

IPO Details	
Opening Date	June 23, 2023
Closing Date	June 27, 2023
Stock Exchange	NSE SME
Lot Size	1200 shares
Issue Price	₹101 - ₹107 per share
Issue Size	61,99,200 Equity Shares
Application Amount	₹ 1,28,400
Amount Raised (Issue Type)	₹66.33 Cr (Fresh Issue-50.28Cr & OFS-16.05Cr)

IPO Objective	
1.	Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company.
2.	Funding the working capital requirements of the Company.
3.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,60,00,000	100%
Public	-	0%

Promoter of the Company	
1.	Mr. Pallav Kishorbhai Doshi
2.	Mrs. Khushboo Chandrakant Doshi
3.	Mrs. Karishma Rajesh Doshi

Competitive Strengths	
1.	Trusted brand and strong parentage.
2.	Wide-spread domestic and international market presence.
3.	Comprehensive product portfolio enables them to serve their customers spread across diverse industry verticals.
4.	Technology backed infrastructure to support innovative and quality solutions.
5.	Quality Assurance and Quality Control of their products.
6.	Well experienced management team with proven project management and implementation skills.

Company Background	
○	Essen Speciality Films Limited was incorporated in the year 2002 headquartered in Rajkot-Gujarat.
○	The Company is a manufacturer and exporter of specialized plastic products in the home improvement and home furnishing industry, to multinational modern trade retailers, such as IKEA, Walmart, Kmart, Bed Bath & Beyond, Rusta, Runsvan, Kohl's, Kroger etc.
○	Company is part of the Rajoo Group, which is headed by their promoter group company and Group Company, Rajoo Engineers Limited ("REL").
○	Company markets and sell its products predominantly under three brands; 'Draperi' for shour curtains, 'Runner' for shelf liners and 'Paperi' for artificial plants and placemats.
○	As on date of filing of Red Herring Prospectus, company have 671 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	10,440.24	11,859.28	10,970.82
Net Assets	6,707.76	7,224.66	8,561.89
Total Borrowings	1,541.36	2,583.00	657.40
Total Revenue	9,680.78	11,857.17	12,048.09
Profit After Tax	913.73	516.90	1,337.23

Tentative Timeline	
Opening Date	June 23, 2023
Closing Date	June 27, 2023
Basis of Allotment	July 03, 2023
Initiation of Refunds	July 04, 2023
Credit of Shares to Demat	July 05, 2023
Listing Date	July 06, 2023

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Company Overview

Essen Speciality Films Limited was incorporated in the year 2002 headquartered in Rajkot-Gujarat. The Company is a manufacturer and exporter of specialized plastic products in the home improvement and home furnishing industry, to multinational modern trade retailers, such as IKEA, Walmart, Kmart, Bed Bath & Beyond, Rusta, Runsvan, Kohl's, Kroger etc. Company is part of the Rajoo Group, which is headed by their promoter group company and Group Company, Rajoo Engineers Limited ("REL"). Company markets and sell its products predominantly under three brands; 'Draperi' for shower curtains, 'Runner' for shelf liners and 'Paperi' for artificial plants and placemats. They supply their products to twenty-four (24) countries. Their customers are mainly domestic and international manufacturers functioning in various industries, however they also cater to end-use customers through online presence. They also supply their products to local traders and distributors in India.

Analysis

Being in operations since 2002, the company have good track record of existence in the business and also all the promoters of the company have a good experience in the industry. Company is engaged in the home improvement and home furnishing industry and therefore are able to manufacture multi-purpose, customizable, diversified, technologically advanced and solution oriented specialized plastic products. Further, company's products in their respective categories are priced at entry level retail price point, which makes them affordable in all market conditions, and therefore assures a positive outlook for its products even during an economic downturn. Their product portfolio can broadly be classified into seven categories, namely, a) bath area, b) kitchen & dining, c) home décor, d) storage and organization, e) fitness and lifestyle, f) outdoor and utility and g) customized products, which include plastic films, spa slippers, Baby shower caps, green-house gutter sheet etc. Owing to the multipurpose nature of products, their customer base is diversified and spread across various industries, including but not limited to home furnishing, home decor, departmental stores, discount retailers, hypermarkets, hardware and home improvement, office supplies stores, agricultural and medical industry and international importers and wholesale distributors.

