



IPO Details

Opening Date	Dec 15, 2022
Closing Date	Dec 21, 2022
Stock Exchange	NSE SME
Lot Size	4000 Shares
Issue Price	₹ 33 per share
Issue Size	55,80,000 Equity Shares
Application Amount	₹ 1,32,000

IPO Objective

Funding Working Capital Requirement of the company
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,39,59,966	95.002%
Public	7,34,320	4.99%

Promoter of the Company

- Mr. Sumer Raj Lodha
- Mrs. Nirmala Lodha
- Mr. Abhishek Sumerraj Lodha

Competitive Strengths

- Integrated manufacturer of flexible packaging material with long standing market presence.
- Wide-spread domestic market presence.
- Presence across diverse industry verticals with long standing relationship with customers.
- Comprehensive product portfolio enables company to serve diverse end-use applications.
- Quality Assurance and Quality Control of company's products.
- Growth led by continuous investment and focus on R&D.
- In-house design capabilities and techniques.

Company Background

- Company was incorporated in the year 1999 in Gujarat.
- Company is engaged in the business of manufacturing flexible packaging material.
- They have domestic as well as international presence- Saudi Arabia, Australia, Senegal, USA, etc.
- Major raw material being used in their business is plastic.
- They have executed various memorandums of understanding with third parties for collection, segregation, transportation, recycling and disposal of plastic waste.
- As on Sept 30, 2022, the company had 441 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Sept-22	Mar-22	Mar-21
Total Assets	16,452.32	15,140.92	13,936.02
Net Assets	5,138.42	4,812.58	4,314.25
Total Borrowings	7,856.05	7,431.19	6,543.22
Total Revenue	9,209.58	18,720.79	15,911.11
Profit After Tax	325.84	498.33	449.78

Tentative Timeline

Opening Date	Dec 15, 2022
Closing Date	Dec 21, 2022
Basis of Allotment	Dec 26, 2022
Initiation of Refunds	Dec 27, 2022
Credit of Shares to Demat	Dec 28, 2022
Listing Date	Dec 29, 2022



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Company Overview

Uma Converter Limited was incorporated in the year 1999 with the business to manufacture flexible packaging material. It has two manufacturing units. Major raw material being used in their business is plastic. In order to ensure that their manufacturing operations remain sustainable, they have executed various memorandums of understanding with third parties for collection, segregation, transportation, recycling and disposal of plastic waste. They have also executed a service agreement with Ambuja Cements Limited for disposal of plastic waste in an environmentally friendly manner in the cement kiln process at high temperatures and long residence time, while simultaneously manufacturing cement of desired quality. Company has domestic as well as international market presence and they export their products to countries such as Saudi Arabia, Australia, Senegal and the United States of America, etc.

Analysis

Being incorporated in the year 1999, the company has a good track record of existence and has been operating in the packaging sector.

Company has robust growth and improvement in top line and bottom line on restated financial statement. The Company has two decades of track record in manufacturing flexi-packaging material. The company has been able to generate good amount of revenues and also expanded its manufacturing capacity which would further help the company to generate additional revenues. Currently the company is having an installed capacity of 11,400 MTPA of which it is using roughly 74%. A summary of the same is given in the table below –

Particulars	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	September 30, 2022
A. Unit- I					
Installed Capacity (MTPA)	5,400	5,400	5,400	5,400	5,400
Production volume (MTPA)	4,320	4,590	4,320	3,990	2,350
Capacity utilization	80%	85%	80%	74%	44%
B. Unit- II					
Installed Capacity (MTPA)	-	5,400	5,400	6,000	6,000
Production volume (MTPA)	-	1,350	2,970	4,433	2,010
Capacity utilization	-	25%	55%	74%	34%



Particulars	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	September 30, 2022
Total Processing capacity of our manufacturing units					
Installed Capacity (MTPA)	5,400	10,800	10,800	11,400	11,400
Production volume (MTPA)	4,320	5,940	7,290	8,423	4,360
Capacity utilization	80%	55%	68%	74%	38%

Product wise sales bifurcation of the company is shown in the table below:

Revenue Break-Up				Rs In Lakhs	
Sr. No.	Particulars	Sept 30, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
1	Manufacturing	8,423.97	16,861.31	15,481.39	9,767.52
2	Trading	611.46	1,685.32	167.12	552.14
3	Job Work	155.98	151.93	164.79	39.44
	Total	9,191.41	18,698.56	15,813.30	10,359.10

Geographical Sales Bifurcation

Domestic Vs Exports					(Rs. In Lakhs)
Sr. No.	Particulars	September 30, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
1	Domestic	9,048.81	18,125.01	15,266.73	10,079.07
2	Exports	144.41	573.55	546.57	280.03
	TOTAL	9,193.22	18,698.56	15,813.30	10,359.10

As evident from the table above, the company is primarily selling in the domestic market and has started exporting recently. The company at present is exporting to Saudi Arabia, Australia, Senegal, The United States of America, etc.

