

IPO Details	
Opening Date	May 7, 2024
Closing Date	May 10, 2024
Stock Exchange	NSE SME
Lot Size	2000 Shares
Issue Price	₹52 per share
Issue Size	Aggregating up to 18.11 Cr.
Fresh Issue	Aggregating up to 18.11 Cr.
Offer for Sale	-
Application Amount	₹1,04,000

IPO Objective	
1.	Acquisition of land
2.	Funding of capital expenditure requirements of the Company towards purchase of Plant and Machineries
3.	Working Capital Requirements
4.	General Corporate Purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	81,11,700	99.84%
Public	13,300	0.16%

Promoter(s) of the Company	
1.	Mr. Tushar Lalit Kumar Sanghavi
2.	Ms. Urmi Raj Mehta
3.	M/S. Tushar Lalitkumar Sanghavi HUF
4.	M/S. Lalitbhai H Sanghvi HUF

Competitive Strengths	
1.	ZDHC certified
2.	Wide range of our products
3.	Location Advantage
4.	Well established relationship with clients
5.	Leveraging the experience of our Promoter and Directors
6.	Strong Marketing Practices

Company Background	
○	Incorporated on May 13, 2016, Silkflex Polymers India Limited has its registered office in Howrah, West Bengal.
○	They trade textile printing inks as well as water-based wood coating polymers produced by Silkflex Polymers SDN BHD, a Malaysian brand.
○	The company offers 108 textile printing ink products and 51 wood coating polymer products.
○	It sells products from Silkflex Polymers Sdn. Bhd. Malaysia, the leading manufacturer of garment printing ink in Malaysia. With a state-of-the-art thermal reactor, they have a capacity of 1000 MT per month.
○	As of December 31, 2023, the company has 28 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 42	₹ 60

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sept-23
Total Assets	1,314.06	1,968.81	2,374.73	3,446.35
Net Assets	513.51	738.03	816.62	1,073.28
Total Borrowing	612.81	994.50	1,208.31	1,716.18
Total Revenue	2,096.06	2,804.51	3,442.25	3,381.55
Profit After Tax	45.34	68.58	78.60	256.66

Tentative Timeline	
Opening Date	May 7, 2024
Closing Date	May 10, 2024
Basis of Allotment	May 13, 2024
Initiation of Refunds	May 14, 2024
Credit of Shares to Demat	May 14, 2024
Listing Date	May 15, 2024

Company Background and Analysis

Incorporated in 2016, the company imports and sells textile printing inks and wood coating polymers from Malaysian brand Silkflex. They have rights to distribute and use the Silkflex brand name in India. Currently operating in India with a registered office in West Bengal and branch offices in Gujarat, Maharashtra, Tamil Nadu, Rajasthan, and Punjab, they plan to manufacture Silkflex products in India soon.

Textile Printing Inks (over 108 Products):

Ready Products (~52): Pre-mixed inks for various textile printing needs (whites, colors, clears).

Fluorescent Colors (~10): Bright inks for eye-catching designs.

Pigments (~30): Colorants for creating custom textile ink blends.

Additives (~11): Products to modify ink properties (thickening, thinning).

Special Additives (~5): Products for unique effects (embossing, metallic finishes)

Pressure-Sensitive Adhesives (~3): Adhesives for securing stencils in screen printing.

Special Effects (~5): Products for creating effects like glitter, foil, and 3D textures.

Wood Coating Products (over 51 Products):

Base Coats (~6): Initial layer for color and adhesion on wood surfaces (sanding sealers, white bases).

Top Coats (~10): Final layer for protection and desired finish (gloss, satin, etc.).

Wiping Coats (~3): Stains that enhance wood grain and provide a natural look.

Additives (~3): Products to alter wood coating properties (drying time, etc.)

Hardener (~1): Curing agent for specific high-performance wood coatings.

Base Coat (Special) (~2): Base coats for unique effects (silver, gold).

Pigments (~6): Colorants for custom wood finishes and stains.