Their customer base is also diversified and spread across various geographies and platforms. They primarily manufacture and supply their products to renowned multinational modern trade retailers such as IKEA, Walmart, Kmart, Bed Bath & Beyond, Rusta, Runsvan, Kohl's, Kroger, etc. They also supply their products to local traders and distributors in India and have an online presence on platforms such as Amazon, Flipkart, Snapdeal, Meesho, IndiaMart and JioMart. A break up of the revenue earned by the

Company during the preceding three fiscals from its diverse customer base has been provide below:

Essen Speciality Films Ltd revenue bifurcation: -

(Rs. in lakhs)

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amt.	(%)	Amt.	(%)	Amt.	(%)
Renowned multinational modern trade retailers	9,236.73	78.85	9,700.75	85.17	9,048.17	94.89
Domestic traders and distributors	2,441.25	20.84	1,641.05	14.41	457.54	4.80
Online platforms	36.42	0.31	47.5	0.42	29.78	0.31
Total	11,714.40	100.00	11,389.30	100.00	9,535.49	100.00

They supply their products to twenty-four (24) countries, including China, Saudi Arabia, United States of America, Qatar, United Kingdom, Germany, Italy, Canada, Romania, Denmark, Poland, New Zealand, United Arab Emirates, Spain, Austria, France, Australia, Kuwait, Belgium, Austria, Sweden and Mexico.

Revenue break up for the preceding three fiscals based on the sale of products in domestic and international markets is as follows: -

(Rs. in lakhs)

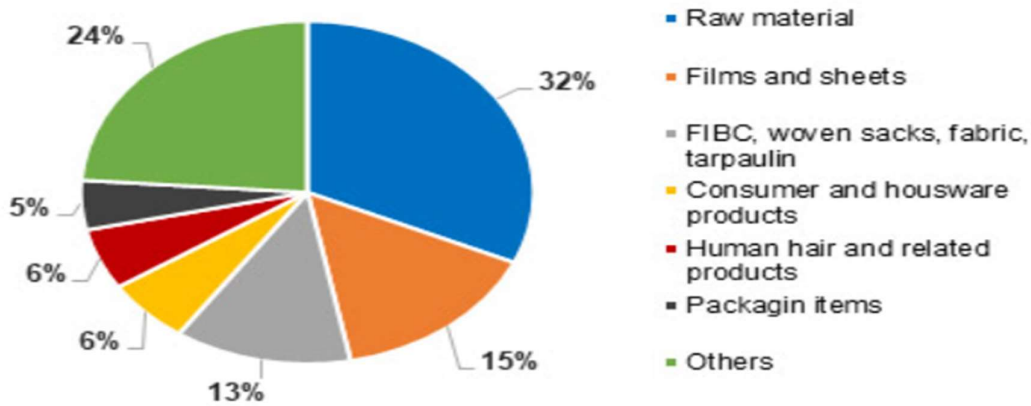
Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amt.	(%)	Amt.	(%)	Amt.	(%)
Domestic	2,880.67	24.59	1,921.43	16.87	669.92	7.03
Exports	8,833.73	75.41	9,465.40	83.13	8,865.57	92.97
Total	11,714.40	100.00	11,386.83	100.00	9,535.49	100.00

To conclude, the business segment company operates in has good prospect, they have established a good network of distribution by suppling their products to established brands such as, IKEA, Walmart, Kmart, Bed Bath & Beyond, Rusta, Runsvan, Kohl's, Kroger etc. They also benefit from the brand reputation of their parent company, Rajoo Engineers Limited. Rajoo group has a strong presence across capital goods sector as a manufacturer of plastic processing machines specifically extrusion machines for producing films and sheets.

