



IPO Note

Sati Poly Plast Limited

Recommendation: **AVOID!**

Company Background -

- Originally formed and incorporated as 'Sati Poly Plast Private Limited' on July 14, 1999, under companies act, 1956, issued by Registrar of Companies, Bihar.
- The company is engaged in the manufacturing of flexible packaging material which majorly includes Roll Form Packaging, Coextruded Films, and Pouch Form Packaging, that caters to the requirements of various industries.
- The company has set up two manufacturing units. Plant 1 is in Gautam Budh Nagar, Noida, and can produce 540 tons per month and Plant 2 is situated in Udhog Kendra, Noida, and has an installed capacity of 540 tons per month.
- The company has 135 on roll employees as of March 31, 2024.

Objects of the Issue -

- Working Capital Requirements
- General Corporate Expenses.

Promoters Name -

Balmukund Jhunjhunwala, Anita Jhunjhunwala, Aditya Jhunjhunwala, Keshav Jhunjhunwala and M/S Balmukund Jhunjhunwala HUF

Rationale for recommendation -

- ✓ The company has seen a decrease in the top line for FY 2024.
- ✓ The company has a P/E of 19.57 times on Post IPO basis compared to Industry P/E of 9 times
- ✓ Low performance compared to its peers.
- ✓ The management overview is not very satisfactory.
- ✓ The company has high concentration with its top buyers and suppliers over the years.

IPO Details

Opening Date	July 12, 2024
Closing Date	July 16, 2024
Allotment Date	July 18, 2024
Listing Date	July 22, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹123 to ₹130
Issue Size	17.36 Cr.
Fresh Issue	17.36 Cr.
Offer for Sale	-
Application Amt	₹ 1,30,000 (1,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	17,516.08	19,091.77	17,935.48
EBITDA	511.38	876.53	926.71
Net Profit	28.23	308.89	328.66
RoCE	14.49%	29.70%	21.92%
ROE	31.81%	77.68%	26.71%
P/E	147.73	13.43	13.40

Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.30%	63.01%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	9.70	6.64
BVPS	34.06	59.95
P/E	13.40	19.57
P/BV	3.82	2.17
Mkt Cap (In Cr)	46.96	64.31

Lead Managers -

Beeline Capital Advisors Private Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Sati Poly Plast Limited was originally formed and incorporated as ‘Sati Poly Plast Private Limited’ on July 14, 1999, under Companies Act, 1956, issued by the Registrar of Companies, Bihar. The company has 135 on Roll employees as of March 31, 2024.

The company is engaged in the manufacturing of flexible packaging material which majorly includes Roll Form Packaging, Coextruded Films, and Pouch Form Packaging, that caters to the requirements of various industries. The company has set up two manufacturing units. Plant 1 is in Gautam Budh Nagar, Noida, and can produce 540 tons per month and Plant 2 is situated in Udhyog Kendra, Noida, and has an installed capacity of 540 tons per month. The capacity utilised is 92.59%, 88.89% and 88.89% for FY 2024, 2023 and 2022 respectively for both plants.

Business Operations -

Manufacture of Roll Form Packaging –

These are packaging materials supplied in the form of continuous rolls and are made of polyethylene, polyethylene terephthalate, polypropylene, aluminium foil, laminates, kraft or coated papers. Industries using this packaging includes food and beverage industry, personal care and cosmetics industry, agriculture industry and pharmaceutical industry.

Manufacture of Pouch Form Packaging –

This packaging utilises flexible materials, such as plastic or foil, to create a pouch-like structure. Common raw materials used are polyethylene, polypropylene, aluminium foil, laminates and papers. Industries using this packaging are food and beverage industry, personal care and cosmetics industry, pharmaceutical industry, household and cleaning products, agriculture industry and for automotive and industrial application.

Manufacture of Coextruded Films –

It refers to the use of multiple layers of different materials in the production process. It involves the simultaneous extrusion of two or more materials to create a single film with distinct layers and each layer can have different properties. Industries using this packaging are food packaging, pharmaceutical industry, agriculture industry and flexible packaging.

