



IPO Note

Bulkcorp International Limited

Recommendation: **AVOID!**

Company Background -

- Originally formed and incorporated as 'Navjivan Polyplast Private Limited' on October 08, 2009. The registered office is located at Ahmedabad, Gujarat.
- The company is engaged in the manufacturing and supply of Food Grade Flexible Intermediate Bulk Container (FIBC) bags.
- Their customer base is spread across the globe with presence in countries like United States of America, Canada, United Kingdom, South Africa, Ivory Coast, South Korea, Spain, Europe, Egypt etc.
- The company had 195 employees as of May 31, 2024.

Objects of the Issue -

- Capital Expenditure for commissioning of Solar Power Plant.
- To meet Working Capital Requirements.
- General Corporate Purposes.

Promoters Name -

Punit Mahendra Gopalka, Anup Mahendra Gopalka, and Sanjay Pandurang Sadavarte

Rationale for recommendation -

- ✓ The top line, bottom line and profitability margins have increased in FY 2024 as export sales to USA increased significantly, which may not be sustainable in the future.
- ✓ The company is majorly dependent on USA and Gujarat for their revenue.
- ✓ The concentration of buyers and suppliers is very high.
- ✓ The FIBC industry prospect is moderate and is the industry is fragmented.

IPO Details

Opening Date	July 30, 2024
Closing Date	Aug 01, 2024
Allotment Date	Aug 02, 2024
Listing Date	Aug 06, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹100 to ₹105
Issue Size	20.78 Cr.
Fresh Issue	20.78 Cr.
Offer for Sale	-
Application Amt	₹ 1,26,000 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	4,842.41	3,847.07	4,518.25
EBITDA	270.12	242.05	469.14
Net Profit	172.56	121.21	355.90
RoCE	27.59%	29.91%	35.67%
ROE	48.34%	25.35%	38.10%
P/E	33.02	47.09	16.23

Promoter Share Holding Pattern

Pre-Issue	Post Issue
98.10%	72.26%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.47	4.74
BVPS	16.87	40.08
P/E	16.23	22.17
P/BV	6.22	2.62
Mkt Cap (In Cr)	58.12	78.90

Lead Managers -

Swastika Investmart Limited

Registrar -

Kfin Technologies Limited

Business Overview -

Bulkcorp International Limited was originally incorporated as “Navjivan Polyplast Private Limited” on October 08, 2009. Their registered office is in Ahmedabad, Gujarat.

The company is engaged in manufacturing of manufacturing and supply of Food Grade Flexible Intermediate Bulk Container (“FIBC”) bags. They offer a wide range of customisable packaging solutions FIBC bags (Jumbo Bags) which come in eight variations and container liners. The company caters to the requirements of crucial industries such as agriculture, chemical, construction, food, pharmaceutical, and mining. Their customer base is spread across the globe with presence in countries like United States of America, Canada, United Kingdom, South Africa, Ivory Coast, South Korea, Spain, Europe, Egypt etc.

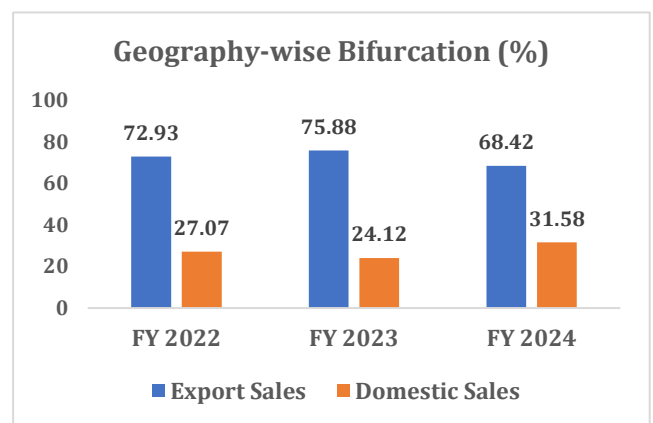
The manufacturing unit of the company is located at Changodar, Ahmedabad. The capacity utilization remained at 86.87%, 66.81% and 71.90% for FY 2022, 2023 and 2024 respectively.