To conclude, the company has fared very well in terms of revenue generation and expansion. The company has an established market and good customer base but they are into a high capital-intensive industry and any change in the government policies may adversely affect the business as company manufactures products made up of plastic. The competition is also very high with a lot of players in the market.



Industry Charts

Exhibit 1: Packaging Material Exports (US\$ Million)

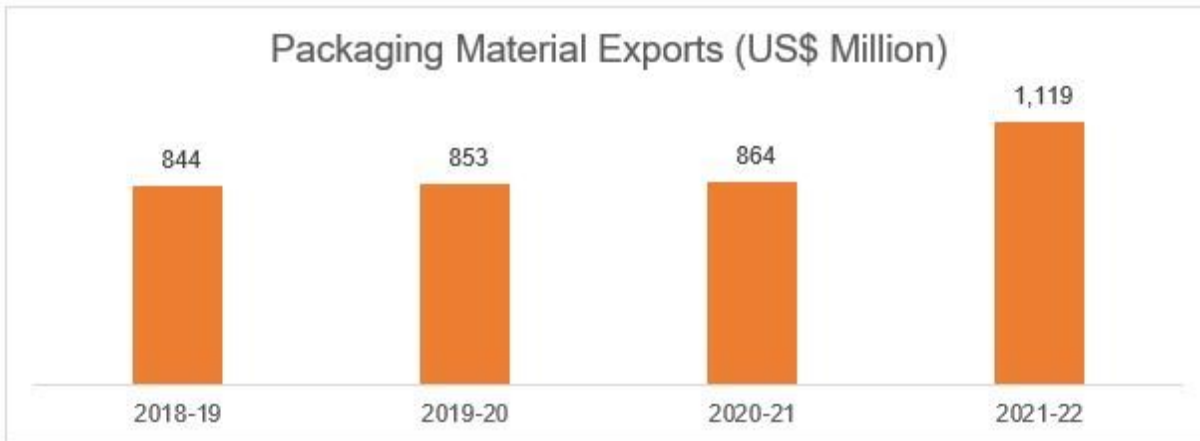


Exhibit 2: Global segment wise breakup of packaging materials

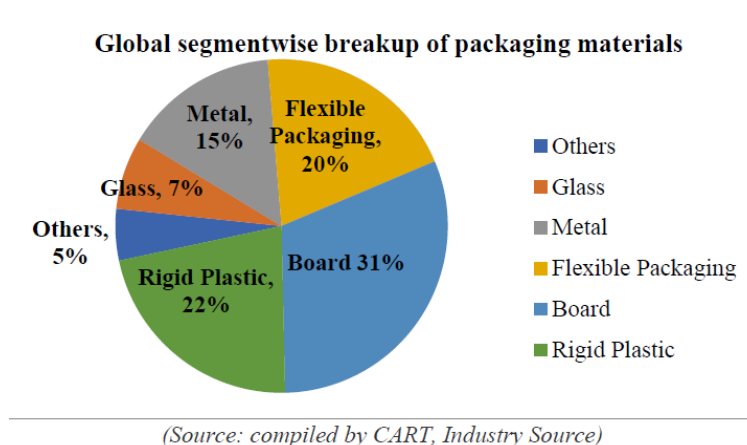
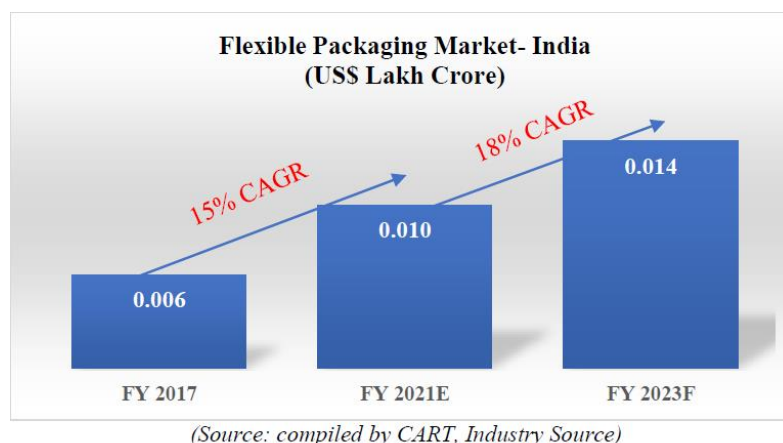


