



IPO Details

Opening Date	Dec 30, 2022
Closing Date	Jan 04, 2023
Stock Exchange	BSE SME
Lot Size	1000 Shares
Issue Price	₹ 135 per share
Issue Size	5,99,000 Equity Shares
Application Amount	₹ 1,35,000

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	19,19,990	100%
Public	10	Negligible

Promoter of the Company

- 1 Mr. Naresh Nayak
- 2 Mr. Niranjan Nayak
- 3 Mr. Manjunath Nayak

Competitive Strengths

- 1 Quality products.
- 2 Experienced Management Team.
- 3 In house R&D for innovation and cost improvements.
- 4 Long Term relationship with clients.
- 5 Multiple end-user industries.

Company Background

- Company was incorporated in the year 2005 in Maharashtra.
- Company is engaged in the manufacturing and exporter of Sealing packing and Insulation products including Jointing Sheets, Fabric Expansion Joints, Gland packing & Ropes, High Temperature resistant textiles, Ceramic Fiber Product etc.
- The company was formed in the year 1963 for the manufacturing of Gland Packing.
- The manufacturing facility of the company is situated in Plot No. 44, MIDC – Taloja Industrial Area, Palekhrud Panvel, Raigarh - 410208.
- Company is a process to set up a manufacturing unit at Anand Nagar, MIDC Ambernath, admeasuring 4000. Sq. meter.

Financial Summary

For the Period Ended	(In Lacs)		
	Jun-22	Mar-22	Mar-21
Total Assets	1,508.67	1,443.75	1,317.08
Net Assets	861.90	824.30	769.67
Total Borrowings	328.22	377.71	338.95
Total Revenue	571.63	2,115.68	1,726.30
Profit After Tax	37.60	54.62	36.81

Tentative Timeline

Opening Date	Dec 30, 2022
Closing Date	Jan 04, 2023
Basis of Allotment	Jan 09, 2023
Initiation of Refunds	Jan 10, 2023
Credit of Shares to Demat	Jan 11, 2023
Listing Date	Jan 12, 2023



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Company Overview

Company was started in the year 1963 as a manufacturer of Gland Packing by Mr. Manjunath Nayak under the name “M/s Rex Industries”. In the year 1997, the business was further expanded by the 2nd generation of the family, Mr. Niranjan Nayak and later in the year 2001, Mr. Naresh Nayak joined the business too. Further in the year 2005, the company was incorporated as a private limited company. Rex Sealing and Packing Industries Limited, is a manufacturer and exporter of Sealing packing and Insulation products including Jointing Sheets, Fabric Expansion Joints, Gland packing & Ropes, High Temperature resistant textiles, Ceramic Fiber Product etc.

Analysis

The company has a very good experience in their field of operations, with the founder being in the business for almost 5 decades now. The product portfolio of the company has applications in variety of industrial products and cater needs in the engineering industries which are very essential for any manufacturing business to grow and survive. The product portfolio of the company includes –

1. Compressed Fiber Joining Sheets/Gaskets

This product is useful in filling the gap between two matting surfaces, generally to prevent leakage from or into the joint objects while under compression. These sheets are manufactured in different design based on industrial usage, budget, chemical contact and physical parameters.



2. Gland Packing and Ropes

Gland packing is a flexible material configured into rings that are inserted into stuffing box to seal the rotating part of the equipment, such as a pump or a valve.



3. Fabric Expansion Joints

Fabric Expansion Joints are used to insulate and avoid mechanical loads for piping and duct systems. They act as vibration isolators and shock absorbers.



4. Technical and Heat Resistance Textiles

These products are used to protect hoses, wires and cables from the hazards of high heat and occasional flames.



5. Ceramic Fiber Product

Company manufactures high temperature ceramic fiber products that is widely used as thermal insulation material in various industries. This product acts as a heat insulating material.



The company has its own manufacturing unit in Raigad and is also in the process of setting up a new manufacturing unit in Ambarnath admeasuring 4,000 sq. mtrs. for manufacturing of all types of “Asbestos Free” Gaskets sheets for Automotive, Steel and other process unit. The capacity currently installed and utilized by the company is given in the exhibit below –

Particulars	Installed Capacity (per annum)	Capacity utilized for the Year ending March 31,		
		2022	2021	2020
Fibre Jointing Sheets/ Gaskets	2,16,000 Kgs	60%	58%	50%
Gland Packing	96,000 Kgs	50%	40%	35%
Fabric Expansion Joint	24,000 sq mtrs	30%	25%	20%
Ceramic Fiber Product	500 tonnes	50%	40%	30%

The company has enough capacity remaining to manufacture its product and there is no foreseeable capacity crunch to be faced by the company. The company has been majorly supplying to the domestic customers. The company exported around 6.92% up to June'22, which has been constant with the previous years except FY 22. The major raw materials for the company are Rubber, Fiber, Filler, Yarn, Ceramic Blanket, Stainless Steel Wire Mesh, Fabrics and Polytetrafluoroethylene Foil which have varying prices throughout the year, and so the company has to look forward to mitigate such price fluctuation risk.