Product Portfolio -

- **4 loop FIBC Bags** – This includes builder bags, tunnel lift bags, corner and cross-corner loop bags with various top and bottom attachment options used to store construction materials like gravel, sand, stone etc.
- **Q FIBC Bags** – These bags prevent the sides of the bag from bulging out or falling over when being stored or transported. They are used in chemical, food and pharmaceutical sector.
- **UN Certified Bags** – UN Bags are designed to carry hazardous products, and their use is regulated by the UN Association.
- **Ventilated Bags** – These are designed to store perishable food produce.
- **Conductive Bags (Type C Bags)** – These bags are made with specially designed conductive fabrics with interwoven conductive yarns.
- **Type D Bags** – These bags are used to pack and handle combustible products in a combustible environment which prevents occurrence of sparks.
- **One two loop FIBC Bags** – These bags are primarily used in the agriculture sector and for storing and transporting powdered goods and minerals.
- **Container Liner** – These liners reduce packaging and handling costs and at the same time provide the customers with a safe and clean packaging option.

Revenue Bifurcation geography-wise -



Revenue Bifurcation product wise -

(Amt in lakhs)

Products	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
FIBC	4,551.78	94.00	3,558.86	92.51	3,921.64	86.80
Fabric	232.57	4.80	200.33	5.21	460.16	10.18
Filler Cord	-	-	0.87	0.02	-	-
Liner	19.09	0.39	1.85	0.05	3.32	0.07
Narrow Woven Fabric	6.10	0.13	5.84	0.15	-	-
Yarn	1.28	0.03	-	-	0.37	0.01
Scrap	31.59	0.65	79.32	2.06	48.14	1.07
Sale of Service	-	-	-	-	84.62	1.87
Total	4,842.41	100	3,847.07	100	4,518.25	100

Competition -

Market Competition: The FIBC market is highly competitive where the key factors of competition primarily comprise product quality, price, brand value, timely delivery etc.

Domestic Competition: The company faces competition from organized as well as unorganized players in both domestic and international market.

Barriers to entry: Moderate barriers to entry, as establishing manufacturing facility requires significant capital investment. The company has high threat of substitutes.

Bargaining Power of Suppliers: The bargaining power is high with the suppliers.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Expand domestic presence and enter new markets: The company intends to rapidly develop reach in the domestic markets by expanding their sales network and to grow the business by adding new customers.

Expand existing product portfolio: The company intends to diversify product portfolio which could cater to customers across segments, sectors, and geographies.

Focus on consistently meeting quality standards: The company is focusing on maintain high quality standards for the products and continuously review the quality and take corrective measures.

To increase brand visibility: The company intends to continue brand building exercise by providing excellent services to the satisfaction of the customers.

Risk Factors -

The company derived majority of its revenue from top 10 customers which accounted to 92.35%, 90.82% and 96.51% for FY 2024, FY 2023 and FY 2022 respectively.

The company is dependent on few suppliers for its purchases and top 10 suppliers contributed to more than 98% of the total purchases for FY 2024, FY 2023 and FY 2022.

The company derived more than 95% of the revenue from Gujarat for domestic sales and more than 70% of the revenue from USA for export sales.

The company has 6 outstanding cases against it for taxation matters amounting to Rs. 64.71 lakhs.

The company has contingent liabilities amounting to Rs. 39.66 lakhs for FY 2023-24.

The company has unsecured loans amounting to Rs. 105.53 lakhs.

The company has negative cash flow from operations for FY 2022.

PEER ANALYSIS

Particulars	Bulkcorp International Limited			Rishi Techtex Limited			Jumbo Bag Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.6%	3.2%	7.9%	1.3%	1.0%	1.2%	0.8%	1.3%	1.1%
EBITDA Margin	6%	6%	10%	7%	6%	7%	5%	7%	6%
RoCE	28%	30%	36%	11%	10%	13%	11%	13%	11%
ROE	48%	25%	38%	5%	4%	4%	3%	4%	4%
EPS (INR)	3.18	2.23	6.47	1.81	1.50	1.82	1.22	1.66	1.36
P/E	33.02	47.09	16.23	15.19	13.33	25.81	18.81	11.00	28.11

Flexible Intermediate Bulk Containers (FIBC) Market in India-

The Indian Flexible Intermediate Bulk Container Association states that the FIBC market in India has increased by almost 38% in the last 10 years. The food-grade FIBC is gaining immense traction, registering prominent growth rates. FIBC industry is expected to grow at a CAGR of 6.9%.

As per the association, FIBC production in India is recorded as 306,996 MT in 2021. The food-grade FIBC production was nearly 28% of the total production of FIBC in India. The total export sales of FIBC from India increased 3 times over the past decade and reached US\$ 708.48 million from 2020 to 2021. The expansion of various industries and increasing trade activities are propelling the demand for FIBC.

Make-in-India initiatives and industry-specific incentives are boosting the establishment of numerous manufacturing enterprises in India. Hence, the demand for FIBC for effective storage and transportation of goods is surging with the rise of such end-user industries.