PRODUCTS:

Pouch Form:



Roll Form:

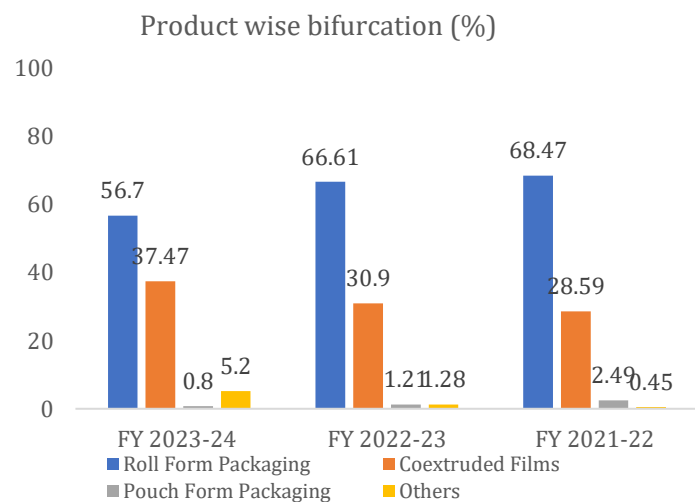


Revenue Bifurcation based on geography -

(Amt in Lakhs)

Particulars	FY 24	FY 23	FY 22
Domestic Sales	17,784.15	19,035.83	17,431.79
Export Sales	151.33	55.94	84.29
Total Sales	17,935.48	19,091.77	17,516.08

Revenue Bifurcation based on products -



Competition -

The Packaging Industry is extremely competitive where the key factors of competition primarily comprise quality, price, timely delivery and reliability.

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

The company has slightly lower barriers to entry.

The bargaining power is slightly high with the suppliers.

The bargaining power is slightly high with customers.

Business Strategies -

Expanding existing product portfolio: The company intends to diversify the product portfolio. They have set up manufacturing unit and installed Multi colour (up-to 10 Colours) Roto Gravure Printing Machine for flexible packaging and printing process.

Improving Functional Efficiency: The company intends to improve operating efficiencies to achieve cost reduction, and this can be done through continuous process improvement and technology development.

Focus on being consistent with quality standards: The company is focusing on adhering to quality standards and improve it by continuous quality review of products and timely corrective measures in case of quality diversion.

Risk Factors -

The company has 12 outstanding cases against it for taxation matters amounting to Rs. 1,343.32 lakhs and the promoters and directors have 12 outstanding cases amounting to Rs. 14.28 lakhs.

The company derives majority of its revenue from top 10 customers which accounted for 70.97%, 80.05% and 71.15% for the FY ended 2024, 2023 and 2022 respectively.

The company is dependent on top 10 suppliers for purchase which accounted for 84.73%, 85.36% and 85.36% for the FY ended 2024, 2023 and 2022 respectively.

The company has contingent liabilities amounting to Rs. 1,076.64 lakhs.

PEER ANALYSIS

Particulars	Sati Poly Plast Limited			Sabar Flex India Limited			Uma Converter Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.2%	1.6%	1.8%	2.2%	1.9%	3.4%	2.6%	0.6%	2.3%
EBITDA Margin	3%	5%	5%	7%	6%	8%	10%	8%	9%
RoCE	14%	30%	22%	18%	15%	22%	16%	8%	12%
ROE	32%	78%	27%	10%	9%	13%	10%	2%	6%
EPS (INR)	0.88	9.68	9.70	1.44	1.40	2.64	3.28	0.61	2.07
P/E	147.73	13.43	13.40	-	10.32	7.50	-	49.51	11.79

Indian Manufacturing Industry -

Manufacturing is emerging as an integral pillar in the country’s economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India’s GDP pre-pandemic and is projected to be one of the fastest growing sectors.

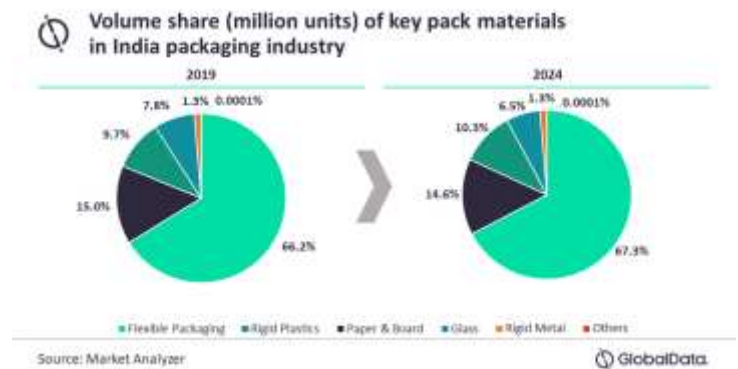
Manufacturing exports have registered highest ever annual exports of US\$ 447.46 billion with 6.03% growth during FY23 surpassing the previous year (FY22) record exports of US\$ 422 billion. By 2030, Indian middle class is expected to have the second largest share in global consumption at 17%.



