

IPO Details		Company Background					
Opening Date	Feb 08, 2024	<ul style="list-style-type: none"> Polysil Irrigation Systems Limited was originally incorporated in the year 1985 and had its registered office in Vadodara, Gujarat, India. The Company is engaged in manufacturing and sale of HDPE pipes, fittings and micro irrigation systems, such as drip irrigation system and sprinkler irrigation system, its components, accessories and allied products. The Company is a fully integrated player within the drip irrigation and sprinkler irrigation sectors, with presence in micro irrigation industry. As of December 31st, 2023, the Company had 52 employees on its payroll. 					
Closing Date	Feb 13, 2024						
Stock Exchange	NSE SME						
Lot Size	2,000 Shares						
Issue Price	₹ 54 per share						
Issue Size	Aggregating up to 17.44 Cr.						
Fresh Issue	Aggregating up to 7.80 Cr.						
Offer for Sale Application Amount	Aggregating up to 9.64 Cr ₹ 1,08,000						
IPO Objective		Market Capitalization (In Cr.)					
Funding of working capital requirements.		Pre-Issue		Post-Issue			
General corporate purposes.		₹ 53		₹ 61			
Pre-Issue Shareholding			Financial Summary (In Lacs)				
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23	Aug-23
Promoter & Promoter Group	35,35,350	35.72%	Total Assets	4,178.47	4,616.79	5,531.46	5,671.49
Public	63,61,740	64.28%	Net Assets	1,338.32	1,372.06	1,535.71	1,646.02
Promoter of the Company			Total Borrowings	1,104.83	1,494.96	1,547.25	1,566.17
1.	Bharatkumar Patel		Total Revenue	5,471.58	3,767.21	4,392.49	1,019.74
2.	Prafulbhai Radadia		Profit After Tax	64.80	33.75	113.52	110.31
Competitive Strengths			Tentative Timeline				
1.	Strong Marketing and Distribution network.		Opening Date	Feb 08, 2024			
2.	Robust and Scalable Business Model.		Closing Date	Feb 13, 2024			
3.	Diversified customer base and long-standing relationship with the customers.		Basis of Allotment	Feb 14, 2024			
4.	Diversified Product Portfolio.		Initiation of Refunds	Feb 15, 2024			
5.	Experienced Promoter Directors with extensive domain knowledge.		Credit of Shares to Demat	Feb 15, 2024			
			Listing Date	Feb 16, 2024			

Company Background and Analysis

Polysil Irrigation Systems Limited was originally incorporated on October 09, 1985. Company is a fully integrated player within the drip irrigation and sprinkler irrigation sectors, with presence in micro irrigation industry. Company's products are reckoned to meet high quality standards and its brand is associated with providing value-based irrigation solutions to end customers and is subject to BIS standards. Company is engaged in manufacturing and sale of HDPE pipes, fittings and micro irrigation systems, such as drip irrigation system and sprinkler irrigation system, its components, accessories and allied products.

As a manufacturer and seller of drip and sprinkler irrigation system company's product range includes HDPE Pipes, pipe fittings and irrigation equipment's, including disc filters, screen filters, hydro-cyclone filters, sand filters (gravel), compression fittings, valves (electrical and mechanicals), fertilizer tanks, Digital Controllers, Pressure Gauges, etc. Company sells these products under the brand "Polysil".

Product wise revenue break down for the periods is as set forth below:

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		15-Aug-23	
	Amt	%	Amt	%	Amt	%	Amt	%
HDPE/LLDPE/PVC pipe	705.19	12.70	79.28	2.01	1,105.47	25.05	694.48	66.74
HDPE sprinkler systems	1,118.28	20.14	144.04	3.66	87.68	1.99	1.42	0.14
Drip irrigation system	3,730.37	67.17	3,713.94	94.33	3,219.96	72.96	344.63	33.12
Total	5,553.84	100.00	3,937.26	100.00	4,413.11	100.00	1,040.53	100.00

Company sells its products through institution markets and open market sale. Under the open market sale, Company sells its products through distributors and dealers, who then resell the products to customers i.e. farmers. As of August 15, 2023, company sold its products through 9 distributors and around 425 dealers in India. Company's end customers are eligible to receive government subsidy, the process for disbursal of such subsidy is managed by distributor / dealers and/or customers. Company operates in the state of Gujarat, Tamil Nadu, Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh, Rajasthan and Haryana. Company operates in the State of Maharashtra, Madhya Pradesh and Rajasthan through dealer / distributor network and in the State of Andhra Pradesh, Gujarat, Tamil Nadu, Haryana and Uttar Pradesh under institutional model.