Overall, the company has a good and diversified product portfolio with variety of applications in different industries.

Industry Charts

Exhibit 1: Global Gasket and Seal Markets (by application in 2021 as %)

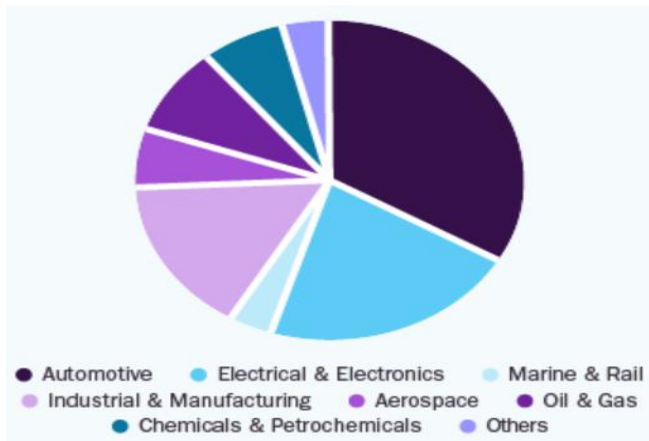


Exhibit 2: Indian Industrial Gaskets Market (Market share by product type as %)

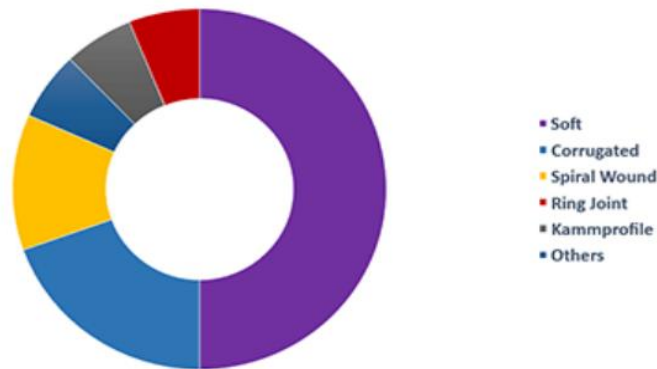


Exhibit 3: Gaskets and Seals market, Revenue (%), by application, Global, 2021



(Source: prospectus, mordorintelligence.com, grandviewresearch.com)



Investment Overview

Gaskets and Seals Industry

The India industrial gaskets industry is being led by the increasing power generation in the country to meet the increasing power demand. Further, the positive business conditions in the Indian manufacturing sector are boosting the market growth in the country. In addition to this, the Make in India drive is helping India become the hub for hi-tech manufacturing as many global giants have either set up or are in the process of setting up manufacturing plants in India supported by the growing population and an increasing purchasing power. This is predicted to favour the market growth of industrial gaskets. Also, the Government of India is taking several initiatives to promote a healthy environment for the development of the manufacturing sector in the country, consequently boosting the industrial gaskets market in India. The India industrial gaskets market witnessed a healthy growth in the historical period of 2017-2021. The India industrial gaskets industry is expected to grow at a CAGR of 6% in the forecast period of 2022-2027. Industrial gaskets work as static seals between two non-mobile flat flanges. They are key components of industrial applications tasked to assist seal joints in limiting vibration, enhancing mounting, and preventing leaks. Industrial gaskets are manufactured using materials that can tolerate high rates of compression like rubber, graphite, nitrite, and neoprene. The market growth of the industrial gaskets in India is driven by the robust growth of the refineries segment in recent years. The growth of this segment can be attributed to the growing requirement of sealing products to prevent leakages of hazardous chemicals and toxins into the environment. In addition, the flourishing automotive industry, along with the growing product utilization in the plumbing and construction sector, is expected to aid the market growth over the forecast period. Further, due to robust industrialisation and rapid urbanisation in the country, the manufacturing plants and factories that use gaskets are increasing—thereby facilitating market growth. The market is further supported by certain factors like the extensive application of industrial gaskets in multiple end-use industries, rising consumption of PTFE gaskets, increasing demand from oil & gas production-related facilities in GCC countries, strict regulations regarding leakage implemented by the Environmental Protection Agency to safeguard against any environmental damage, which are bolstering the market growth. However, the market growth was negatively



affected in 2020 due to the COVID-19 outbreak, which severely disrupted the value chain. The market may gradually recover over the forecast period due to government initiatives aimed at reviving the economy.