(Source: www.safeflex.org)

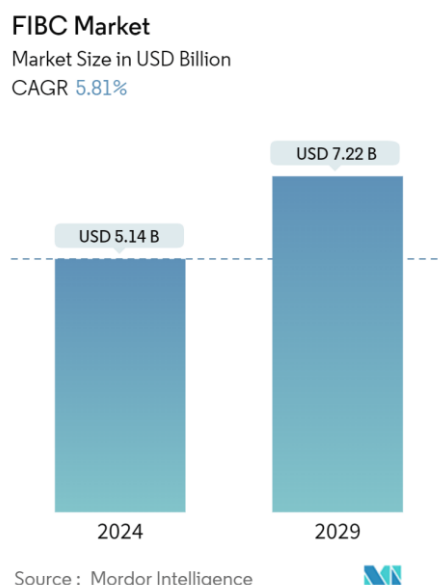
As India's exports continue to grow, especially in the areas of food processing, pharmaceuticals, and chemicals, custom bulk packaging solutions are becoming increasingly important for Indian manufacturers. According to the India Brand Equity Foundation, the value of Indian pharmaceutical exports from India increased from USD 19.1 billion in 2019 to USD 25.4 Billion in 2023. This rising export trend is expected to have created a bolstered demand for bulk FIBC across the market.

Global FIBC Market-

The global FIBC market size is expected to top a valuation of US\$ 12.6 billion by the end of 2033, with a CAGR of 5.4% during the forecast period. In the year 2023, the market is expected to generate revenue of US\$ 7.5 billion. The global FIBC market is estimated to hold a 1/3rd value share of the global IBC market worth US\$ 22 billion in 2022.

Flexible intermediate bulk containers (FIBC) that carry at least 750 kg are the most preferred type, estimated by Future Market Insights (FMI). As per the study, the FIBC industry is projected to grow steadily as manufacturers introduce lightweight containers.

FMI predicts this sector is anticipated to witness a compound annual growth rate of 5.8% from 2023 to 2033.



Key Management -

Key Management Persons Name -	Punit Mahendra Gopalka
Age	47
Designation and No. of years of experience	Promoter, Chairman, Managing Director and CEO, 8+ Years of experience
Qualification	B. Com Degree, M.Sc. in Business and Management
Roles and Responsibility	Responsible for the overall management, finance and compliance division of the company and he is devising investment strategies for overall development of the company.
Other Directorships	UMG Solutions Private Limited, Umasree Texplast Private Limited, Alliance Polysacks Private Limited etc.

Key Management Persons Name -	Anup Mahendra Gopalka
Age	56
Designation and No. of years of experience	Promoter and Whole-Time Director, 20+ years of experience
Qualification	B. Com Degree
Roles and Responsibility	Involved in the day-to-day operations and currently oversees sales & marketing division of the company.
Other Directorships	Umasree Texplast Private Limited, Solos Polymers Private Limited, Packem Umasree Private Limited etc.

Key Management Persons Name -	Sanjay Pandurang Sadavarte
Age	43
Designation and No. of years of experience	Promoter, Executive Director and COO, 7+ years of experience
Qualification	Diploma in Plastic Engineering, Diploma in Business Management
Roles and Responsibility	-
Other Directorships	Solos Polymers Private Limited and Sanvision Ventures Private Limited

Key Management Persons Name -	Tina Mulani
Age	26
Designation and No. of years of experience	Independent Director, 8+ months of experience
Qualification	Company Secretary
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Piyush Ravishanker Bhatt
Age	62
Designation and No. of years of experience	Independent Director, 38 years of experience
Qualification	M. Com Degree, Company Secretary
Roles and Responsibility	-
Other Directorships	Aditya Ultra Steel Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	4,842.41	3,847.07	4,518.25
Other Income	77.49	48.63	132.19
Total Income	4,919.90	3,895.7	4,650.44
Expenses			
Cost of Materials Consumed	3,416.48	2,665.63	3,551.08
Purchase if stock-in-trade	-	21.20	-
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	84.02	1.75	-375.15
Employee Benefit Expenses	425.54	355.49	355.42
Finance Cost	68.54	61.03	58.20
Depreciation and Amortisation	53.84	58.35	63.58
Other expenses	646.25	560.95	517.76
Total Expenses	4,694.67	3,724.40	4,170.89
EBITDA	270.12	242.05	469.14
EBITDA Margin	5.58%	6.29%	10.38%
Profit/(Loss) before tax	225.23	171.30	479.55
Tax Expense			
Current tax	28.54	43.82	120.67
Deferred Tax charge/(credit)	24.13	6.27	2.98
Total Tax	52.67	50.09	123.65
Profit/(Loss) for the year	172.56	121.21	355.90
Net Profit Margin	3.56%	3.15%	7.88%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	181.00	181.00	553.53
Reserves and surplus	175.95	297.16	380.54
Total Shareholder's Fund	356.95	478.16	934.07
3. Non-current liabilities			
Long-term borrowings	385.10	87.10	147.65
Long-term provisions	7.98	8.70	12.12
Deferred Tax Liability	34.01	40.28	43.26
Total Non-current liabilities	427.09	136.08	203.03
4. Current liabilities			
Short-term borrowings	504.15	455.18	486.58
Trade Payables			
Total outstanding dues of MSME	618.47	545.47	1,379.87
Total outstanding dues of creditors other than MSME	188.20	117.16	86.67
Other Current Liabilities	53.57	16.16	22.45
Short-term provisions	28.69	16.96	123.74
Total Current liabilities	1,393.08	1,150.93	2,099.31
Total Liabilities	1,820.17	1,287.01	2,302.34
Total Equity and Liabilities	2,177.12	1,765.17	3,236.41
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	572.91	562.96	569.98
Capital Work-In-Progress	7.38	-	177.63