Stains (~11): Liquid colors that penetrate wood grain, offering protection and a range of color tones.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Textile Printing Ink Products	2,075.22	100.00	2,617.11	94.06	3,261.59	95.33	3,180.11	94.97
Wood Coating Products	-	-	165.36	5.94	159.73	4.67	168.31	5.03
Total	2,075.22	100.00	2,782.47	100.00	3,421.32	100.00	3,348.42	100.00

The company has a good foundation within its niche, with experience in the industry since 2016. They primarily generate their revenue from textile printing ink sales (around 95% of their revenue as of Dec 23) with a heavy focus on the Tamilnadu, Gujrat and West Bengal markets (forming 52.47%, 16.46% and 4.16% of revenue as of Dec 23). Additionally, Silkflex's eco-certifications (ZDHC, Eco-Passport, GOTS) align with rising market demand for environmentally sustainable products, providing a potential advantage.

Business Strategies

1. Focus on Quality Standard Products:

The Company ensures that Silkflex products, manufactured in Malaysia, meet high-quality standards consistently. Certified to ZDHC Confidence Level 3, Eco-Passport, and GOTS-version 7.0 standards. Upholding quality fosters long-term customer relationships and sustainable growth. Unique wood coating products are stable even in hot boiling water and suitable for exterior use.

2. Geographic Expansion for Clientele Network:

Presence established in key garment hubs across West Bengal, Gujarat, Maharashtra, Tamil Nadu, Rajasthan, and Punjab. The Company plans to expand presence in other Indian states through selling agents. Targeting new business opportunities by scaling operations in untapped markets.

3. Operational Efficiency and Cost Reduction:

Utilizing existing infrastructure to expand wood coating business, thereby reducing operational costs. Implementing process improvements, inventory optimization, and enhancing logistics. Installation of solar panels in the West Bengal office to reduce electricity expenses.

4. Building Cordial Relationships:

Emphasizing long-term sustainable relationships with suppliers, customers, and employees. Timely delivery and dedicated service strengthen relationships and foster growth.

5. Increase in Sales Volume:

Growth strategy focuses on increasing sales volume and diversifying the product portfolio. Participation in industry exhibitions and seminars to showcase products and update technical knowledge.

6. Expansion into Manufacturing of Textile Printing Products:

Transitioning from supplying to manufacturing textile printing products. Technology Transfer Agreement with Silkflex Malaysia enables manufacturing in India. Acquisition of land and setup of a manufacturing unit to meet growing demand.

Royalty Agreement for Manufacturing:

No royalty for trading under the Silkflex brand.

Royalty fees for manufacturing to be paid to Silkflex Malaysia after production commencement, mutually decided based on production volume and cost.

By aligning these strategic initiatives with efficient operations and quality standards, the Company aims to sustain growth, enhance customer satisfaction, and capitalize on new opportunities in the market.

Competitive Scenario and Peer Mapping

Competition

The textile printing inks and wood coating polymers market is highly competitive and projected to intensify further. Companies compete on price, quality, innovation, customer relationships, and the reliability of their supply chains. The company faces both organized and unorganized competitors. Its geographical focus creates vulnerability to regional market changes and increased local competition. Larger competitors with greater resources, emerging substitutes for wood coatings, and potential entry by global players present challenges. However, focusing on quality, meeting eco-standards, and capitalizing on market growth could offer opportunities for success

Peer Analysis

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

Particulars	SilkFlex Polymers Limited	BASF India Limited	Heubach Colorants India Limited	Berger Paint India Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2.30%	2.94%	2.48%	8.09%
EBITDA Margin	7%	5%	8%	14%
Return on Capital Employed	19%	20%	9%	25%
Return on Equity	10%	15%	5%	19%
EPS (INR)	0.85	93.08	8.31	7.37

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

Particulars	SilkFlex Polymers Limited	BASF India Limited	Heubach Colorants India Limited	Berger Paint India Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.46%	4.53%	5.11%	9.43%
EBITDA Margin	6%	7%	8%	16%
Return on Capital Employed	15%	31%	12%	27%
Return on Equity	9%	25%	11%	21%
EPS (INR)	0.97	137.42	18.77	7.15

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

Particulars	SilkFlex Polymers Limited	BASF India Limited	Heubach Colorants India Limited	Berger Paint India Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	2%	6%	22%	10.5%
EBITDA Margin	6%	10%	35%	18.0%
Return on Capital Employed	13%	45%	75%	26.4%
Return on Equity	9%	31%	34%	21.3%
EPS (INR)	0.97	127.67	95.21	6.18

