



Ideal Technoplast Industries Limited



IPO Note

Ideal Technoplast Industries Limited

Recommendation: **AVOID**

- Ideal Technoplast Industries Limited, established in 2012 has its registered office in Surat, Gujrat.
- **Business Activities:** The Company is a manufacturer and supplier of rigid plastic packaging serving both domestic and international markets (through exports).
- **Customer Base:** Primarily B2B serving a wide array of sectors such as Agro, Chemical, Dairy, Edible Oil, Processed Food, Lubricant Oil, Paint, and Pharma.
- **Revenue Streams:**
Product-wise: The primary revenue driver is the manufacturing of square containers, representing 78.27% of total revenue in FY 2023-24.
Industry-wise: The cashew industry is the largest consumer of the company's products, generating 62.74% of revenue in FY 2023-24.
Geographical Reach: The company's top three states in terms of revenue contribution in FY 2023-24 are: **Gujarat:** 21.91% followed by **West Bengal:** 14.79% and **Karnataka:** 13.98%
- The company had 28 permanent employees as of 31st March 2024.

Objects of the Issue -

- Funding the working capital requirement of the company
- General Corporate Purposes.

Promoters Name -

Prafulbhai Karshanbhai Vaghasia, Vaishnavi Prafulbhai Vaghasiya, Vipulbhai Dulabhai Mendapara, Mitulaben Vipulbhai Mendapara, Gauravbhai Chhaganbhai Gopani, and Ashaben Gauravbhai Gopani

Rationale for recommendation -

- ✓ Volatile profitability and return ratios.
- ✓ High reliance on top 5 suppliers forming 71.07% of raw material purchases in FY24
- ✓ Overvalued post-IPO PE
- ✓ Unsatisfactory Management Overview

IPO Details

Opening Date	August 21, 2024
Closing Date	August 23, 2024
Allotment Date	August 26, 2024
Listing Date	August 28, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹121.00
Issue Size	16.03 Cr.
Fresh Issue	16.03 Cr.
Offer for Sale	-
Application Amt	₹ 1,21,000 (1,000 shares)

KPI's	KPIs			
	FY 21	FY 22	FY 23	Feb 24
Revenue	569.47	567.81	1,199.30	2,424.11
EBITDA	73.73	32.63	71.71	398.03
Net Profit	9.80	10.51	50.19	326.60
RoCE	30.97%	10.81%	7.57%	33.24%
ROE	7.69%	7.62%	26.61%	43.95%
P/E	172.86	161.33	33.33	12.54

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.50%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	9.38	6.89
BVPS	21.20	15.22
P/E	12.90	17.55
P/BV	5.71	7.95
Mkt Cap (In Cr)	44.47	60.50

Lead Managers -





Swastika Investmart Ltd.

Registrar -

Bigshare Services Pvt. Ltd.

Business Overview -

Product Portfolio:

Product	Composition	Applications	Product Image
Round Container	Containers of different size and Volume. Range of Round Containers from 125 ml to 40 Ltr.	Agro, Chemical, Dairy, Edible Oil, Proceed Food, Lubricant Oil, Paint, Pharma	
Square Container	Containers of different size and volume. Range of Square Containers from 800 ml to 40 Ltr.	Agro, Chemical, Dairy, Edible Oil, Proceed Food, Lubricant Oil, Paint, Pharma	
Twist Container	Containers of different size and volume. Range of Twist containers from 100ml to 500ml.	Agro, Chemical, Dairy, Edible Oil, Proceed Food, Lubricant Oil, Paint, Pharma	
Bottles	Bottles of different size and Volume. Range of Containers from 100 ml to 1,000 ml.	Agro, Chemical, Lubricant Oil, Paint, Pharma	

- The company's manufacturing facility is fully automated, employing advanced technologies such as In-Mould Labelling (IML) and Heat Transfer Mould Labelling.
- It has a strong focus on sustainability, recycling plastic waste from its manufacturing process.
- The company sources most of its raw materials from Gujarat, accounting for 49.17% of procurement in FY 2023-24 followed by Haryana, contributing 32.87% in the same fiscal year.
- It's worth noting that the geographical distribution of raw material procurement has changed over the years, indicating potential shifts in sourcing strategies or supplier relationships.