Company's existing manufacturing unit is spread around 100,000 sq. ft. area is situated at RS NO.340/1, Beside Hystuff Steel, Village Rania, Taluka. Savli, Dist. Vadodara Manjusar, Vadodara, Gujarat is equipped with requisite plant and machineries and other facilities. Company also has in-house testing laboratory for quality control checks and testing its products. Company's basic raw material includes HDPE, LLDPE and LDPE granules and it procures these raw materials based on market availability, pricing and quality from the domestic market and from international market.

To conclude, Polysil Irrigation Systems Limited was incorporated in 1985, and has vast experience in the industry. Currently company derives most of its revenue from the sale of HDPE/LLDPE/PVC pipe. Along with the products sold by the company, it also provides Agronomy Services and After Sale Services.

Business Strategies

1. Increasing Geographical Presences –

Company intends to cater to the increasing demand of existing customers and to increase existing customer base by enhancing product portfolio. Enhancing its presence in additional regions will enable it to reach out to a larger market. Further, Company believes in maintaining long term relationships with customers.

2. Focus on quality –

Company intends to focus on adhering to the quality of its offerings. This is necessary to make sure that it maintains the high-quality standards for offerings and get repeat orders from its customers. This will also aid in enhancing company's brand value and further increase the business.

3. Introduction of New Product Line –

Currently company is manufacturing products which are covered under drip line irrigation and cylindrical dripper category. With its expansion plans and installation of new machineries, company will be able manufacture products which are covered flat drip line irrigation category which has advantages over its existing product line. Flat Dripper Line products can be used for all sizes (12mm, 16mm & 20mm) and wall thickness (0.2mm, 0.3mm & 0.4mm).

4. Providing Value Added Services –

Moving forward, company intends to provide other value-added services and train and educate its customers regarding benefits and advantages of micro irrigation system and thereby adding value.

5. Improve and increase operational efficiencies –

Company will continue to focus on further increasing its operations and improving operational effectiveness at production facilities. Higher operational effectiveness results in greater production volumes and greater sales, and therefore allows to spread fixed costs 107 over a higher number of units sold, thereby increasing profit margins.

Competitive Scenario and Peer Mapping

Competition

Company operates in a competitive atmosphere. Some of its competitors may have greater resources than those available to the company. While product quality, brand value, distribution network, etc are key factors in client decisions among competitors, however, price is the deciding factor in most cases. Industry in which the company operates is fragmented consisting of large established players and small niche players. Company competes with organized as well as unorganized sector on the basis of availability of product, product quality, product range. In addition, there is also competition from pipe manufacturers. Further, there are no entry barriers in this industry and any expansion in capacity of existing manufacturers would further intensify competition.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	Polysil Irrigation Systems Limited	Captain Polyplast Limited	RM Drip and Sprinkles Systems Limited	Texmo Pipes and Products Limited	Jain Irrigation Systems Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3%	3%	0%	-11%	15%
EBITDA Margin	11%	8%	-9%	-5%	10%
Return on Capital Employed	20%	15%	-10%	-18%	5%
Return on Equity	7%	9%	0%	-39%	16%
EPS (INR)	1.15	1.09	0.04	-24.58	13.69

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below -

Particulars	Polysil Irrigation Systems Limited	Captain Polyplast Limited	RM Drip and Sprinkles Systems Limited	Texmo Pipes and Products Limited	Jain Irrigation Systems Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.90%	1.62%	-5.25%	2.49%	5%
EBITDA Margin	8%	8%	5%	6%	10%
Return on Capital Employed	11%	12%	-2%	9%	5%
Return on Equity	2%	5%	-7%	6%	9%
EPS (INR)	0.34	0.55	-1.41	4.87	5.48