Industry Charts

Exhibit 1: Indian plastic industry market

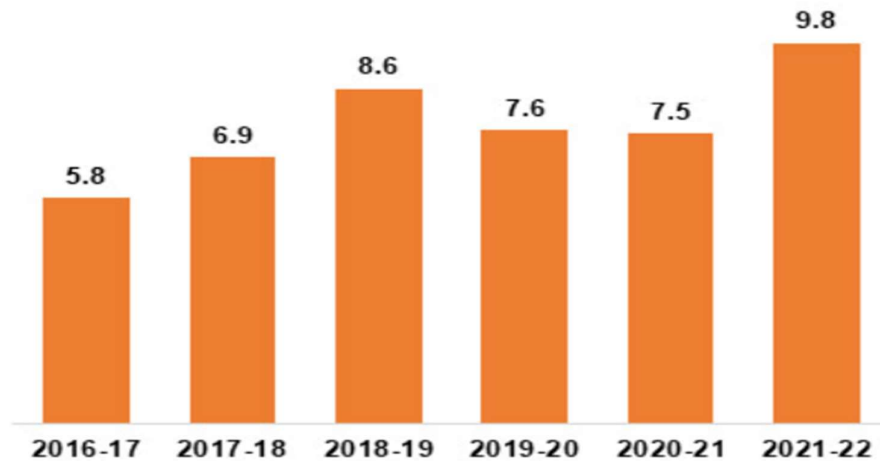
India's product-wise share of plastics exports (2021-22)



Source: The Plastics Export Promotion Council of India (PLEXCONCIL)

Exhibit 2: The exports of plastics and linoleum from India

India's plastics and linoleum exports (US\$ billion)



Source: DGCI&S

(Source- www.ibef.org)

Investment Overview

INDIAN PLASTIC INDUSTRY

The Indian plastics industry offers excellent potential in terms of capacity, infrastructure, and skilled manpower. It is supported by many polymer producers, plastic process machinery, and mould manufacturers in the country. Among the industry's major strengths is the availability of raw materials in the country. Thus, plastic processors do not have to depend on imports. These raw materials, including polypropylene, high-density polyethylene, lowdensity polyethylene, and PVC, are manufactured domestically.

The Indian plastics industry produces and exports a wide range of products like plastic-moulded extruded goods, packaging, consumer goods, electrical accessories, moulded or soft luggage items, etc.

The PP demand in India grew at a CAGR of around 8.51% during 2015-2019 and is expected to achieve a healthy growth rate in 2022-2030. The Government is taking steps to make the plastic business an Rs.10 Lakhs crore industry in the next five years. India is a growing market of the plastic industry and by the end of 2030, its use in the country will be 30 million tonnes. 95% plastic producing units in the country are in the MSME sector and the Government is providing assistance to them through different initiatives. There are 3,500 modernized plastic recycling units in the country along with 4,000 unorganized recycling plants. The plastic industry is playing a significant role in the 'Make in India' initiative.

DECORATIVE PLASTIC INDUSTRY

Decorative Plastic has been gaining prominence across both developed and developing markets with increasing urbanization and globalization trends. The global decorative plastic market reached a value of US\$ 641.4 Billion in 2020 and is estimated to reach \$838.6 Billion by 2027. Decorative Plastic is an effective way of portraying the lifestyle that a consumer believes in. Decorative Plastic products are used in the decoration of an apartment or a house with various accessories and furnishings to provide a more aesthetic and pleasant appeal to the building. Items in Decorative plastic include household furniture, lamps, textiles, floor coverings,

pots, candles, artifacts, furnishing items, etc. The Global Online Decorative Plastic is expected to grow by US\$ 52.95 Billion during 2021-2025 progressing at a CAGR of 9% during the forecast period.

This has prompted manufacturers to ensure that all products sold offline are available online also. Thus, the growing e-commerce sector will boost the demand for online home furniture in the region during the forecast period.