Industry Overview

**Exhibit 1: Top Ten Exporters of Textile , 2019
Global Perspective**

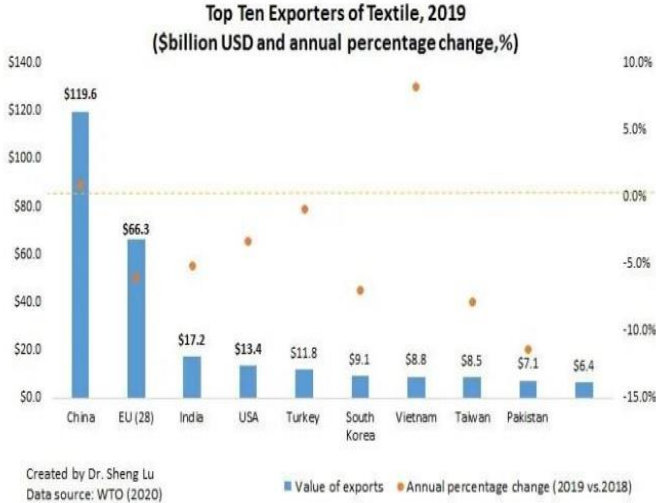
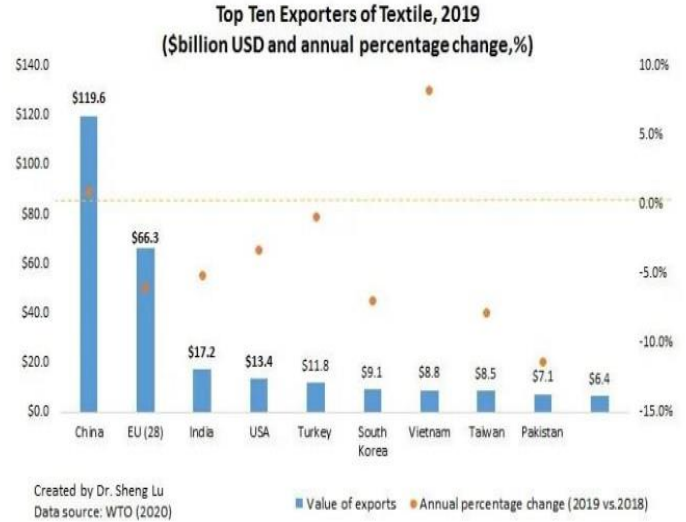


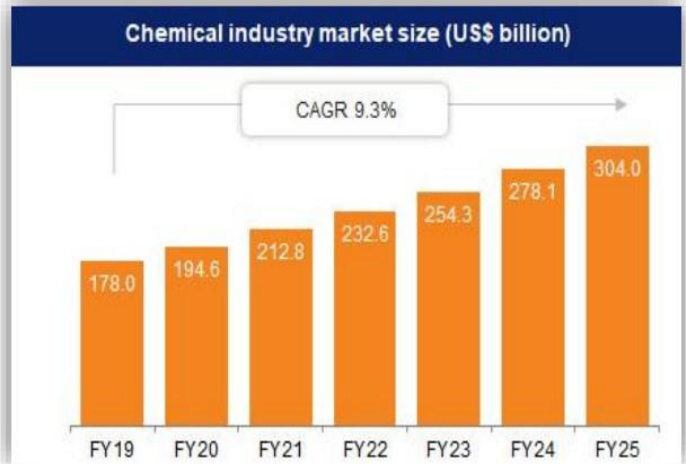
Exhibit 2: Top Ten Exporters of Textile , 2019



**Exhibit 3: Textiles and apparel exports from india
(US \$ billion)**



**Exhibit 4 : Chemical Industry Market Size
(US \$ billion)**



Global Textile Industry

Market Size and Growth: The global textile market size was valued at approximately \$1 trillion in 2022 and is projected to grow at a CAGR of 4-5% in the coming years. [Source: Statista]

Key Players: Major players include textile giants from China, India, Bangladesh, Pakistan, and Vietnam. China remains the dominant player.

Challenges:

Sustainability: The textile industry is the second-largest polluter globally, facing pressure to reduce environmental impact.