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below -

Particulars	Polysil Irrigation Systems Limited	Captain Polyplast Limited	RM Drip and Sprinkles Systems Limited	Texmo Pipes and Products Limited	Jain Irrigation Systems Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.19%	5.1%	0.6%	2.6%	-7.2%
EBITDA Margin	5.6%	14.6%	10.9%	6.8%	6.2%
Return on Capital Employed	12.0%	26.2%	4.6%	9.1%	-0.1%
Return on Equity	4.8%	14.5%	0.8%	4.9%	-13.6%
EPS (INR)	0.66	1.80	0.16	3.71	-7.97

Industry Overview

Exhibit 1: Gross Value Added by Agriculture and Allied Sectors (US\$ billion) (At Constant price)

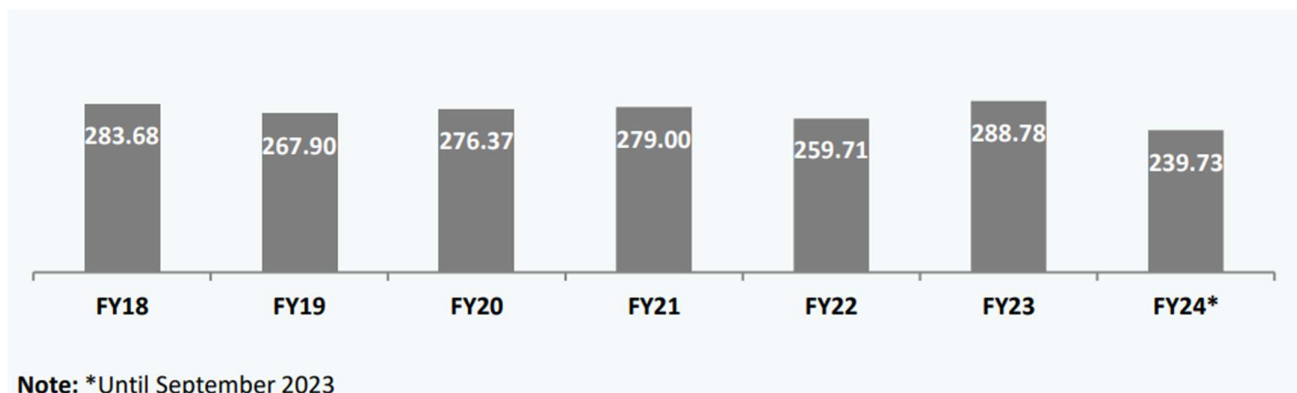
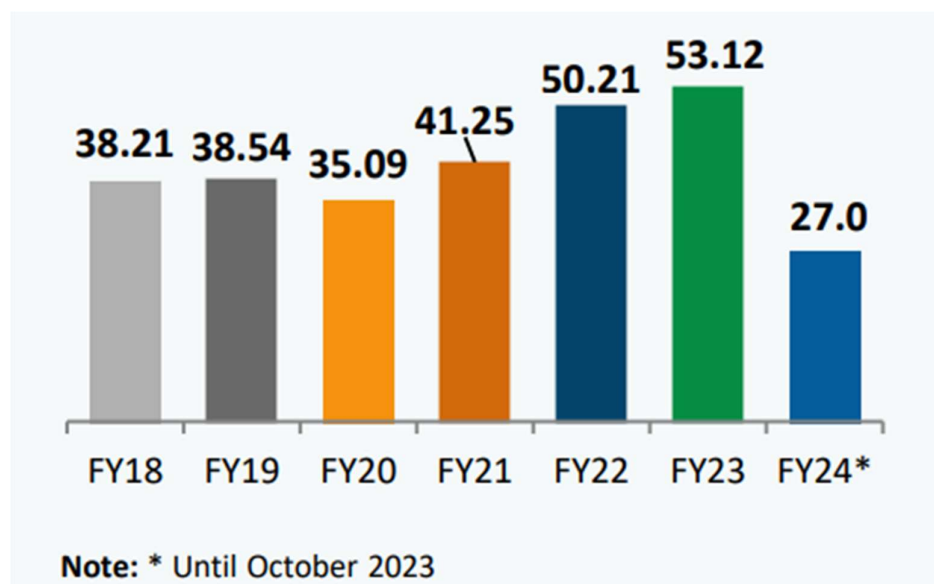