People have started taking their home as a reflection of themselves and so, a lot of people are now spending more on both furniture and fixtures and also on home décor. Working women are spending a lot on home fashion. Disposable income, better education, and also the growing trend of individuals opting for professional services to do their interiors have together led to a rise in this category.

It is true that the frequency of buying products in the category has increased over the last decade but the category still remains one among low consumption categories. It is not just because of low consumption appetite but also due to scarcity of players in the segment on one hand and low penetration of existing modern players in smaller cities on the other hand.

Over the recent past, major key manufacturers of decorative plastic have been focusing on enhancing their product offerings with an aim to capture a wider customer base in developed countries such as the USA, Germany, the U.K, France and Italy among others. For the same, companies are establishing new manufacturing techniques and innovating new textures. This increase in product portfolio is expected to create opportunities for the growth of the decorative plastic market during the forecast period.

(Source- Prospectus)

Addressable market for Essen Speciality Films

Company currently exports their products to countries such as China, Saudi Arabia, United States of America, Qatar, United Kingdom, Germany, Italy, Canada, Romania, Denmark, Poland, New Zealand, United Arab Emirates, Spain, Austria, France, Australia, Kuwait, Belgium, Austria, Sweden and Mexico, and plan to expand their export operations globally. They are also planning on expanding their operations in countries/ regions such as, Russia, Middle East, South America, Southern Europe and United Kingdom. Further, they can utilize their expanded geographical footprint to address the sourcing requirements of their existing multinational customers as and when they enter new markets, thereby consolidating their position as a preferred supplier across geographies.

Competition

Company faces very less competition as they are the leading manufacturer and exporter of specialized plastic products to internationally renowned multinational modern trade retailers. There is comparatively very less barrier to entry.

PEER ANALYSIS

As mentioned in the prospectus there are 2 peer company viz. Shaily Engineering Plastics Limited, and Supreme Industries Limited. An analysis of the same has been given below–

Particulars	Essen Speciality Limited			Shaily Engineering Plastics Limited			Supreme Industries Limited		
	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21
Net Profit Margin	11%	4%	10%	5%	6%	6%	11%	15%	18%
EBITDA Margin	16%	11%	19%	15%	14%	17%	15%	20%	23%
Return on Capital Employed	17%	11%	17%	11%	11%	12%	21%	25%	32%
Return on Equity	16%	7%	14%	8%	10%	12%	20%	25%	31%
EPS (INR)	8.36	3.23	5.71	32.69	38.31	26.47	68.12	76.24	77.00

Based on the above analysis, The margins of the company have increased when compared to its peers. The ROE of the company when compared to its peers is slightly low and RoCE of the company is almost at par when compared to its peers. The EPS of the company is very low when compared with the peers for all the three years.

Essen Speciality Limited

- P/E Ratio – 16.56 Times
- EPS – 6.46

Promoters' Profile and Management Analysis

Mr. Pallav Kishorbhai Doshi



- Mr. Pallav Kishorbhai Doshi, aged 34 years, is the Whole Time Director and Promoter of the Company.
- He holds bachelor's degree in engineering in electronic engineering with nano technology from University of York.
- He has experience of more than a decade in the specialized plastics industry.

Mrs. Khushboo Chandrakant Doshi



- Mrs. Khushboo Chandrakant Doshi, aged 40 years, is the Promoter of the Company.
- She holds a bachelor's degree in architecture from Sardar Patel University and a master's degree in arts (product design) from University of Central England in Birmingham.
- She has over 15 years of experience in the area of marketing, business development, human resources, customer care and finance.

Mrs. Karishma Rajesh Doshi



- Mrs. Karishma Rajesh Doshi, aged 31 years, is the Promoter and Executive Director of the Company.
- She holds bachelor's degree in design from National Institute of Fashion Technology.
- She has three years of experience in home improvement and home furnishing industry and heads the human resource department of the Company.

Analysis on the Company's Promoter and Board of Directors

Mr. Pallav Kishorbhai Doshi, aged 34, is the Chairman of the Board, Managing Director and Promoter of the Company. He holds bachelor's degree in engineering. He has experience of more than a decade in the specialised plastics industry. He heads the production and the product development departments.