STRENGTH	WEAKNESS
<ul style="list-style-type: none"> • Diverse Product Range; • Advanced Manufacturing Technologies; • In-House Design & Printing Technology; • Automated Precision; • High Customer Retention; • Specialization in Square Packaging. 	<ul style="list-style-type: none"> • Dependency on Raw Materials; • Market Sensitivity.
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Diversification into New Industries; • Global Market Expansion; • Customization Demand; • Strategic Alliances. 	<ul style="list-style-type: none"> • Fluctuating Raw Material Prices; • Intense Competition; • Economic Downturn; • Regulatory Changes.

Business Strategies -

1. Diversified Industrial Client Portfolio

A wide customer base ensures consistent demand, especially from the Agri-products and food processing sector, enabling continuous production.

2. Product Range with Multiple SKUs

Offering a wide variety of pack sizes makes the company a one-stop shop for customers, enhancing order fulfilment rates.

3. Latest Product Label Printing Technology

Innovative in-house printing technology directly on products reduces waste, speeds up production, and boosts brand identity.

4. Quality Certifications

Certifications like ZED, SA 8000, and EPR enhance brand reputation, attract MNC clients, and enable entry into the export market.

5. Quick Service

Advanced machinery and robotic automation enable efficient production, meeting customer demand and providing a competitive edge.

6. Building International Distributor Network

Automation and quality certifications facilitate building a global distribution network, improving efficiency and establishing trust with distributors

Competition -

Competition Analysis

Key competitive factors include technological advancement, service quality, pricing, and timely delivery. Established players leverage their technical expertise, capital, and experience to maintain a competitive edge.

- **Industry Life Cycle:** The industry is in a mature growth phase, driven by increasing demand from various sectors.
- **Business Cycle:** The industry is sensitive to economic cycles, with demand fluctuating based on overall economic activity.

Porter's Five Forces Analysis:

- **Bargaining power of buyers:** Moderate to high, as buyers can exert pressure on pricing and quality.
- **Bargaining power of suppliers:** Moderate, as raw material prices can fluctuate, impacting profitability. The company's recycling efforts could offer some buffer against this.
- **Threat of new entrants:** Moderate, due to capital requirements and the need for technological expertise.
- **Threat of substitutes:** Moderate, alternative packaging materials like paper and glass exist, but plastic's cost-effectiveness and versatility remain key advantages.
- **Rivalry among existing competitors:** High, due to the industry's fragmented nature and the presence of numerous players.

Risk Factors -

The company's domestic sales are heavily concentrated in the top 10 states, generating 93.30% of revenue in FY24. Losing significant sales in any of these states could severely impact the company's business.

Company relies heavily on its top 5 suppliers, accounting for 71.07% of raw material purchases in FY24. Losing any of these key suppliers could significantly disrupt operations and impact revenue.

PEER ANALYSIS

Particulars	Ideal Technoplast Industries Limited			Mold-Tek Packaging Ltd.			Time Technoplast Ltd.			TPL Plastech Ltd.		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	1.7%	1.85%	4.18%	10.02%	10.06%	11.00%	5.15%	5.15%	5.10%	4.70%	5.81%	5.89%
EBITDA Margin	12.95%	5.75%	5.98%	19.93%	19.33%	18.72%	12.99%	13.93%	13.53%	11.90%	11.70%	11.37%
RoCE	23.34%	10.81%	10.14%	25.72%	19.13%	17.87%	10.22%	13.78%	14.88%	15.69%	18.78%	17.44%
ROE	7.69%	7.62%	35.94%	18.79%	13.93%	14.40%	5.30%	8.84%	9.41%	8.71%	12.98%	13.88%
EPS (INR)	0.70	0.75	3.63	17.27	21.57	24.96	4.57	8.31	9.69	0.21	0.34	0.68
P/E	172.86	161.33	33.33	172.86	35.76	36.18	15.22	9.27	25.76	73.57	72.79	42.06

Industry Overview

Market Size & Growth

• **Robust Expansion:** Valued at \$8 billion in 2022, the Indian rigid plastic packaging market is poised for remarkable growth, projected to reach \$19.01 billion by 2032, demonstrating a CAGR of 10.10%. This significantly surpasses the global average of 4.6%, underscoring India's potential as a key market.

Market Drivers

• **E-commerce Boom:** The Indian e-commerce sector's projected growth to \$1,355.59 billion by 2032 (CAGR of 23.7%) fuels the demand for secure and cost-effective packaging for product transit.