Labor Practices: Ethical concerns persist regarding working conditions and wages within the industry.

Indian Textile Industry

Growth and Importance: India's textile industry is the second-largest in the world after China. It contributes approximately 2% to India's GDP, 12% of export earnings, and is a significant source of employment. [Source: IBEF]

Segments: The industry encompasses diverse segments like cotton (largest share), wool, man-made fibers, and technical textiles.

Opportunities:

Growing domestic market with rising disposable incomes. Demand for technical textiles in healthcare, automotive, and other segments. "Make in India" initiative promotes domestic manufacturing and export potential.

Global Wood Coating Industry

Market Size and Growth: The global wood coatings market was valued at over \$10 billion in 2022 and is projected to reach roughly \$15 billion by 2028, growing at a CAGR of around 5%. [Source: MarketWatch]

Types of Coatings: Wood coatings include preservative, stain, and finishing varieties (varnishes, lacquers, etc.). Water-based coatings are gaining popularity.

Focus on Sustainability: Environmental regulations and consumer preferences drive the demand for eco-friendly wood coatings with lower VOC emissions.

Indian Wood Coating Industry

The Indian wood coatings market is expected to witness significant growth, driven by expanding construction, furniture manufacturing, and rising consumer awareness. [Source: TMR Research] Similar to the global trend, the Indian wood coating industry is increasingly focused on adhering to environmental regulations and incorporating sustainable practices. The market witnesses competition from both domestic and international players, with a trend towards organized players gaining market share.

Global Chemical Industry

A behemoth of global economic activity, the chemical industry surpassed \$5 trillion in market size (2022) and continues to grow. This foundational industry spans bulk chemicals, specialty chemicals, petrochemicals, agrochemicals, and more, supplying crucial components to healthcare, construction, textiles, and numerous other sectors. The industry navigates challenges like stringent environmental regulations and worker safety within its complex supply chains.

Indian Chemical Industry

India's chemical industry is a force to be reckoned with, ranking 6th globally and contributing significantly to national GDP. Projections show it reaching \$300 billion by 2025. Government initiatives, like PLI schemes and PCPIRs, foster investment. Sustainability is a growing priority, with the industry seeking to minimize waste and its environmental footprint throughout the chemical product lifecycle.

(Source: prospectus)

Key Managerial Personnel

Mr. Tushar Lalit Kumar Sanghavi, aged 58 years is one of the Promoters, Chairman and Managing Director of the Company. He has completed his Bachelor of Science (B.Sc.). He has a work experience of more than 18 years in the field of textile printing ink industry. He is playing vital role in formulating business strategies and effective implementation of the same. He is responsible for the expansion and overall management of the business of the Company.

Ms. Urmi Raj Mehta, aged 27 years, is one of the Promoters, Whole Time Director and Chief Financial Officer of the Company. She has completed her Bachelor of Commerce (B.Com.) degree from St. Xavier's college, University of Calcutta in the year 2017. She has been associated with the Company w.e.f. December 22, 2020 and has working experience of more than 3 years in the Company.

Mr. Atanu Bhuniya, aged 46 years is the Non-Executive Non-Independent Director of the Company. He has completed his Bachelor of Science (B.Sc.). He has a work experience of over 17 years in the textile printing ink industry. He is responsible for handling the marketing activities of the Company and its effective implementation of the same.

Mr. Rajendrakumar M. Shah, aged 59 years is the Non-Executive Non-Independent Director of the Company. He has completed his Diploma in Chemical Engineering. He is having experience of over 20 years in product development, technical leadership, quality control functions and others. He has been appointed to provide his technical expertise, guidance to enhance the company's technical capabilities.

Mr. Hardikkumar Dasharathbhai Patel, aged 34 years, is the Non-Executive Independent Director of the Company w.e.f. December 23, 2023. He has completed his Master of Business Administration in finance (MBA). He has a work experience of over 4 years in business development related activities and is engaged as Proprietor in a Proprietorship firm, M/s. Sneh Management Consultancy.

Mr. Sugoto Ghosh, aged 46 years, is the Non-Executive Independent Director of the Company. He has completed his Master of Business Administration (MBA) and has a work experience of 5 years in the field of business development, consulting and financial services. He is engaged as Partner in a partnership firm, M/s. Amserve International Inc.

To conclude, the company has 2 Individual Promoters and 2 HUF Promoters. Out of the Individual Promoters only one has vast experience with the Industry, as well as with the company. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which helps in the overall growth of the company but they also are a part of any other Company, or have their own sole proprietorship and 2 of the 6 KMP's have been appointed as Directors to the firm very recently.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	2,075.22	2,782.47	3,421.33	3,348.42
Other Income	20.84	22.04	20.92	33.13
Total Income	2,096.06	2,804.51	3,442.25	3,381.55
Expenses				
Purchases of Stock in Trade	1,642.15	2,490.89	2,817.84	2,437.51
"Changes in Inventories of WIP, Finished Goods & Stock in Trade"	-116.21	-597.19	-344.45	-103.64
Employee benefits expense	113.79	130.68	165.18	159.28
Finance costs	80.48	73.27	111.87	95.01
Depreciation and Amortization expense	5.32	20.75	39.77	72.57
	309.87	593.94	544.00	375.33
Total Expenses	2,035.40	2,712.34	3,334.21	3,036.06
Earnings Before Interest, Taxes, Depreciation & Amortization	125.62	164.15	238.76	479.94
EBITDA Margin	6%	6%	7%	14%
Profit/(Loss) before exceptional items and tax	60.66	92.17	108.04	345.49
Exceptional items	-	-	-	-
Profit/(Loss) before tax	60.66	92.17	108.04	345.49
Tax Expense				
Current Tax	17.73	24.46	28.99	79.72
Deferred Tax	-2.41	-0.87	0.45	9.11
Total Tax Expense	15.32	23.59	29.44	88.83
Profit/(Loss) for the year	45.34	68.58	78.60	256.66
Net Profit Margin	2%	2%	2%	8%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	205.45	250.00	250.00	812.50
Reserves and surplus	308.06	488.03	566.62	260.78
Total Equity	513.51	738.03	816.62	1,073.28
2. Non-current liabilities				
Long Term Borrowings	411.18	197.78	209.27	251.79
Deferred tax liability/ (Assets) (Net)	-	-	-	6.31
Long term Provisions	9.97	12.72	14.93	17.84
Total Non-current liabilities	421.15	210.50	224.20	275.94
3. Current liabilities				
Short-term borrowings	201.63	796.72	999.04	1,464.39
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	52.67	55.80	167.75	354.57
Other current liabilities	124.09	162.21	162.82	226.01

Balance Sheet					(In Lacs)
Short-term provisions	1.01	5.55	4.30	52.16	
Total Current liabilities	379.40	1,020.28	1,333.91	2,097.13	
Total Liabilities	800.55	1,230.78	1,558.11	2,373.07	
Total Equity and Liabilities	1,314.06	1,968.81	2,374.73	3,446.35	
ASSETS					
1. Non-current assets					
Fixed Assets					
a) Tangible Assets	140.29	340.82	393.31	631.51	
b) Intangible Assets	6.27	5.13	9.10	386.36	
c) Capital WIP	114.80	-	-	-	
Non-Current Investment	160.41	112.65	140.14	161.44	
Deferred Tax Assets (Net)	2.39	3.26	2.80	-	
Other Non-Current Assets	13.01	13.04	13.04	13.54	
Total Non-Current assets	437.17	474.90	558.39	1,192.85	
2. Current assets					
Current Investments					
Inventories	521.90	1,119.09	1,463.54	1,567.18	
Trade receivables	276.77	220.75	210.00	546.49	
Cash and cash equivalents	5.37	3.94	3.78	6.06	
Short-term loans and advances	13.41	9.86	13.20	19.20	
Other Current Assets	59.44	140.27	125.81	114.57	
Total Current assets	876.89	1,493.91	1,816.33	2,253.50	
Total Assets	1,314.06	1,968.81	2,374.72	3,446.35	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	-17.08	-428.52	1.20	281.44	
Net Cash Flow from Investing Activities	-148.99	-37.25	-103.30	-692.03	
Net Cash Flow from Financing Activities	165.98	464.35	101.94	412.86	