Ms. Khushboo Chandrakant Doshi, aged 40, is the Promoter of the company. She has over 15 years of experience in the area of marketing, business development, human resources, customer care and finance and holds a bachelor's degree in architecture and a post graduate diploma in product design.

Ms. Karishma Rajesh Doshi, aged 31, is an Executive Director and one of the Promoters of the Company. She holds bachelor's degree in design and has 3 years of experience in home improvement and home furnishing industry. She heads the human resource department of the company.

Ms. Kruti Rajeshbhai Doshi, aged 34, is an Executive Director of the Company. She holds bachelor's degree in art. She has experience of more than a decade in the home improvement and home furnishing industry and heads the Quality Division of the Company.

Mr. Shital Bhartkumar Badshah, aged 43, is the Independent Director of the Company. He holds bachelor's degree in engineering. He has more than seven years of experience in the education sector.

To conclude, there are three promoters for the company and all the three promoters have vast knowledge and experience in the industry which the company operates in. remaining all the directors of the company have good experience in the industry which helps in the growth of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st March 2023
<u>Profit and Loss</u>			
Revenue from operations	9,577.70	11,743.58	11,861.18
Other income	103.08	113.59	186.91
Total Revenue	9,680.78	11,857.17	12,048.09
Expenses	7,719.47	10,491.26	9,980.44
Depreciation and Amortisation Cost	625.07	394.69	374.32
Finance Cost	100.64	284.28	261.52
Total Expenses	8,445.18	11,170.23	10,616.28
PBT	1,235.60	686.94	1,431.81
PBT Margin	12.90%	5.85%	12.07%
EBITDA	1,858.23	1,252.32	1,880.74
EBITDA Margin	19.40%	10.66%	15.86%
Net Profit	913.73	516.90	1,337.23
Net Profit Margin	9.54%	4.40%	11.27%
<u>Balance Sheet</u>			
Total Borrowings	1,541.36	2,583.00	657.40
Net Worth	6,707.76	7,224.66	8,561.89
Fixed Assets	4,091.31	4,438.81	4,346.18
Net Working Capital	2,976.50	3,472.30	4,595.76
<u>Financial Measures</u>			
Inventory Turnover Ratio	5.96	3.66	3.94
Receivables Turnover Ratio	6.73	8.15	7.02
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	2.34	2.65	2.73
Return on Capital Employed	17.15%	10.65%	16.55%
Return on Equity	13.62%	7.15%	15.62%
Debt-Equity Ratio	0.23	0.36	0.08

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

Earnings Before Interest, Taxes, Depreciation, and Amortization

The EBITDA has decreased from Rs. 1,858.23 lacs in 2021 to Rs. 1,252.32 lacs in 2022, and Rs. 1,880.74 lacs in 2023 and the EBITDA margin in 2021 was 19.40%, 10.66% in 2022 and 15.86% in 2023. The increase in EBITDA margin from FY-22 to FY-23 is due to a decrease in the Total expenses (Ex. Employee benefit expenses, Cost of material consumed).

Net Profit

The Net Profit of the company in 2021 was at Rs. 913.73 lacs and 516.90 lacs in 2022 and Rs.1,337.23 lacs in 2023. The Net Profit margin in 2021 was at 9.54%, 4.40% in 2022, and in 2023 it was 11.27%. The increase in the net profit margin is due to an increase in the revenue from operations and decrease in the total expenses (Ex. Depreciation and Finance Cost).

Finance Cost

The company's finance cost comprises of interest expenses, and other borrowing costs.

Financial Measures/Ratio

The RoCE of the company in 2023 was at 16.55%, 10.65% in 2022 and 17.15% in 2021. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

The ROE of the company in 2021 was 13.62%, 7.15% in 2022 and 15.62% in 2023. The ROE of the company has increased in FY-23 due to an increase in the Net Profit. The ROE on post IPO basis is expected to fall.