Growth Drivers of Indian Packaging Market -

- Rising Consumer Demand – 40% of India’s population will be living in urban areas by 2025 up from 31% in 2010 which will lead to increasing consumption of FMCG and packaged food products.
- Increasing investments in End-user Industries – Growing investments in food processing, personal care, and pharmaceutical industries have created opportunities for packaging market expansion.

Indian Packaging Market-



Indian Packaging Market is expected to reach \$ 204.81 Bn by 2025, registering a CAGR of 26.7% during the period of 2020-25. Packaging is currently the 5th largest sector of Indian economy. India is a net exporter of packaging products and the largest exporter of sub-segments— Biaxially-oriented Polyethylene Terephthalate (BOPET) & Flexible Intermediate Bulk Container (FIBC). The Indian packaging industry has made a mark with its exports that comprise flattened cans, printed sheets and components, crown cork, lug caps, plastic film laminates, craft paper, paper board and packaging machinery, while the imports include tinplate, coating and lining compounds and others.

Government Initiatives-

- Startups incorporated within a time-period and meeting other conditions can deduct up to 100% of their profits; the end of this period has been extended from March 31, 2023, to March 31, 2024. In addition, the period within which losses of startups may be carried forward has been extended from seven to ten years.
- The upper limit on turnover for MSMEs to be eligible for presumptive taxation has been raised from Rs 2 crore (US\$ 2,43,044) to Rs 3 crore (US\$ 3,64,528). The upper limit on gross receipts for professionals eligible for presumptive taxation has been raised from Rs 50 lakh (US\$ 60,754) to Rs 75 lakh (US\$ 91,132).

Key Management -

Key Management Persons Name -	Balmukund Jhunjunwala
Age	62
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 6 Years of experience
Qualification	No formal education
Roles and Responsibility	-
Other Directorships	ABRJ Foods Private Limited, Pashupatinath Manufacturing Private Limited, Osho Tradeflex Private Limited

Key Management Persons Name -	Aditya Jhunjunwala
Age	36
Designation and No. of years of experience	Promoter, Executive Director and CEO, 6 years of experience
Qualification	MBA (International Business)
Roles and Responsibility	-
Other Directorships	ABRJ Foods Private Limited, Osho Tradeflex Private Limited

Key Management Persons Name -	Keshav Jhunjunwala
Age	23
Designation and No. of years of experience	Promoter, Non-Executive Director, No experience
Qualification	BBA (Marketing Management)
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Abhishek Sehgal
Age	35
Designation and No. of years of experience	Non-Executive Independent Director, 5+ years of experience
Qualification	MBA (International Business)
Roles and Responsibility	-
Previous Associations	Billion Flavours Private Limited

Key Management Persons Name -	Rashmi Kamlesh Otavani
Age	43
Designation and No. of years of experience	Non-Executive Independent Director, 10 years of experience
Qualification	Company Secretary, B. Com Degree
Roles and Responsibility	-
Previous Associations	United Polyfab Gujrat Limited, Yuranus Infrastructure Limited, Aristo Bio-tech and Lifesciences Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	17,516.08	19,091.77	17,935.48
Other Income	6.31	4.92	5.50
Total Income	17522.39	19096.69	17940.98
Expenses			
Cost of Materials Consumed	14,817.48	16,123.08	14,492.76
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	49.65	-471.14	12.43
Employee Benefit Expenses	451.42	449.09	395.40
Finance Cost	198.66	199.81	223.42
Depreciation and Amortisation	280.72	269.27	274.86
Other expenses	1,709.35	2,132.46	2,123.90
Total Expenses	17,507.28	18,702.57	17,522.77
EBITDA	511.38	876.53	926.71
EBITDA Margin	2.92%	4.59%	5.17%
Exceptional Items	23.20	18.25	15.72
Profit/(Loss) before tax	38.31	412.37	433.93
Tax Expense			
Current tax	16.50	107.69	116.00
Deferred Tax Expenses/(credit)	-6.42	-4.21	-10.73
Total Tax	10.08	103.48	105.27
Profit/(Loss) for the year	28.23	308.89	328.66
Net Profit Margin	0.16%	1.62%	1.83%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	106.40	106.40	361.20
Reserves and surplus	-17.65	291.24	869.08
Total Shareholder's Fund	88.75	397.64	1,230.28
2. Minority Interest			
Total Equity	88.75	397.64	1,230.28
3. Non-current liabilities			
Long-term borrowings	1,470.17	1,613.60	1,705.39
Long-term provisions	33.40	33.22	38.73
Total Non-current liabilities	1,503.57	1,646.82	1,744.12
4. Current liabilities			
Short-term borrowings	888.72	1,016.90	534.75
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	180.32	140.64	39.85
Total outstanding dues of creditors other than micro enterprises & small enterprises	657.93	545.53	1,776.70
Other Current Liabilities	258.77	357.32	208.59
Short-term provisions	0.64	89.23	103.28
Total Current liabilities	1,986.38	2,149.62	2,663.17
Total Liabilities	3,489.95	3,796.44	4,407.29