(Source: Prospectus)



Addressable Market for Rex Sealing and Packing Industries Limited

The company currently sells around 93% of its products domestically. The trend of export sales has been constant around 5%-6% over the years. So, the company could definitely look forward to increase its export sales in the coming times with its advantage of diversified product segment.

Competition

Company operates in a highly competitive environment. The threat of new entrant is low and there are many small and unorganised players in the market who are acting as an existing threat to the company. Moreover, with the business expansion, the company would look to export more and would therefore face competition from international players as well.

Peer Analysis

As provided in the prospectus, the company do not have any listed peer.

Promoters' Profile and Management Analysis

Mr. Naresh Nayak



- Mr. Naresh is the promoter and managing director of the company.
- He has been on the board since incorporation.
- He has completed his Bachelor's degree in Computer Engineering from Mumbai University in the year 2003.
- He has more than 17 years of experience in various businesses like Chemicals, Gland Packing, Gasket, Industrial Bellows etc. and has vast exposure in the fields of management, finance, accounting, information technology and legal.

Mr. Niranjana Nayak



- Mr. Niranjana Nayak is the promoter, whole time director and CFO of the company.
- He has been on the board of the company since its incorporation.
- He has completed his Bachelor of Mechanical Engineering from Shivaji University in the year 1997.
- He is responsible for formulating various strategies and providing guidance for its implementation in the Company.

Mr. Manjunath Nayak



- Mr. Manjunath is the promoter and a whole time director of the company.
- He has been on the boards since the incorporation.
- He has completed his Bachelor of Arts from Mumbai University in the Year 1965. He has completed Master of Arts from Mumbai University in the year 1968.
- He has more than two decades of experience in the Industrial Packaging and Sealing Industry.



Analysis on the Company's Promoter and Board of Directors

Naresh Nayak, aged 43 years is the founding Promoter of the company and is designated as the Managing Director of the Company. He was appointed on the Board of the Company since incorporation. He has completed his Bachelor's degree in Computer Engineering from Mumbai University in the year 2003. He has more than 17 years of experience in various businesses like Chemicals, Gland Packing, Gasket, Industrial Bellows etc and has vast exposure in the fields of management, finance, accounting, information technology and legal. He is a partner in M/s Rex Industries.

Niranjan Nayak, aged 47 years is the founding Promoter of the company and is designated as Whole Time Director and Chief Financial Officer of the Company. He was appointed on the Board of the Company since incorporation. He has completed his Bachelor of Mechanical Engineering from Shivaji University in the year 1997. He is a partner in M/s Rex Industries. He is instrumental in devising and implementing the overall strategy and growth of the Company and in maintaining cordial relations. He is also been responsible for strategizing the management and expansion of the business from time to time.

Manjunath Nayak, aged 82 years is the founding Promoter of the Company and is designated as Whole Time Director on the Board of the Company. He was appointed on the Board of our Company since incorporation. He has completed his Bachelor of Arts from Mumbai University in the Year 1965. He has completed Master of Arts from Mumbai University in the year 1968. He has more than two decades of experience in the Industrial Packaging and Sealing Industry.

To conclude, the company's promoters and board of directors are very well experienced and educated. The roles and responsibilities of the management is well defined. Going forward, the company's strategic decisions are most likely to be taken by its managing director supported by the younger whole-time director. The independent director of the company can be a good driving force, but it seems it could have been constructed in a more thoughtful manner as it looks like it has just been formed to meet the regulatory requirements.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th June, 2022
Profit and Loss			
Revenue from operations	1,714.43	2,107.68	571.46
Other income	11.87	8.00	0.17
Total Revenue	1,726.30	2,115.68	571.63
Expenses	1,588.03	1,975.57	516.84
Depreciation and Amortisation Cost	38.98	33.89	7.32
Finance Cost	46.21	38.02	9.31
Total Expenses	1,673.22	2,047.48	533.47
PBT	53.08	68.20	38.16
PBT Margin	3.10%	3.24%	6.68%
EBITDA	126.40	132.11	54.62
EBITDA Margin	7.37%	6.27%	9.56%
Net Profit	36.81	54.62	37.60
Net Profit Margin	2.15%	2.59%	6.58%
Balance Sheet			
Total Borrowings	338.95	377.71	328.22
Net Worth	769.67	824.30	861.90
Fixed Assets	184.90	180.83	173.77
Net Working Capital	398.16	494.26	531.81
Financial Measures (Annualised)			
Inventory Turnover Ratio	3.37	3.78	2.00
Receivables Turnover Ratio	4.88	4.46	5.06
Payables Turnover Ratio	7.47	6.94	5.82
Fixed Assets Turnover Ratio	9.27	11.66	15.82
Return on Capital Employed	11.19%	11.80%	9.56%
Return on Equity	4.78%	6.63%	7.46%
Debt-Equity Ratio	0.44	0.46	0.14