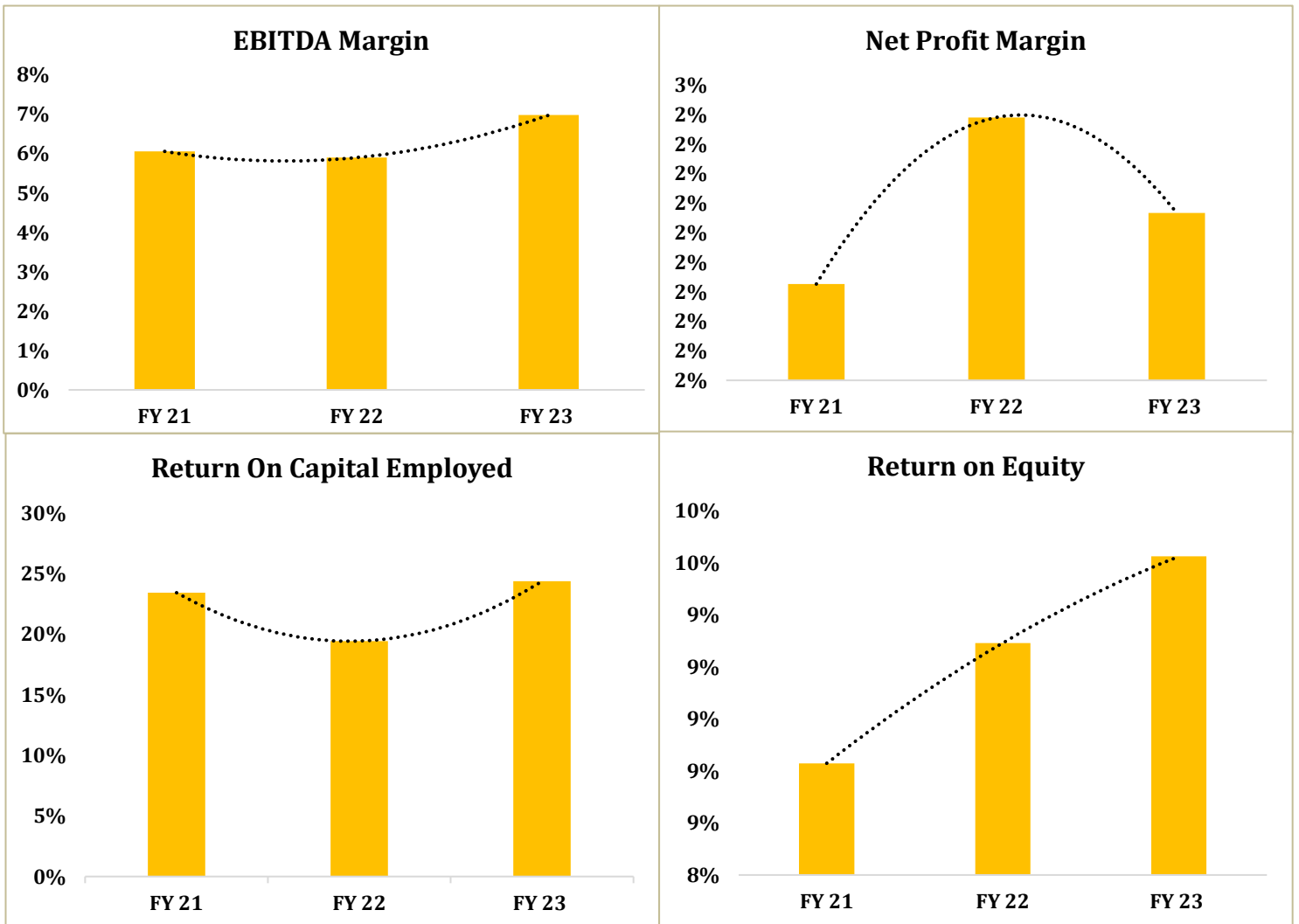
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	0.97	0.97	0.85	2.98
BV per share	4.42	6.36	7.04	25.61
Operating Ratios				
EBITDA Margins	6.05%	5.90%	6.98%	14.33%
PAT Margins	2.16%	2.45%	2.28%	7.65%
Inventory days	91.79	146.80	156.14	128.24
Debtor days	48.68	28.96	22.40	44.72
Creditor days	11.71	8.18	21.73	39.86
Return Ratios				
RoCE	23%	19%	24%	18%
RoE	9%	9%	10%	12%
Valuation Ratios (x)				
EV/EBITDA	8.92	10.53	8.47	7.33
Market Cap / Sales	2.91	2.17	1.76	1.35
P/E	53.61	53.61	61.18	17.48
Price to Book Value	11.75	8.18	7.39	2.03
Solvency Ratios				