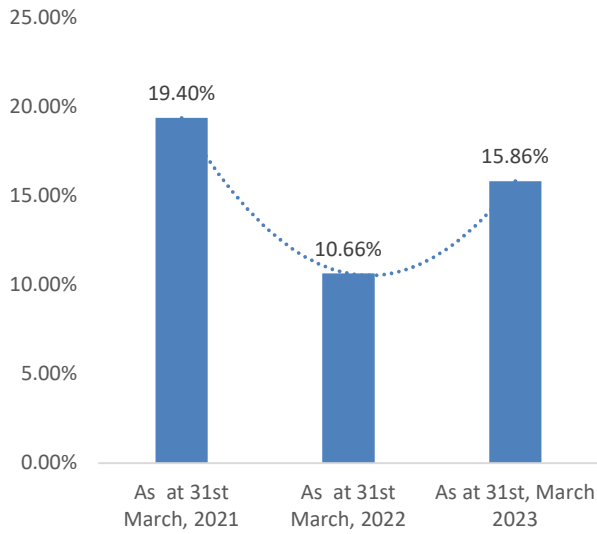
Turnover ratio of the company in 2021 is at 5.96 times and 3.66 times as on 2022 and 3.94 times as on 2023. The decrease in inventory ratio from FY-21 to FY-22 is indicating that the company has increased its inventory in hand.

Receivables turnover ratio has increased from 2021 to 2022 and has decreased in the FY-23 indicating that the company receivables to cash has reduced. Fixed Assets turnover ratio has remained almost at par for the three consecutive years.

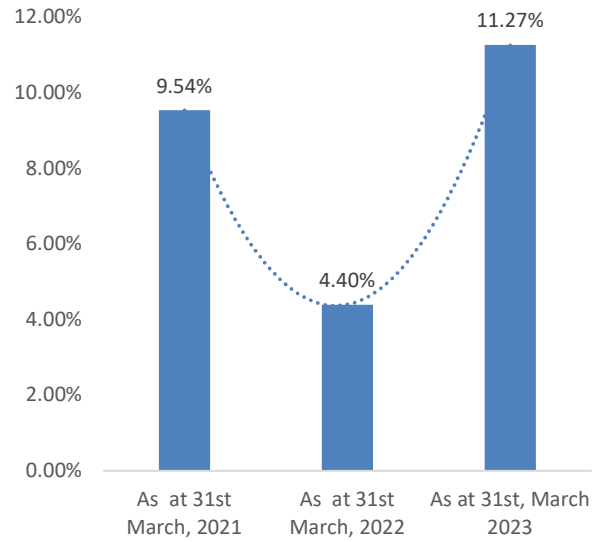
The debt-equity ratio as on 31st March 2023 is 0.08. The company is not highly leveraged.