(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. 126.40 lacs in 2021 to Rs. 132.11 lacs in 2022 and on 30th Jun 2022 it was Rs. 54.62 lacs and if we annualise the same it would be around Rs. 218.48 lacs. The EBITDA on annualised basis has grown at a CAGR of 31.47%. The EBITDA margin in 2021 was 7.37%, 6.27% in 2022 and 9.56% up to 30th Jun 2022.

Net Profit

The net profit of the company has grown from Rs 36.81 lacs in 2021 to Rs. 54.62 lacs in 2022 and as on 30th Jun 2022 it was Rs. 37.60 lacs and if we annualise the same it would be around Rs. 150.40 lacs growing at a CAGR of 102.13%. The net profit margin in 2021 was 2.15%, 2.59% in 2022 and 6.58% up to 30th June 2022. The net profit margin has grown due to decrease in cost of material consumed. We believe that the net profit margin would come down to a sustainable level in coming times.

Finance Cost.

The company's finance cost mainly due to short terms borrowings availed by the company.

Financial Measures/Ratios

RoCE of the company up to 30th Jun 2022 is 5.41% vs 11.80% in 2022 and 11.19% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 9.56%. The RoCE is expected to decrease due to increase in new capital brought in by the company in the form of equity.

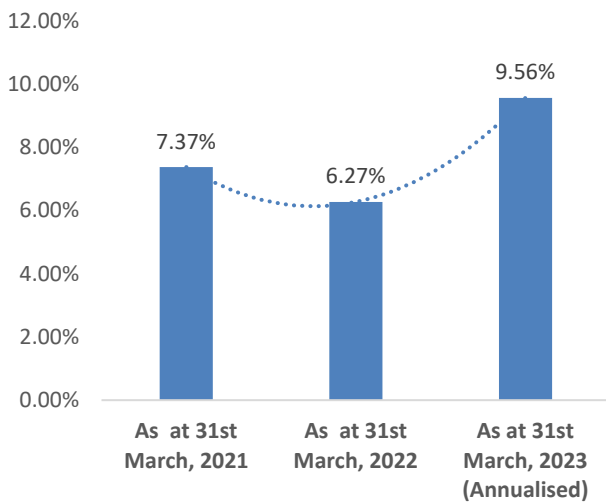
ROE of the company in 2021 was 4.78%, 6.63% in 2022 and 4.36% up to June 2022, if annualised, ROE would be around 7.46%. The ROE is expected to rise due to substantial increase in the net profit of the company.

The company has a debt-equity ratio of 0.38 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 0.14 times post IPO.