Particulars	FY 22	FY 23	FY 24
Total Equity and Liabilities	3,578.70	4,194.08	5,637.57
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	1,166.69	1,138.30	1,408.70
Deferred Tax Assets (Net)	51.91	56.12	66.85
Other Non Current Assets	89.85	91.85	93.85
Total Non-Current assets	1,308.45	1,286.27	1,569.40
2. Current assets			
Inventories	1,395.51	2,098.25	2,474.52
Trade Receivables	755.57	547.24	1,237.52
Cash & Cash equivalents	83.38	81.49	292.10
Short term loans and advances	15.33	163.76	39.43
Other Current Assets	20.46	17.07	24.60
Total Current assets	2,270.25	2,907.81	4,068.17
Total Assets	3,578.70	4,194.08	5,637.57

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	348.98	310.69	735.81
Net Cash Flow from Investing Activities	-187.36	-235.96	-539.76
Net Cash Flow from Financing Activities	-418.87	-76.63	14.56

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.88	9.68	9.7	EV/EBITDA	4.62	3.36	3.43
BV per share	2.46	11.01	34.06	Market Cap / Sales	0.37	0.34	0.36
Operating Ratios				P/E	147.73	13.43	13.40
EBITDA Margins	2.92%	4.59%	5.17%	Price to Book Value	52.91	11.81	3.82
PAT Margins	0.16%	1.62%	1.83%	Solvency Ratios			
Inventory days	29.08	40.11	50.36	Debt / Equity	26.58	6.62	1.82
Debtor days	15.74	10.46	25.18	Current Ratio	1.14	1.35	1.53
Creditor days	20.44	15.31	44.55	Quick Ratio	0.44	0.38	0.60
Return Ratios				Asset Turnover	4.89	4.55	3.18
RoCE	14.49%	29.70%	21.92%	Interest Coverage Ratio	1.16	3.04	2.92
RoE	31.81%	77.68%	26.71%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Beeline Capital Advisors Private 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 –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Dindigul Farm Product Limited	34.83	54.00	June 27, 2024	125.65
2.	United Cotfab Limited	36.29	70.00	June 24, 2024	76.32
3.	Beacon Trusteeship Limited	32.52	60.00	June 04, 2024	126.35
4.	Rulka Electricals Limited	26.40	235.00	May 24, 2024	561.60
5.	Piotex Industries Limited	14.47	94.00	May 17, 2024	80.55
6.	Winsol Engineers Limited	23.36	75.00	May 14, 2024	395.65
7.	Emmforce Autotech Limited	53.90	98.00	April 30, 2024	172.55
8.	Greenhitech Ventures Limited	6.30	50.00	April 22, 2024	138.80
9.	TAC Infosec Limited	29.99	106.00	April 05, 2024	611.85
10.	KP Green Engineering Limited	189.50	144.00	March 22, 2024	567.85

The company has handled 42 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 11th July 2024.

As per the offer document, from the above-mentioned mandates all have opened at premium on the listing day.

Recommendation -

The company has been in the industry since 1999 and has vast experience in the industry. The management overview of the company is not satisfactory.

The P/E on a post-IPO and annualised basis is around 19.57 times which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E 9.66 is times.

The company has seen a decrease in the top line for FY 2024 and bottom line of its financials but has seen an increase in the profitability margins for Dec -23. The company has not performed well compared to its peer companies. The company has very high concentration in its buyers and suppliers. The company is generating almost 40% and 50% of its sales from Uttar Pradesh for FY 24 and 23 respectively. Thus, one can **AVOID** applying to this IPO.

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