



IPO Note

Shree Tirupati Balajee Agro Trading Company Limited

Recommendation: **AVOID!**

Company Background -

- Shree Tirupati Balajee Agro Trading Company Limited was originally formed and incorporated on Oct 23, 2001. The registered office is located at Madhya Pradesh, India.
- The company is engaged in the business of manufacturing and selling of Flexible Intermediate Bulk Containers (FIBCs) i.e. large flexible bags and other industrial packaging products such as woven sacks, woven fabric and narrow fabric, tapes in the Indian domestic market and overseas.
- The company had 857 permanent employees as of July 23, 2024.

Objects of the Issue -

- Repayment and/or prepayment, in part or full of certain of the outstanding borrowings availed by the Company
- Investment in subsidiaries HPPL, STBFL and JPPL for Repayment and/or prepayment, in part or full of certain of outstanding borrowings availed
- Funding of Working Capital Requirements
- Investment in subsidiaries HPPL, STBFL and JPPL for funding working capital requirements.
- General Corporate Purposes

Promoters Name -

Binod Kumar Agarwal

Rationale for recommendation -

- ✓ The bottom line and profitability margins have seen sudden increase.
- ✓ The company had negative cash flow from operations for FY 2024 and 2022.
- ✓ The company has high supplier concentration.
- ✓ The management of the company is not satisfactory.
- ✓ The FIBC industry is highly fragmented.

IPO Details

Opening Date	Sep 05, 2024
Closing Date	Sep 09, 2024
Allotment Date	Sep 10, 2024
Listing Date	Sep 12, 2024
Stock Exchange	BSE, NSE
Lot Size	180 Shares
Issue Price Per Share	₹78 to ₹83
Issue Size	169.65 Cr.
Fresh Issue	122.43 Cr.
Offer for Sale	47.23 Cr.
Application Amt	₹ 14,940 – ₹ 1,94,220 (180 to 2,340 shares)

INDUSTRY - FIBC

P/E Average - 30.74

KPI's	KPIs (In Crores)		
	FY 22	FY 23	FY 24
Revenue	444.18	475.43	539.66
EBITDA	30.91	48.04	61.91
Net Profit	13.66	20.72	36.07
RoCE	12.77%	21.18%	21.53%
ROE	14.81%	18.80%	20.84%
P/E	35.93	23.65	14.46

Promoter Share Holding Pattern

Pre-Issue	Post Issue
88.38%	65.42%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.74	4.42
BVPS	0.26	15.22
P/E	14.46	18.77
P/BV	320.46	5.45
Mkt Cap (In Cr)	554.61	677.04

Lead Managers -

PNB Investments Services Limited

Unistone Capital Private Limited

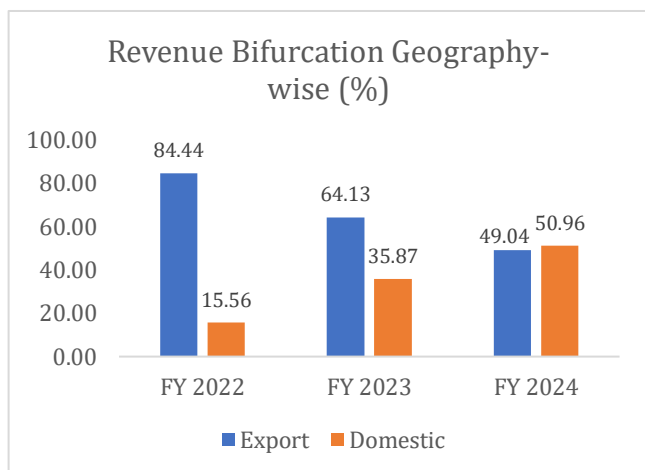
Registrar -

Link Intime India Private Limited

Business Overview –

Shree Tirupati Balajee Agro Trading Company Limited is engaged in the business of manufacturing and selling of Flexible Intermediate Bulk Containers (FIBCs) i.e. large flexible bags and other industrial packaging products such as woven sacks, woven fabric and narrow fabric, tapes in the Indian domestic market and overseas. They cater to the needs of various industries like chemicals, agrochemicals, food mining, waste disposal industry, agriculture industry, lubricants and edible oil by supplying them FIBC products for transportation purposes and their packaging requirement. They also offer services of loading and unloading processes of vessels, containers, or trucks, thereby reducing labour requirements.

Geographical Revenue Breakup – They export their products to 38 countries and supply PAN India as well. Their major export destination includes USA, Germany, Australia, UK etc.



Manufacturing Unit – The company has 5 units located at Pithampur, Madhya Pradesh, and the average capacity utilization for remained at 84.75% for FY24.

Subsidiary – The company’s subsidiaries are Honourable Packaging Private Limited (HPPL), Shree Tirupati Balajee FIBC Limited (STBFL) and Jagannath Plastics Private Limited (JPPL).

Major Products –

- UN Certified Bulk Bags** - Produced specifically for the transportation of hazardous goods.
- Thermal Insulation Bags** - Manufactured with the thermal insulated layer to protect the goods from change in temperature.
- Type C Bags** - These allow the static electricity to safely pass through the bag on grounding.
- Fire Retardant Bags** - These have properties to delay the burning process in case the bag catches fire.
- Patented Aeropolymesh Bags** - These provide uniform breathability and dewatering solutions.
- Shapelock Bags** - There is minimum to zero bulging after filling the bag.
- Rodent Repellent Bags** - These have properties that repel rodents for storing the product for longer duration.
- Others** - Few of the other products include multi-layer liner Bags, