygiene, prompting an enhanced procurement of disposable and packaged items to reduce the chances of infection by any means. Moreover, the increasing preference for PET bottles over aluminium and glass packaging, in rapidly expanding Indian pharmaceutical sector owing to its quality standard and safety is anticipated to further propel the demand for PET in the forecast period. As the healthcare and pharmaceutical sectors are likely to witness a robust expansion due to increasing requirement for equipment and medications after the Pandemic, the need for PET bottles for medical packaging is perceived to witness an incredible surge in the coming years. Polyethylene Terephthalate is being manufactured in India on massive capacity by Reliance Industries followed by three other companies. Hence, majority of the PET demand in India is satisfied by domestic production but cheap imports from other countries have certainly caused abrupt material injury to the Indian production in the last few years. However, the immense production capacity of PET in the country is also sufficient to cater to the export requirements from countries like Algeria, Bangladesh, Egypt, etc. Sudden spike in demand for PET from food and beverages and healthcare industries has made the manufacturers to operate over 60 per cent efficiency in order to profoundly fulfil the domestic as well as international demand.

As PET is manufactured by utilizing Mono Ethylene Glycol (MEG) and Purified Terephthalic Acid (PTA), the production and availability of these feed stocks in the domestic market considerably affects the production of PET. PET can also be segmented based on its type as CSD (Carbonated Soft Drinks), Water Packaging, Food Packaging, Non-Food Packaging, Sheer & RPER. The consumption of PET in the domestic market varies with regions too. In India, PET is majorly consumed in North and West region due to the presence of large number of end-user industries and a vast distribution channel. India constitutes abundant production of PET by four leading manufacturers. Hence, domestic demand for PET is largely fulfilled by domestic production. In addition, India also actively participates in catering to the demand from other countries. Major companies operating in India PET Market

include Reliance Industries Limited, Dhunseri Petrochem & Tea Limited, JBF Industries Limited, Indorama Ventures Public Company Limited, Toray Industries, Jiangsu Sanfangxiang Group, Eastman Chemical Company, Nan Ya Plastic Corporation, SABIC, BASF SE, Far Eastern New Century Corporation etc. Slowdown in its automotive sector, which is one of the major end-user industries of PET resin negatively, affected the demand for the product in the first half of the financial year. This slowdown was further exacerbated by the Coronavirus outbreak compelling the government to impose a nationwide lockdown in order to contain the spread of the virus. The lockdown imposed in the final quarter of FY 20 led to a halt in production in various industries such as automotive and electronics, thereby bringing down the prices of PET at a considerable rate. Owing to the unfavourable circumstances throughout the year, prices of PET witnessed a downfall of over 10 per cent in FY 20

(Source: prospectus)

Addressable Market for Technopack Polymers Limited

The major states where the company has been supplying its Per Preforms are Maharashtra, Gujarat and Rajasthan and the major markets for Caps are Maharashtra, Gujarat, Rajasthan, Odisha and Delhi. The company plans to sell its products PAN India in coming times.

Competition

Company operates in a highly competitive environment. The industry is filled with various organized and unorganized players in the industry. There are no barriers to entry which makes the threat of new entrants very high. As a fragmented market the bargaining power of the company is also very low.

Peer Analysis

As Mentioned in the prospectus, the company has only 1 listed peer viz. Cool Caps Industries Limited –

Company	Technopack Polymers Limited	Cool Caps Industries Limited
Net Profit (INR Cr)	2.11	3.57
EBITDA (INR Cr)	3.75	8.97
Return on Capital Employed	25.22%	12.38%
Return on Equity	70.19%	11.78%
EPS (INR)	4.52	-
P/E* (Times)	12.18	-

#EPS on post IPO basis

*As on 19/10/2022

Promoters' Profile and Management Analysis

Mr. Kalpesh Ishwarlal Pandya



- **Mr. Kalpesh Ishwarlal Pandya** is the Promoter, Director and CFO of the Company.
- He is a Post-Graduate in commerce.
- He has an experience of around 20 years in the Industry.
- He is broadly experienced in Sales and Marketing vertical and he is looking after sales & distribution of Technopack Group.

Mr. Chetankumar Ishvarlal Pandya



- **Mr. Chetankumar Ishvarlal Pandya** is the Promoter and Managing Director of the company.
- He is a Mechanical Engineer, Certified Boiler Operation Engineer and Certified Energy Auditor.
- Since 2013 he is Partner in "Technopack". Technopack engaged in Trading of Plastic Granules
- He previously worked in power generation sector with Electrotherm India Ltd., Thermax Limited and Aditya Birla Nuvo Ltd. for past 7 years.

Analysis on the Company's Promoter and Board of Directors

Mr. Kalpesh Pandya, 42 years, is having qualification of Commerce Post Graduate. Since last 20 years he has been leading Finance and Marketing Dept. He is broadly experienced in Sales and Marketing vertical and he is looking after sales & distribution of Technopack Group. He is appointed as a director on 09th August, 2018 and is appointed as Chief Financial Officer (CFO) on 19th July, 2022.