Particulars	FY 22	FY 23	FY 24
Other Non- current Assets	37.19	37.19	43.29
Total Non-Current assets	617.48	600.15	790.90
2. Current assets			
Inventories	538.33	476.20	1,028.52
Trade Receivables	776.02	589.65	1,063.83
Cash & Cash equivalents	80.72	1.95	4.63
Short term loans and advances	4.68	2.11	53.55
Other Current Assets	159.87	95.11	294.96
Total Current assets	1,559.62	1,165.02	2,445.49
Total Assets	2,177.10	1,765.17	3,236.39

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-122.01	370.04	122.58
Net Cash Flow from Investing Activities	-48.74	-40.81	-253.64
Net Cash Flow from Financing Activities	171.82	-408.00	133.75

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	3.18	2.23	6.47	EV/EBITDA	4.31	4.21	3.33
BV per share	6.45	8.64	16.87	Market Cap / Sales	1.63	2.05	1.75
<u>Operating Ratios</u>				P/E	33.02	47.09	16.23
EBITDA Margins	5.58%	6.29%	10.38%	Price to Book Value	16.28	12.15	6.22
PAT Margins	3.56%	3.15%	7.88%	<u>Solvency Ratios</u>			
Inventory days	40.58	45.18	83.09	Debt / Equity	2.49	1.13	0.68
Debtor days	58.49	55.94	85.94	Current Ratio	1.12	1.01	1.16
Creditor days	85.47	92.36	144.79	Quick Ratio	0.73	0.60	0.67
<u>Return Ratios</u>				Asset Turnover	2.22	2.18	1.40
RoCE	27.59%	29.91%	35.67%	Interest Coverage Ratio	3.16	3.01	6.97
RoE	48.34%	25.35%	38.10%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Swastika Investmart Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Swastika Investmart Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TBI Corn Limited	44.94	94.00	June 27, 2024	329.80
2.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	55.05
3.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	192.05
4.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	42.80
5.	Service Care Limited	20.68	67.00	July 26, 2023	60.40
6.	Infinium Pharmachem Limited	25.26	135.00	April 17, 2023	218.80
7.	Cyber Media Research & Services Limited	14.04	180.00	Oct 10, 2022	143.00
8.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	71.95
9.	Evoq Remedies Limited	9.72	27.00	Mar 30, 2022	9.47
10.	Richa Info Systems	10.00	125.00	Feb 21, 2022	92.00

The company has handled 8 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 27th July 2024.

As per the offer document, from the above-mentioned mandates 3 have opened at discount and the remaining have opened at a premium on the listing day.

Recommendation -

The company has been in the industry since 2009 and have good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO and annualised basis is around 22.17 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 26.34 times.

The company has seen a sudden increase in the top line and bottom line for FY 2023-24 because the export sales to USA increased. The EBITDA margin and net profit margin have seen a sudden increase that may not be sustainable in the long run. Also, the company is majorly dependent on USA and Gujarat for their revenue generation which will affect the business in future if they don't establish their presence in other states and countries.

The concentration of buyers and suppliers of the company is very high and loss of any will adversely affect the overall business operations and profitability of the company.

The flexible intermediate bulk containers (FIBC) industry is fragmented and there are many players. The prospect of FIBC industry in India is moderate and is expected to grow at a CAGR of 5.4% globally.

Thus, knowledgeable and informed investors **AVOID** to this IPO keeping in mind that it is for a long-term investment.

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