Exhibit 2: Agricultural exports from India (US\$ billion)



(Source: ibef.org)

Indian Agricultural Irrigation Machinery Market Analysis –

The Indian Agricultural Irrigation Machinery market is projected to register a CAGR of 5.3% during the forecast period. Water scarcity being the major concern in the current agricultural scenario is the foremost driving factor for the growth of this sector followed by the awareness about the micro-irrigation system, and the need for high productivity to meet the food demand due to the increased population. According to the press released by the Ministry of Agriculture and Farmer's Welfare, 2021, the net irrigated area in the country is 68,649 thousand hectares. The agricultural land covered under micro-irrigation is 12,908.44 thousand hectares. Micro irrigation system contributes around 18-20% of the total irrigation, consisting of both drip irrigation and sprinkler irrigation systems. States like Karnataka, Gujrat, Andhra Pradesh, Rajasthan, Maharashtra, and Haryana are some major states utilizing microirrigation systems attributed to the large cultivable area and area under irrigation.

The Indian micro-irrigation market is highly competitive, with large and small-scale drip and sprinkler irrigation equipment producers and marketers across numerous states in India. Current agricultural scenario water scarcity has been a major challenge in India and is, thereby, a critical driver for the use of micro-irrigation machinery systems.

India faces typical water issues, primarily due to population growth and lack of availability of quality water, the demand for agricultural irrigation machinery is rapidly increasing in India. The irrigation machinery market in India is a high-volume and highly competitive space. The growth of the market has been consistent and is particularly high in the regions of Maharashtra, Andhra Pradesh, Gujarat, Karnataka, and Tamil Nadu. The impact of using drip irrigation is well perceived in the country due to the various political and social awareness campaigns that have promoted the technology in the country.

Agricultural Irrigation Machineries are a system that distributes water under low pressure through a piped network and applies it as a small discharge to each plant. Micro-irrigation uses less pressure and water flow than sprinkler irrigation. The report presents a deeper analysis of Industry, Growth, and trend of Agricultural irrigation machinery with respect to India. The India Agricultural Irrigation Machinery Market is Segmented by Type into Sprinkler Irrigation, Drip Irrigation, and Pivot Irrigation and by Application into Crop and Non-Crop. The report offers the market size and forecasts for volume in (units) and value in (USD million) for all the above segments.

The agriculture sector in India is expected to generate better momentum in the next few years due to increased investment in agricultural infrastructure such as irrigation facilities, warehousing, and cold storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to the concerted effort of scientists to get early maturing varieties of pulses and the increase in minimum support price. In the next five years, the central government will aim US\$ 9 billion in investments in the fisheries sector under PM Matsya Sampada Yojana.

The government is targeting to raise fish production to 220 lakh tonnes by 2024-25. Going forward, the adoption of food safety and quality assurance mechanisms such as Total Quality Management (TQM) including ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP), and Good Hygienic Practices (GHP) by the food processing industry will offer several benefits. Through the Ministry of Food Processing Industries (MoFPI), the Government of India is taking all necessary steps to boost investments in the food processing industry in India. Government of India has continued the umbrella PMKSY scheme with an allocation of Rs. 4,600 crore (US\$ 559.4 million) till March 2026.

(Source: prospectus)

Key Managerial Personnel

Bharatkumar Patel, aged 49 years, is one of the Promoters, Managing Director, and Chief Executive Officer of the Company. He holds a diploma certificate in electronics and communication engineering. He has around 10 years of experience in the field of micro irrigation sector.