• **Food & Beverage Industry Growth:** This sector's anticipated CAGR of 11.05% from 2024 to 2030 necessitates a wide range of rigid plastic packaging solutions.

• **Rising Consumerism & Packaging Sector Growth:** Increasing disposable incomes and a growing preference for packaged goods, coupled with the overall packaging industry's projected growth of 22% to 25% annually, create a favourable market environment.

Market Challenges

• **Regulatory Hurdles:** The ban on single-use plastics necessitates innovation and adoption of sustainable alternatives.

• **Raw Material Price Volatility:** Fluctuations in raw material prices, especially crude oil, can impact profitability.

• **Competition:** Competition from flexible packaging and other players in the market.

• **Growth Opportunities**

• **Sustainable Packaging:** The increasing demand for eco-friendly solutions presents an opportunity for innovation.

• **E-commerce Expansion:** The continued growth of e-commerce offers a vast market for rigid plastic packaging.

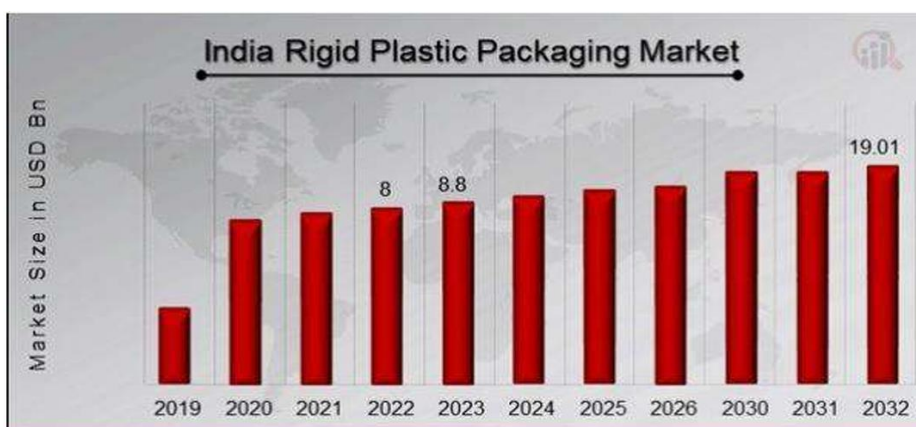
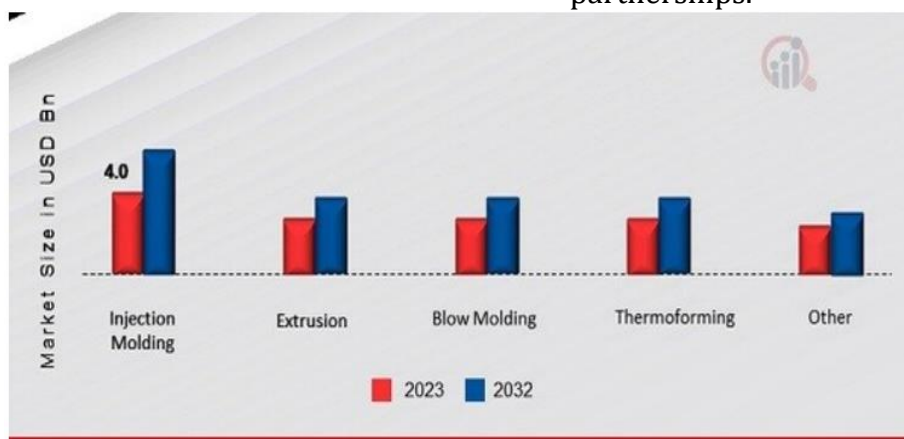
Segmental Overview

• **Material:** Polyethylene (PE) dominates.

• **Production Process:** Injection molding leads.

• **Application:** Food & beverages is the largest segment.

• **Competitive Landscape:** Highly competitive, with major players focusing on R&D and strategic partnerships.



Conclusion: The Indian rigid plastic packaging market offers substantial growth potential. Companies prioritizing innovation, sustainability, and customer needs are well-positioned to succeed.