Mr. Chetan Pandya, 37 years, is a Mechanical Engineer, Certified Boiler Operation Engineer and Certified Energy Auditor. He is the founding member of Technopack Group. He previously worked in power generation sector with Electrotherm India Ltd., Thermax Limited and Aditya Birla Nuvo Ltd. for 7 years. Since 2013 he is Partner in "Technopack" which is engaged in Trading of Plastic Granules and in 2018 he was appointed as a Director in Technopack Polymers Limited.

To conclude, the company's management is well educated and has good experience. The independent directors of the company also have good experience and educational qualification and could be a great driving force for the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st July, 2022
Profit and Loss			
Revenue from operation	577.56	998.18	481.79
Other income	38.18	4.69	0.31
Total Revenue	615.74	1,002.87	482.10
Expenses	522.02	627.81	332.47
Depreciation and Amortisation Cost	58.53	51.91	12.82
Finance Cost	32.82	25.40	6.41
Total Expenses	613.37	705.12	351.70
PBT	2.37	297.75	130.40
PBT Margin	0.41%	29.83%	27.07%
EBITDA	93.72	375.06	149.63
EBITDA Margin	16.23%	37.57%	31.06%
Net Profit	1.91	210.83	93.94
Net Profit Margin	0.33%	21.12%	19.50%
Balance Sheet			
Total Borrowings	449.18	389.18	272.94
Net Worth	99.54	300.37	779.31
Fixed Assets	285.53	212.53	199.71
Net Working Capital	127.15	320.73	512.52
Financial Measures			
Inventory Turnover Ratio	3.50	1.88	0.75
Receivables Turnover Ratio	5.66	4.57	3.65
Payables Turnover Ratio	12.89	7.46	4.81
Fixed Assets Turnover Ratio	2.02	4.70	2.41
Return on Capital Employed	8.21%	25.22%	14.56%
Return on Equity	1.92%	70.19%	12.05%
Debt-Equity Ratio	4.51	1.30	0.35

(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. 93.72 lacs in 2021 to Rs. 375.06 lacs in 2022 and up to July'22 it is Rs. 149.63 lacs and if we annualise the same, it would be around Rs. 448.89 lacs. The EBITDA margin in 2021 was 16.23%, 37.57% in 2022 and 31.06% up to June'22. The EBITDA on an annualised basis has grown at a CAGR of 118.85% which seems to be quite extra-ordinary but since FY 21 was affected by COVID, the Y-o-Y growth has been calculated from FY 22 to FY 23 (Annualised) and the growth rate has been around 45%. The EBITDA margin after doubling in FY 22 from FY 21 and slightly come down up to July'22 due to higher cost of material consumed.

Net Profit

The net profit of the company has grown from Rs. 1.91 lacs in 2021 to Rs. 210.83 lacs in 2022 and up to July'22 it is Rs. 93.94 lacs and if we annualise the same, it would be around Rs. 281.82 lacs. The net profit margin in 2021 was 0.33%, 21.12% in 2022 and 19.50% up to July'22. The net profit on an annualised basis has grown at a super-normal CAGR of 1,114.70%, but again like EBITDA since FY 21 was affected by COVID, the Y-o-Y growth has been calculated from FY 22 to FY 23 (Annualised) and the growth rate has been around 45%

Finance Cost.

The company has incurred finance cost mainly on the long term and short term loans availed from bank.

Financial Measures/Ratios

RoCE of the company up to July 2022 was 14.56% vs 25.22% in 2022 and 8.21% in 2021. The RoCE of the company increased in 2021 due to increase in the levels of Operating Profit from that of 2020 and also decrease in long term borrowings of the company. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 21%.

ROE of the company up to July 2022 was 12.05%, 70.19% in 2022 and 1.92% in 2021. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE of around 16%.

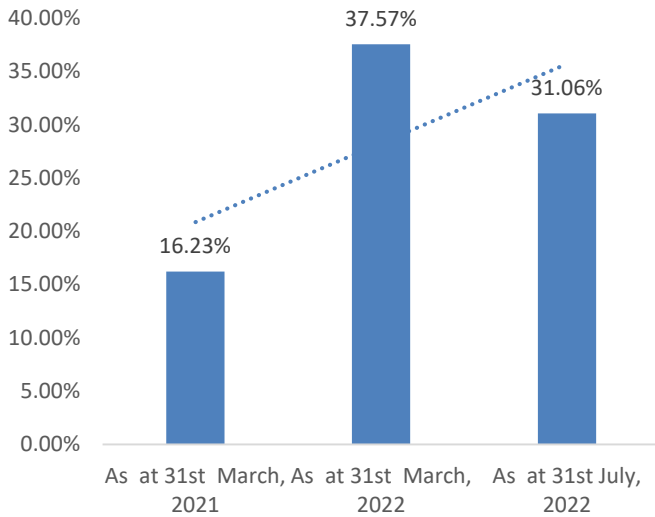
The company has effectively maintained its payables but has to give some extra efforts in managing its receivables and inventory as the turnover ratios of the same have been coming down.

The company has a debt-equity ratio of 0.35 times up to July 2022. The debt-equity has come down from the levels of 2021 due to substantial increase in profits contributing to increase in the equity base of the company and is expected to fall more with the infusion of new capital.