Prafulbhai Radadia, aged 48 years, is one of the Promoters, and Whole-Time Director of the Company. He holds a degree of B. Tech. in agricultural engineering. He has around 10 years of experience in the field of micro irrigation sector.

Anilkumar Singh, aged 58 years, is the Non-Executive, Non-Independent Director of the Company. He holds a Bachelor of Science degree in Mechanical Engineering. He has around 7 years of experience across various businesses. He is also associated with Companies like Vima Alliance Infra Private Limited as a Managing Director and Vima Engineering Private Limited as a Director.

Bipinkumar Hirpara, aged 47 years, is the Non-Executive Independent Director of the Company. He is a Chartered Accountant and possesses more than 20 years of post-qualification experience. He has over 20 years of experience in the finance sector.

Mona Patel, aged 35 years, is the Non-Executive Independent Director of the Company. She is a Chartered Accountant and possesses more than 10 years of post-qualification experience. She has over 10 years of experience in the finance sector.

To conclude, the company has 2 promoters, and they have good experience in the fields which helps in the overall growth and the industry directly linked to the operations. The Directors of the company also have good experience in fields which help in the growth of the company.

Financial Snapshot

Profit and Loss Statement				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	15-Aug-23
Revenue from Operations	5,458.80	3,762.27	4,387.66	1,018.74
Other Income	12.78	4.94	4.83	1.00
Total Income	5,471.58	3,767.21	4,392.49	1,019.74
Expenses				
Cost of material consumed	1,885.78	1,402.96	2,038.09	740.95
Purchase of Stock in Trade	898.60	588.14	647.06	315.37
Change in inventories of finished goods, work in progress and stock in trade.	128.23	-147.88	-149.62	-772.04
Employee benefits expense	749.68	830.17	557.23	149.64
Finance costs	113.64	148.95	149.22	56.55
Depreciation and Amortization expense	101.13	72.97	52.58	27.51
Other expenses	1,490.68	803.60	832.90	328.28
Total Expenses	5,367.74	3,698.91	4,127.46	846.26
Earnings Before Interest, Taxes, Depreciation & Amortization	305.83	285.28	462.00	256.54
EBITDA Margin	6%	8%	11%	25%
Profit/(Loss) before tax	103.84	68.30	265.03	173.48
Tax Expense				
Current Tax	36.88	24.46	63.42	42.35
Deferred Tax	2.04	6.30	87.72	20.82
Short /(Excess) provision for income tax of earlier year	0.12	3.79	0.37	-
Total Tax Expense	39.04	34.55	151.51	63.17
Profit/(Loss) for the year	64.80	33.75	113.52	110.31
Net Profit Margin	1%	1%	3%	11%

Balance Sheet				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	15-Aug-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	45.50	45.50	989.71	989.71
Reserve and Surplus	1,292.82	1,326.56	546.00	656.31
Total Equity	1,338.32	1,372.06	1,535.71	1,646.02
2. Non-current liabilities				
Long Term Borrowings	132.28	209.95	169.98	133.80
Deferred Tax Liabilities (Net)	(16.10)	(9.80)	77.92	98.75
Other Long-Term Liabilities	220.79	270.54	258.12	272.11
Long term provisions	31.02	46.16	22.72	18.90
Total Non-current liabilities	367.99	516.85	528.74	523.56
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	972.55	1,285.01	1,377.27	1,432.37
Trade payables				
Due to MSME	283.74	266.91	195.53	299.31
Due to Others	597.96	640.44	1,149.40	798.16
Other Current Liabilities	560.15	409.07	586.77	808.80
Short-term Provisions	57.76	126.45	158.04	163.27
Total Current liabilities	2,472.16	2,727.88	3,467.01	3,501.91
Total Liabilities	2,840.15	3,244.73	3,995.75	4,025.47