Exhibit 3: Flexible Packaging Market- India (US\$ Lakh Crore)



(Source: ibef.org)



Investment Overview

Packaging Industry

The packaging market in India seems set for the next level of growth. Strong favourable demographics aside, factors such as increasing disposable income levels, rising consumer awareness and demand for processed food, and the multinational giants taking rapid strides in the food, beverages, cosmetics & toiletries and pharmaceuticals space, are expected to be the key drivers of this growth story. These factors are forcing both packaging suppliers and end-user industry to shift from bulk packaging to retail, unit-level and small-sized packaging. In addition, exploding organized retail growth and newly relaxed FD investment norms in retail and other sectors augur well for packaging market in India.

Market's Size

Packaging is among the high growth industries in India. The Indian Packaging Industry was valued to be US\$ 0.073 lakh crore in FY 2020 and is estimated to be US\$ 0.084 lakh crore in FY 2021. It is expected to grow from US\$ 0.073 lakh crore in FY 2020 to US\$ 0.205 lakh crore in FY 2025 with CAGR of 23.05% and becoming a preferred hub for packaging industry. Currently, Retail Market being the 5th largest sector of India's economy, 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 40% lower than of in Europe which, combined with India's resources of skilled labor, 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.

Addressable Market for Uma Converter Limited

The company is operating from Gujarat, which is amongst the major business hubs of India. The company is currently supplying its product PAN India and has also targeted the export market. The company in coming times would like to increase its global presence along with increasing its presence in India.



Competition

Company operates in a highly competitive environment. Price is the main factor in most cases for client making decisions. Competition emerges not only from small but also from big Regional and National and International players. Moreover, there are high entry barriers in this industry and any expansion in capacity of existing producers would further intensify competition.

Peer Analysis

A summary on the key financial parameters of the company is given in the table below –

Company	Uma Converter Ltd	Uflex Limited	Mold-Tek Packaging Limited
Net Profit (INR Cr)	4.98	222.32	63.66
EBITDA (INR Cr)	17.95	679.64	122.24
Return on Capital Employed	15.04%	11.00%	19.11%
Return on Equity	6.34%	8.28%	13.92%
EPS (INR)	1.81	30.79	22.12
P/E* (Times)	18.23	18.27	42.65

*PE as on 16/12/2022

#EPS is based on post-IPO



Promoters' Profile and Management Analysis

Mr. SUMER RAJ LODHA



- **Mr. Sumer Raj Lodha**, is Promoter-Chairman and Managing Director of the Company.
- He holds a bachelor's degree in arts from Jodhpur University and has an experience of over three decades in the packaging industry.

Mrs. NIRMALA LODHA



- **Mrs. Nirmala Lodha**, is an Executive Director of the Company.
- She has an experience of about three decades in the packaging industry.
- She is responsible for supervising the human resource and administration department of the Company

Mr. ABHISHEK SUMERRAJ LODHA



- **Abhishek Sumerraj Lodha**, is the Whole-time Director of the Company.
- He holds a bachelor's degree in engineering from RMIT University, Australia.
- The two manufacturing units are run under his direct guidance and leadership.
- He oversees and supervises the production and the human resource management of the Company.



Analysis on the Company's Promoter and Board of Directors

Sumer Raj Lodha, aged 65 years, is the Chairman of the Board, the Managing Director and one of the Promoters of the Company who has been associated with the Company since its inception. He holds a bachelor's degree in arts from Jodhpur University and has an experience of over three decades in the packaging industry.

Nirmala Lodha, aged 59 years, is an Executive Director and one of the Promoters associated with the Company since its inception. She has an experience of about three decades in the packaging industry. She is responsible for supervising the human resource and administration department of the Company.

Abhishek Sumerraj Lodha, aged 36 years, is the Whole-time Director and one of the Promoters of the Company. He holds a bachelor's degree in engineering from RMIT University, Australia and has been associated with the Company since the year 2015 in the capacity of a director. The two manufacturing units are run under his direct guidance and leadership. He oversees and supervises the production and the human resource management of the Company.