Financial Charts

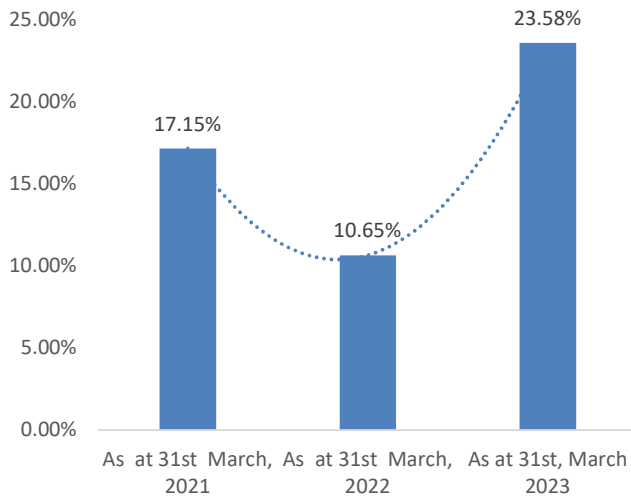
EBITDA Margin



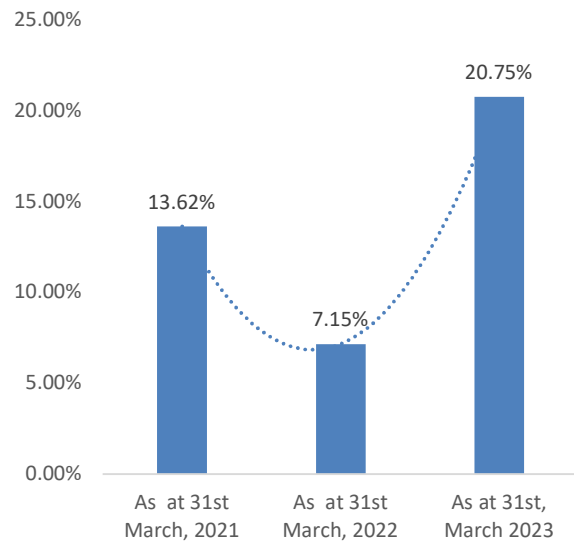
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are 3 outstanding legal proceedings involving Company, its Promoters, and Directors. Any adverse decision in such proceeding may have a material adverse effect on the business, results of operations and financial condition. Currently, these legal proceedings amounted to Rs. 3.2 lacs.
2. The company have had a negative cash flow from operating activity for the period ended as of March 31st, 2022 amounting to Rs. (690.18) lacs.
3. Top 5 customers contribute major portion of company's revenues. In the Fiscals 2023, 2022 and 2021, 72.82%, 78.72% and 91.73%, respectively, of revenue from operations were derived from top five customers. Any loss of business from one or more of them may adversely affect revenues and profitability of the company.
4. Company conducts its business activities on a purchase order basis and therefore, have not entered into long-term agreements with customers.
5. Company is involved in various business transactions with international clients and has to conduct the same in accordance with the rules and regulations prescribed under FEMA and are subjected to foreign exchange control regulations which can pose a risk of currency fluctuations.

Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 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.	MCON Rasayan India Limited	6.84	40.00	March 20, 2023	108
2.	Agarwal Float Glass India Limited	9.20	42.00	February 23, 2023	36
3.	Anlon Technology Solutions Limited	15.00	100.00	January 10, 2023	224
4.	Uma Converter Limited	18.41	33.00	December 29, 2022	28.6
5.	Pritika Engineering Components Limited	9.42	29.00	December 08, 2022	32
6.	Mafia Trends Limited	3.60	28.00	October 06, 2022	16.5**
7.	Sabar Flex India Limited	4.48	11.00	September 21, 2022	14.5***
8.	JFL Life Sciences Limited	18.17	61.00	September 08, 2022	38.6
9.	Veekayem Fashion and Apparels Limited	4.44	28.00	August 22, 2022	53
10.	Dhyaani Tile and Marblez Limited	2.45	51.00	April 12, 2022	110

*CMP as on 19th June 2023

**Mafia Trends CMP mentioned as on 15th June

***Sabar Flex India CMP mentioned as on 14th June

As per the offer document GYR Capital Advisors Private Limited have had 13 mandates in the last two fiscal years (including the ongoing one). For GYR Capital Advisors Private Limited out of the last 10 that are mentioned above, all have opened at premiums ranging from 3.78% to 151.1%. Thus, it has a good track record.

Recommendation

The company has been into this industry since 2002 and have good track record of existence in the business. The company has seen a decent growth in its revenue when compared to its revenue in 31st March 2021, but have seen a decrease in its EBITDA margin, whereas its Net Profit margin have increased.

The company has been in an industry with comparatively less competition.

The management outlook of the company is good, as they have almost all the personnel in the top management with vast work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a P/E of around 16.56 times which makes the stock fairly priced, looking at the performance of the company over the past years and when compared to its peers.

In conclusion, the company is operating in a good segment and has been able to perform well over the years. The company has good prospect and faces less competition and also the service base is good but not unique. The company has fared well in recent times and its growth looks promising considering its future prospectus and the industry it is in and so one can **Apply** to this 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.