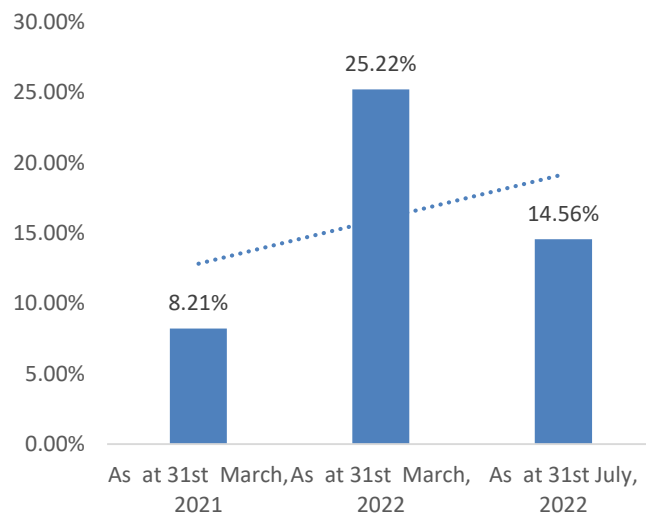
Financial Charts

***The charts have not been annualised.**

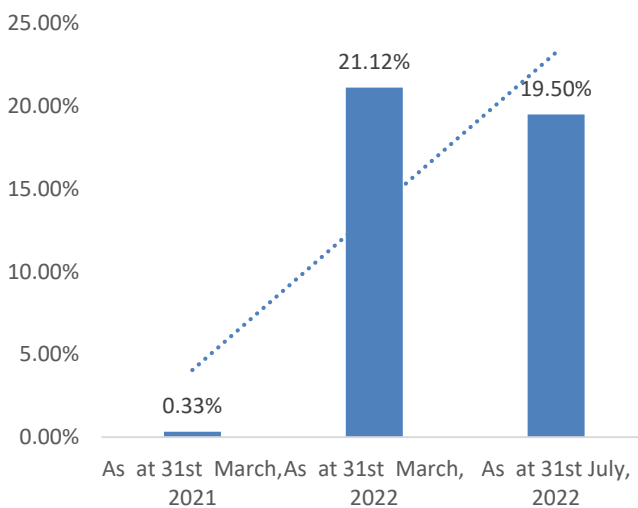
EBITDA Margin



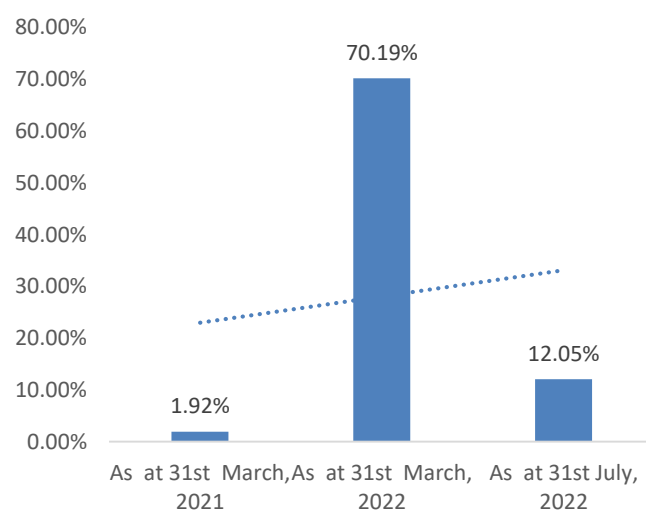
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 49.67 lacs, which if determined against them, can affect financial conditions of the company.
2. The product segment of the company is mainly plastic and government has already banned certain plastic products. Although, PET and HDPE are not one time use and can be used for multiple times, the innovation of an alternate product is a big threat for the company.
3. The products of the company to some extent is limited to seasonal changes as the customers of the company are also into soft and carbonated beverages.

Track Record of Lead Manager

The lead manager to the issue is ISK Advisors Pvt Ltd and this is the 3rd mandate of the lead manager. 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 –

Company	Issue Size (In Cr)	Listing Date	IPO Price/share (INR)	CMP (INR) #
Maruti Interior Products Limited	11.00	Feb 16, 2022	55/-	169.00
Advait Infratech Limited	6.89	Sep 28, 2020	51/-	534.95

#CMP is taken as on 19th October 2022

Out of the last 2 listings, both opened at premium.

Recommendation

The company was established in the year 2018 and is therefore having a little less experience than other big players in the industry. The product portfolio of the company has a good prospect but is in the limelight of environmental and regulatory guidelines as well as innovation.

After, the pandemic the company has shown good strength in its top line as well as bottom line but the growth is not expected to sustain in the coming times.

The management of the company is well educated and has good experience in their respective fields of operations.

Taking into consideration the figures of FY 22, the PE of the company on post IPO basis is around 12.18 times which seems to be fairly priced.

To conclude, the company has been recently established. If we remove the year of COVID, the company has performed well but again lack experience in this highly competitive environment. There are mixture of views and so we keep a **neutral** view on the IPO.

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.