To conclude, the company's promoters and board of directors are very well experienced. Independent directors also seem experienced and could play a major role in the growth of this company. Information regarding their experience is not showcased well and therefore it is difficult to say if their experience overweighs their educational qualifications which at best is at par.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	15,813.30	18,698.56	9,193.22
Other income	97.81	22.23	16.36
Total Revenue	15,911.11	18,720.79	9,209.58
Expenses	14,403.40	16,903.72	8,157.53
Depreciation and Amortisation Cost	477.36	475.45	266.04
Finance Cost	474.26	648.26	352.62
Total Expenses	15,355.02	18,027.43	8,776.19
PBT	556.09	693.36	433.39
PBT Margin	3.52%	3.71%	4.71%
EBITDA	1,409.90	1,794.84	1,035.69
EBITDA Margin	8.92%	9.60%	11.27%
Net Profit	449.78	498.33	325.84
Net Profit Margin	2.84%	2.67%	3.54%
Balance Sheet			
Total Borrowings	6,543.22	7,431.19	7,856.05
Net Worth	4,314.25	4,812.58	5,138.42
Fixed Assets	6,285.17	6,497.94	6,337.48
Net Working Capital	1,475.01	1,921.54	3,064.00
Financial Measures (Annualised)			
Inventory Turnover Ratio	3.39	3.01	2.74
Receivables Turnover Ratio	7.46	12.54	7.09
Payables Turnover Ratio	4.97	5.01	6.65
Fixed Assets Turnover Ratio	2.52	2.88	3.17
Return on Capital Employed	11.42%	15.04%	13.25%
Return on Equity	10.43%	10.35%	8.92%
Debt-Equity Ratio	1.52	1.54	1.07

(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. 1409.90 lacs in 2021 to Rs. 1794.84 lacs in 2022 and on 30th Sept 2022 it was Rs.1035.69 lacs and if we annualise the same it would be around Rs. 2071.38 lacs. The EBITDA on annualised basis has grown at a CAGR of 21.21%. The EBITDA margin in 2021 was 8.92%, 9.60% in 2022 and 11.27% on 30th Sept 2022.

Net Profit

The net profit of the company has grown from Rs 449.78 lacs in 2021 to Rs. 498.33 lacs in 2022 and on 30th Sept 2022 it was Rs. 325.84 lacs and if we annualise the same it would be around Rs. 651.68 lacs growing at a CAGR of 20.37% which seems quite normal. The net profit margin in 2021 was 2.84%, 2.67% in 2022 and 3.54% in Sept, 2022. Again, due to increase in revenue and decreases in expenses the net profit margins have increased.

Finance Cost.

The company's finance cost mainly seems to be from secured long term and short-term borrowings from bank.

Financial Measures/Ratios

RoCE of the company up to 30th Sept 2022 is 7.81% vs 15.04% in 2022 and 11.42% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 13.25%.

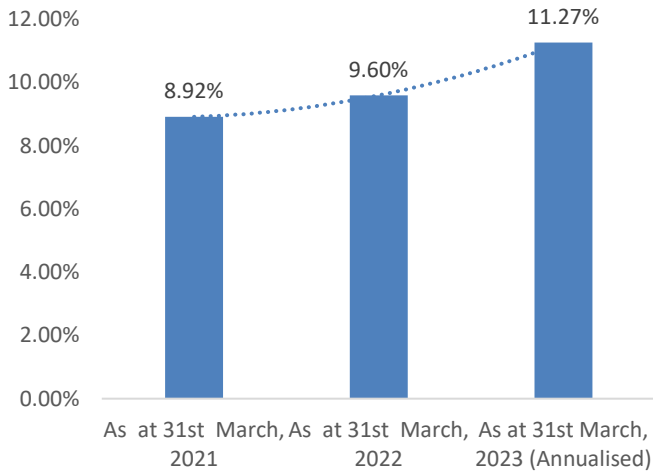
ROE of the company in 2021 was 10.43%, 10.35% in 2022 and 6.34% in Sept 2022, if annualised, ROE would be around 8.92%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

The company has a debt-equity ratio of 1.53 which shows the company is decently leveraged but could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 1.07 post IPO.