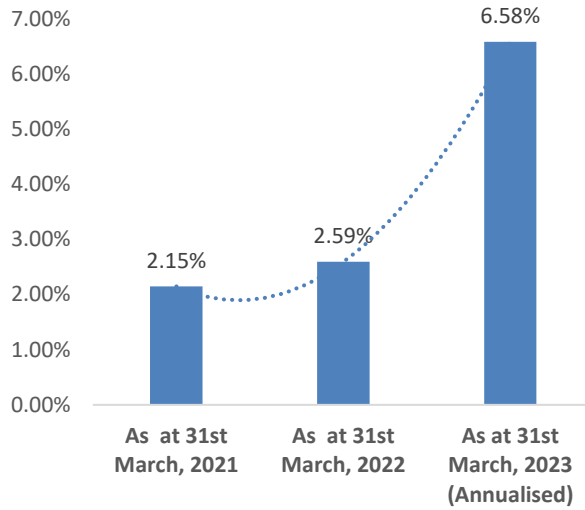


Financial Charts

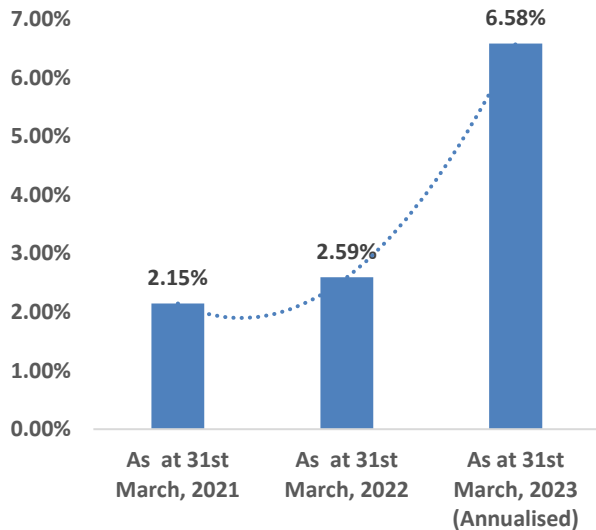
EBITDA Margin



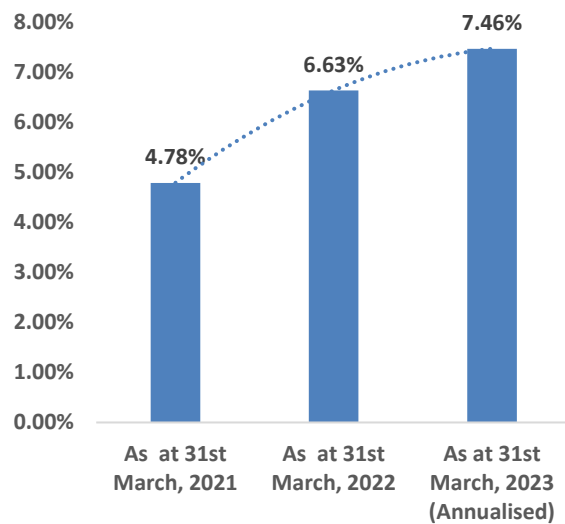
Net Profit Margin



Net Profit Margin



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. 39.92 lacs which if determined against the company, can affect financial conditions of the company
2. Erstwhile Statutory auditor has provided qualifications in the Financial Statements for Financial Years ended on March 31, 2022, March 31, 2021 and March 31, 2020, relating to disclosures under the heads of 'raw material consumption' and 'item wise bifurcation of inventory' as per requirement of Schedule III of the Act.
3. Top 5 customers of the company contribute to more than 65% of sales.
4. Company has contingent liabilities amounting to Rs. 121.51 lacs for the period ended up to June 2022.



Track Record of Lead Manager

The lead manager to the issue is Aryaman Financial Services Limited and the previous issue details have been taken from the Lead Manager’s Website. 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# (INR)
1.	SP Refractories Limited	4.92	90	Mar 22, 2022	85.00
2.	Fabino Life Sciences Limited	3.24	36	Jan 13, 2022	32.00
3.	Suyog Gurbaxani Funicular Ropeways Limited	29.5	45	Nov 16, 2021	44.00
4.	CWD Limited	18.01	180	Oct 13, 2021	1700.00
5.	Gretex Corporate Services Ltd	5.13	170	Aug 09, 2021	94.00
6.	Times Green Energy (India) Ltd	4.05	61	Jun 30, 2021	57.15
7.	Adeshwar Meditex Limited	9.75	25	Jun 28, 2021	28.00
8.	Pavna Industries Limited	29.7	165	Mar 09, 2021	220.50
9.	Net Pix Shorts Digital Media Limited	2.7	30	Dec 02, 2020	35.00
10.	Atal Realtech Ltd	10.83	72	Oct 15, 2020	77.05
11.	Modi’s Navnirman Limited	22.68	180	July 06, 2022	132.20
12.	EP Biocomposites Limited	6.35	126	Sep 13, 2022	178.30
13.	Abans Holdings Limited	345.60	270	Dec 23, 2022	202.10

#CMP is taken as on 28th December 2022

Out of the last 10 Listings, 2 opened at par and rest at premium.



Recommendation

The company has a good track record of existence with being incorporated in the year 2005 and being founded in the year 1963.

The product portfolio of the company diversified with applications in multiple industries. The Revenue growth of the company has been good in recent years and the company have enough capacity to cater increasing demand.

The management of the company is highly experienced in their respective fields of business, however, the independent directors of the company seems to be selected as an obligatory requirement.

The PE of the company on Post IPO basis comes to around 49 times which makes it a highly priced issue.

To conclude, there are more positives for the company, then negatives. The issue price seems to be on a higher side as of now, but with growing prospect it seems that the PE would be justified in coming times and so one **may apply** in 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.