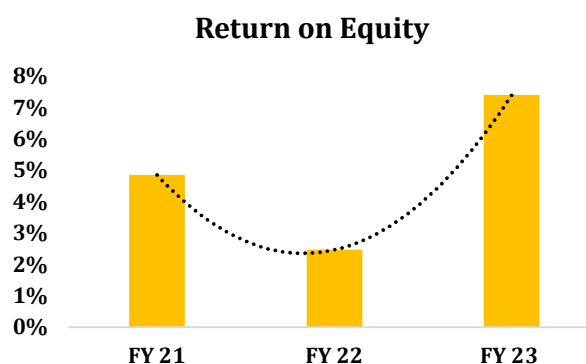
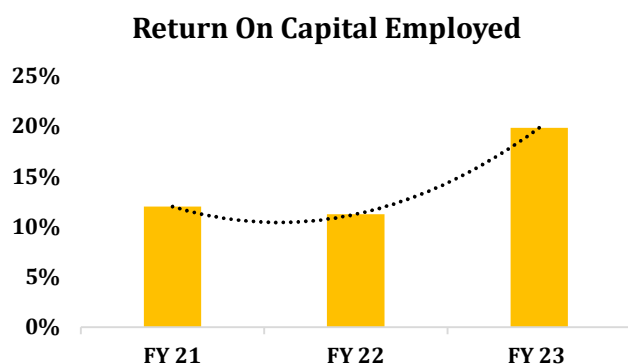
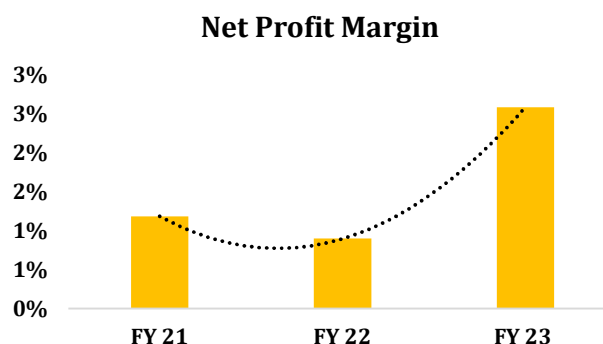
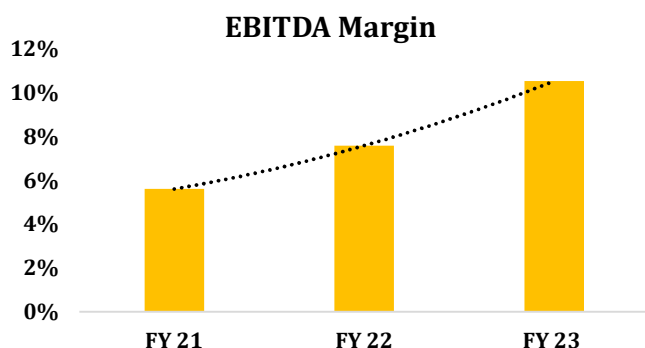
Balance Sheet					(In Lacs)
Total Equity and Liabilities	4,178.47	4,616.79	5,531.46	5,671.49	
ASSETS					
1. Non-current assets					
Property, Plant and Equipment					
Tangible Assets	673.66	820.28	815.27	804.05	
Intangible Assets	6.80	5.30	119.54	110.44	
Long-term loans and advances	50.00	-	-	-	
Other Non-current assets	26.28	38.72	38.07	38.07	
Total Non-Current assets	756.74	864.30	972.88	952.56	
2. Current assets					
Current Investments					
Inventories	1,170.07	1,211.47	1,394.28	2,170.54	
Trade receivables	1,813.17	2,169.99	2,810.87	2,158.69	
Cash and Bank Balances	107.21	93.30	88.81	64.12	
Short-term loans and advances	327.45	273.79	258.89	318.85	
Other Current Assets	3.83	3.94	5.73	6.73	
Total Current assets	3,421.73	3,752.49	4,558.58	4,718.93	
Total Assets	4,178.47	4,616.79	5,531.46	5,671.49	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	15-Aug-23	
Net Cash Flow from Operating Activities	-42.29	-41.24	199.73	20.02	
Net Cash Flow from Investing Activities	-92.04	-228.37	-161.04	16.09	
Net Cash Flow from Financing Activities	149.22	241.18	-46.81	-37.63	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Aug-23
Per Share Data				
Diluted EPS	0.66	0.34	1.15	2.75
BV per share	11.80	12.10	13.54	23.16
Operating Ratios				
EBITDA Margins	5.60%	7.58%	10.53%	25.18%
PAT Margins	1.18%	0.90%	2.58%	12.73%
Inventory days	78.24	117.53	115.99	291.89
Debtor days	121.24	210.52	233.83	290.30
Creditor days	112.23	176.20	180.47	141.52
Return Ratios				
RoCE	12%	11%	20%	20%
RoE	5%	2%	7%	12%
Valuation Ratios (x)				
EV/EBITDA	7.64	9.72	6.48	6.62
Market Cap / Sales	1.12	1.63	1.40	2.50
P/E	81.82	158.82	46.96	19.66
Price to Book Value	4.58	4.46	3.99	2.33
Solvency Ratios				
Debt / Equity	0.83	1.09	1.01	0.95
Current Ratio	1.38	1.38	1.31	1.35
Quick Ratio	0.91	0.93	0.91	0.73
Asset Turnover	1.31	0.81	0.79	0.18
Interest Coverage Ratio	1.80	1.43	2.74	4.05