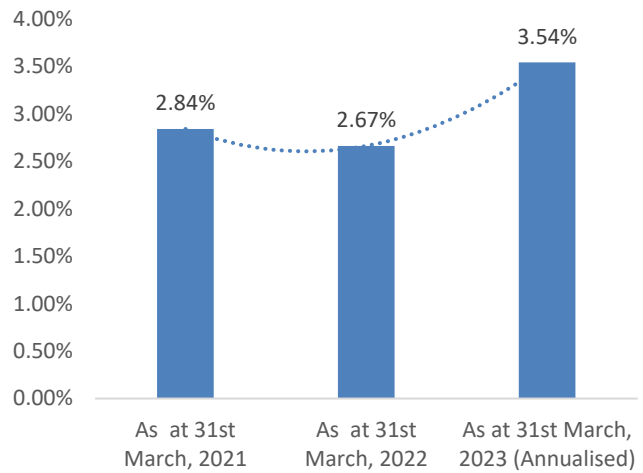


Financial Charts

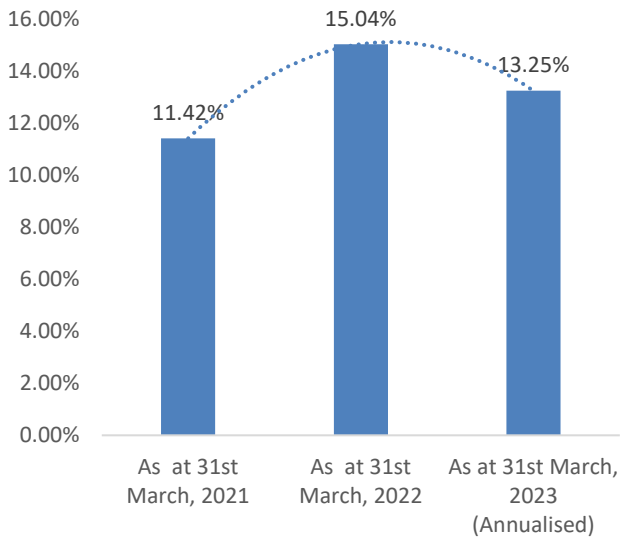
EBITDA Margin



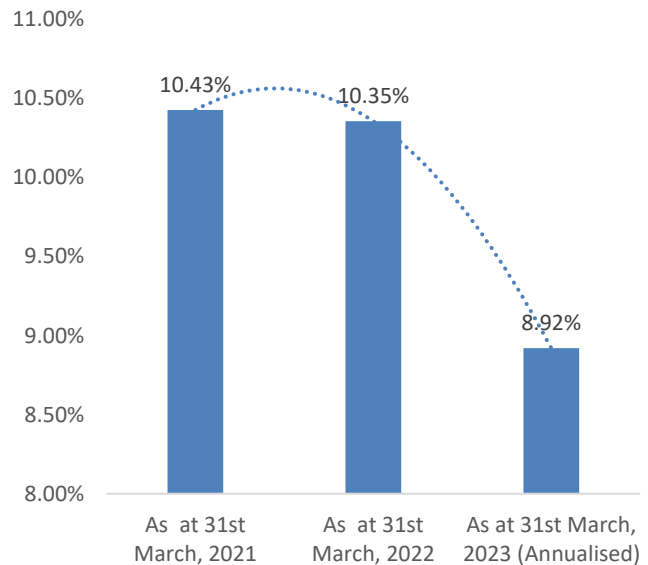
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to Rs. 0.29 lakhs, which if determined against the company, can affect financial conditions of the company
2. Business is working capital intensive. If the Company experiences insufficient cash flows from operations or are unable to borrow to meet the working capital requirements, it may materially and adversely affect the business and results of operations
3. Since the raw material used in their industry is plastic, they are highly exposed to the risk of change in government policies regarding use of plastic.

**Track Record of Lead Manager**

The lead manager to the issue is GYR Capital Advisors. 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	52.00
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	24.30
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	24.00
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	68.50
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	33.50
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	15.00
7.	Mafia Trends Limited	1.28	28/-	06/10/2022	18.55
8.	Pritika Engineering Components Limited	9.42	29/-	08/12/2022	37.40

CMP is taken as on 16th December 2022

This is the 9th mandate from GYR Capital in the last two fiscals (including the ongoing one). Out of the last six listings, all opened with premiums ranging from 2.45% to 90.91% on the day of listing.



Recommendation

Being incorporated in the year 1999, the track record of the company is good. The industry in which the company is operating has a good prospect as it has applications over numerous products.

The company's management has a good outlook as they have relevant experience in their respective field of business.

The sector PE is around 30 times and the company is getting listed at a PE of around 18.23 times which makes it a fairly priced issue.

Debt-equity ratio of the company is 1.53 pre-IPO and estimated to be 1.07 post IPO indicating poor leveraging techniques used by the company. Since the company is operating at 3/4th capacity currently, it would be a good choice to raise money for expansion which will not only improve their debt-equity ratio but will also help the company expand.

To conclude, the company is operating in a good industry, the company has good experience and has performed well in its top line however profit margins are slightly thin. Although the company is operating at a capacity of 75%, the company has a scope to raise capital through debt and increase its operating capacity as the debt-equity ratio of the company is estimated to be roughly 1.07 times post- IPO basis. With the increase in capacity through debt financing, the interest cost would be little higher but the company can cover it through tax advantage and increased operating efficiency. So, considering all these factors, the company seems to have a good prospect and one **may apply** for 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.