Debt / Equity	1.19	1.35	1.48	1.60
Current Ratio	2.31	1.46	1.36	1.07
Quick Ratio	0.94	0.37	0.26	0.33
Asset Turnover	1.58	1.41	1.44	0.97
Interest Coverage Ratio	1.49	1.96	1.78	4.29

*Annualized Figures

*Valuation Ratios are calculated using the current Issue Price.

Financial Charts



Key Risk Factors

- The promoter and directors of the company face criminal charges related to alleged document forgery. While the company denies wrongdoing and maintains separate legal standing, a conviction could harm reputation and potentially impact business. Legal proceedings are ongoing
- The company relies significantly on Silkflex Malaysia, their largest supplier, accounting for 74.86% of purchases for the period ended December 31, 2023, and 96.04%, 97.81%, and 96.48% for the financial years ended March 31, 2023, 2022, and 2021, respectively. Disruption in their supply or a change in this relationship could adversely affect their operations and profitability.
- The income from the Top 10 customers contributed to 71.88% and 79.93% for the Period Ended December 2023 and FY March 2023, respectively. The loss of any one or more of such customers may have a material effect on our business operations and profitability. High quality control and regulations, such as licences, approvals, etc.
- The company's operations are heavily focused on certain areas such as Tamilnadu - 52.47%, Gujrat - 16.46%, West Bengal - 14.16% as of December 2023. Any adverse developments affecting their operations in these regions could have an adverse impact on their revenue and results of operations.
- They company has had negative operating cashflows in FY 21 and FY22.
- The company's international operations expose them to risks from fluctuating foreign exchange and interest rates.

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares 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 –

Gretex Corporate Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	JNK India Limited	649.47	415.00	Apr 30, 2024	641.40
2.	Bharti Hexacom Limited	4275.00	570.00	Apr 12, 2024	906.05
3.	Popular Vehicles & Services Limited	601.55	295.00	Mar 19, 2024	228.45
4.	Bharat Highways Infrastructure Investment Trust	2500.00	100.00	Mar 12, 2024	105.42
5.	Juniper Hotels Limited	1800.00	360.00	Feb 28, 2024	459.80
6.	Entero Healthcare Solutions Limited	1600.00	1,258.00	Feb 16, 2024	1,079.30
7.	Jana Small Finance Bank Limited	570.00	414.00	Feb 14, 2024	623.25
8.	Rashi Peripherals Limited	600.00	311.00	Feb 14, 2024	337.40
9.	Apeejay Surrendra Park Hotels Limited	920.00	155.00	Feb 12, 2024	188.05
10.	EPACK Durable Limited	640.05	230.00	Jan 30, 2024	190.40

The company has had 43 mandates in the past year three years including the current one.

*CMP for the above-mentioned companies is taken as of 7th May 2024.

From the above-mentioned mandates, six of them opened at a premium and remaining four opened at a discount.

Recommendation

Silkflex Polymers Limited, has a decent amount of experience in the industry. Existing since 2016, it demonstrates strong revenue growth, increasing from ₹2,216 crore in FY21 to ₹6,538 crore in FY23, and improving profitability with net margins reaching 8% in FY23. The company aims to expand its business by transitioning into manufacturing and seeks to raise ₹18.11 crore through this IPO. While ongoing legal proceedings pose a reputational risk and short-term financial health is a concern due to rising debt and declining liquidity ratios, the company's growth potential in the expanding textile and wood coatings markets warrants a cautious subscription to the IPO. Investors should closely monitor the IPO pricing and pay attention to how the company addresses its potential risks regarding legal proceedings, debt management, and cash flow generation, especially given inconsistent operating cash flows in previous years.

The P/E on a post-IPO and annualised basis is 17.48. The Sector P/E is 36.9. Thus, we recommend **RISK** to this IPO.

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