Key Management –

Key Management Persons Name	Prafulkumar Karsanbhai Vaghasiya
Age	43
Designation and No. of years of experience	Promoter, Chairman and Executive Director, 12+ years of experience
Qualification	Bachelor of Commerce from BJVM College
Roles and Responsibility	Production, sales, growth, research and development in the business

Key Management Persons Name	Vaishnavi Prafulbhai Vaghasia
Age	42
Designation and No. of years of experience	Promoter, 12+ years of experience
Qualification	Bachelor of Arts with Sociology from Ahmedabad
Roles and Responsibility	Quality check, HR and payroll, inventory and data entry and reporting work

Key Management Persons Name	Vipul Dulabhai Mendapara
Age	43
Designation and No. of years of experience	Promoter and Managing Director, 12+ years of experience
Qualification	Bachelor's degree in commerce from Sardar Patel University
Roles and Responsibility	HR and Marketing

Key Management Persons Name	Gauravbhai Chhaganbhai Gopani
Age	46
Designation and No. of years of experience	Promoter, Executive Director and Chief Financial Officer, 4+ years of experience
Qualification	Bachelor's degree in commerce from Sardar Patel University
Roles and Responsibility	General business and administration functions
Other Ventures	Jay Maruti Hardware.

Key Management Persons Name	Ashaben Gauravbhai Gopani
Age	42
Designation and No. of years of experience	Promoter, 4+ years of experience
Qualification	Bachelor's degree in commerce
Roles and Responsibility	General business and administration functions

Key Management Persons Name	Hardik sureshbhai Kambodi
Age	29
Designation and No. of years of experience	Non-executive Independent Director., 5 years of experience in Accounts field
Qualification	Bachelor of Commerce

Key Management Persons Name	Shaista Afreen
Age	34
Designation and No. of years of experience	Non-Executive Independent Director, 5 Years in Legal and Secretarial
Qualification	Company Secretary
Other Directorships	Haldiram Bhujawala Limited.

Key Management Persons Name	Rushiraj zaverbhai Patel
Age	34
Designation and No. of years of experience	Non-Executive Independent Director, 11 Years in Consulting
Qualification	PG Diploma in Agri-Business Management from IIM Ahmedabad
Roles and Responsibility	A2Z Sahay Enterprises Private Limited; Vasuki Global Industries Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 21	FY 22	FY 23	Feb 24
Revenue from Operations	569.47	567.81	1199.3	2424.11
Other Income		0.32	0.05	0.41
Total Income	569.47	568.13	1199.35	2424.52
Expenses				
Cost of Material Consumed	448.29	457.94	1,073.02	1,712.37
Change in Inventories	-2.44	3.68	-138.42	-18.65
Employee Benefit Expenses	56.46	33.55	29.28	55.11
Finance Cost	14.35	16.18	40.12	38.72
Depreciation and Amortisation	6.5	7.72	23.06	36.98
Other expenses	35.76	40.01	121.38	277.25
Total Expenses	558.92	559.08	1,148.44	2,101.78
EBITDA	73.73	32.63	71.71	398.03
EBITDA Margin	12.95%	5.75%	5.98%	16.42%
Profit/(Loss) before tax	10.55	9.05	50.91	322.74
Tax Expense				
Current tax	2.66	2.28	12.92	81.24
Deferred Tax Expenses/(credit)	-1.91	-3.74	-12.2	-85.1
Total Tax	0.75	-1.46	0.72	-3.86
Profit/(Loss) for the year	9.80	10.51	50.19	326.60
Net Profit Margin	1.72%	1.85%	4.18%	13.47%

Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 21	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	139.64	139.64	139.64	367.5
Reserves and Surplus	-12.19	-1.67	48.95	375.57
Total Equity	127.45	137.97	188.59	743.07
3. Non-current liabilities				
Long-term borrowings	89.6	92.51	454.5	343.06
Total non-current liabilities	3.20	52.96	46.70	
4. Current liabilities				
Short-term borrowings	29.02	54.05	131.54	113.83
Trade Payables				
Micro enterprises & small enterprises	-	-	-	-
Other than micro enterprises & small enterprises	45.54	63.79	157.78	165.29
Other Current Liabilities	2.05	-	27.71	37.55
Short term provisions	4.54	3.51	-	7.11
Current Tax Liabilities (Net)	2.66	4.94	17.86	98.61
Total Current liabilities	83.81	126.29	334.89	422.39
Total Liabilities	173.41	218.80	789.39	765.45
Total Equity and Liabilities	300.86	356.77	977.98	1,508.52