*Ratio sheet for Oct-23 is annualized.

Financial Charts



Key Risk Factors

1. The company's top 10 suppliers contributed 81.30%, 52.51%, 56.32%, and 64.51% for the period ended August 15, 2023, Financial Year ended March 31, 2023, Financial Year ended March 31, 2022, and Financial Year ended March 31, 2021, respectively. Failure to successfully procure raw materials in a timely manner, at competitive rates, or at all, or to identify new raw material suppliers could adversely affect company's business, financial condition and results of operations.
2. The Company, Promoter and Directors are involved in certain litigation which is currently pending at various stages amounting to Rs. 44.95 lakhs. Any adverse decisions in these cases against the Company, Promoter and Director. may impact business and operations of the Company.
3. The company has negative operating cashflow for the FY ended 2021, and 2022. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions.
4. The top 10 customers for the FY ended 2021, 2022, 2023, and Period Ended August contributed to 74.79%, 51.74%, 60.50%, and 95.28% respectively. Any loss of one or more of top customers, or the deterioration of their financial condition or prospects, or a reduction in their demand for products, could adversely affect company's business, results of operations, financial condition and cash flows.

Track Record of Lead Manager

The lead manager to the issue is Fedex Securities 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 –

Fedex Securities Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Baweja Studios Limited	97.20	180.00	February 06, 2024	141.25
2.	Docmode Health Technologies Limited	6.71	79.00	February 02, 2024	146.15
1.	IBL Finance Limited	33.41	51.00	January 16, 2024	62.40
2.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	68.30
3.	Committed Cargo Care Limited	24.98	77.00	October 18, 2023	64.00
4.	Sharp Chucks and Machines Limited	16.84	58.00	October 12, 2023	70.45
5.	Oneclick Logistics India Limited	9.91	99.00	October 11, 2023	82.05
6.	Kundan Edifice Limited	25.22	91.00	September 26, 2023	225.95
7.	Pramara Promotions Limited	15.27	63.00	September 13, 2023	120.40
8.	Yasons Chemex Care Limited	20.57	40.00	August 03, 2023	32.90

The company has handled 18 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 14th February 2024.

As per the offer document, from the above-mentioned mandates 2 have opened at discounts and the remaining mandates have opened at premiums on the listing day.



Recommendation

The company has been in the industry since 1985 and has decent experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 19.66 times which seems to be slightly highly priced by looking at the performance of the company and the sector. The Sector P/E is 31.2 times.

The industry in which the company operates is highly competitive. The company has seen any steady increase in both the top line and bottom line of its financials and has exponential growth in its FY23, which will be difficult to sustain going forward. And also, the business segment in which the company operates is not unique. There for one can **AVOID** applying for this IPO.

Disclaimer



Polysil Irrigation Systems Limited

IPO Note



We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.