Recommendation: **AVOID****ASSETS****1. Non-current assets**

Property, Plant & Equipment	123.57	180.4	541.4	830.94
Investments	1.2	1.2	1.2	1.2
Deferred Tax Assets (Net)	1.91	5.65	17.85	102.96
Total non-current assets	126.68	187.25	560.45	935.10

2. Current assets

Inventories	86	109.8	292.43	362.37
Trade Receivables	77.29	42.46	73.25	113.72
Cash & Cash equivalents	6.21	1.26	2.76	27.9
Other Current Assets	4.68	16	49.09	69.43
Total Current assets	174.18	169.52	417.53	573.42
Total Assets	300.86	356.77	977.98	1,508.52

Cash Flow Statement**Amt in Lakhs.**

Particulars	FY 21	FY 22	FY 23	Feb 24
Net Cash Flow from Operating Activities	14.18	72.57	63.23	137.08
Net Cash Flow from Investing Activities	-27.91	-64.25	-383.59	-90.72
Net Cash Flow from Financing Activities	7.59	13.27	321.87	-41.91

Key Ratios

Particulars	FY 21	FY 22	FY 23	FY 24*
<u>Per Share Data</u>				
Diluted EPS	0.7	0.75	3.63	9.38
BV per share	3.47	3.75	5.13	21.20
<u>Operating Ratios</u>				
EBITDA Margins	12.95%	5.75%	5.98%	24.52%
PAT Margins	1.72%	1.85%	4.18%	13.01%
Inventory Days	55.12	70.58	89.00	50.08
Debtor days	49.54	27.29	22.29	15.72
Creditor Days	35.35	47.97	51.55	31.40
<u>Return Ratios</u>				
RoCE	30.97%	10.81%	7.57%	58.11%
RoE	7.69%	7.62%	26.61%	44.23%
<u>Valuation Ratios (x)</u>				
EV/EBITDA	4.75	8.68	10.76	1.16
Market Cap / Sales	10.62	10.65	5.04	2.28
P/E	172.86	161.33	33.33	12.90
Price to Book Value	34.89	32.23	23.58	5.71
<u>Solvency Ratios</u>				
Debt / Equity	1.80	1.06	3.11	0.59
Current Ratio	2.08	1.34	1.25	1.48
Quick Ratio	1.05	0.47	0.37	0.55
Asset Turnover	1.89	1.59	1.23	1.76
Interest Coverage Ratio	4.69	1.54	1.21	10.19

*Annualised figure

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.	Bulkcorp International Limited	20.78	105.00	August 06, 2024	130.70
2.	TBI Corn Limited	44.94	94.00	June 27, 2024	329.80
3.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	55.05
4.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	192.05
5.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	42.80
6.	Service Care Limited	20.68	67.00	July 26, 2023	60.40
7.	Infinium Pharmachem Limited	25.26	135.00	April 17, 2023	218.80
8.	Cyber Media Research & Services Limited	14.04	180.00	Oct 10, 2022	143.00
9.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	71.95
10.	Evoq Remedies Limited	9.72	27.00	Mar 30, 2022	9.47

The company has handled 9 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 22nd August 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's management team lacks sufficient experience, with only a few members possessing relevant expertise, including the CFO who has just over 4 years in the field. This poses a challenge as the company operates within a fragmented and highly competitive industry that is subject to stringent regulations.

Company has demonstrated impressive growth and a positive trajectory in profitability over the past few years (FY21 to Feb-24) growing at a CAGR of 45% but it's questionable whether the growth is sustainable, they have attributed the rapid growth to the demand for square shaped containers.

Significant improvement in net profit and EBITDA margins, indicating enhanced operational efficiency and cost management.

Profitability Ratios: Profitability and Efficiency Ratios are volatile with significant ups and downs.

Working Capital: Efficient management of working capital, with improved debtor and creditor days. However, declining liquidity ratios are concerning.

Company is raising funds primarily for capital expenditure to expand its manufacturing capacity and enter new market segments since it is currently operating at 69% capacity.

Peer Performance:

The company lags behind its peers a bit in terms of net profit and EBITDA margins, indicating a need for further cost optimization but ROE and ROCE is comparable to some competitors.

The P/E on a post-IPO is around 17.55 times which makes it over-priced by looking at the performance of the company and sector.

For the above stated reasons, we would recommend to **AVOID** this IPO.

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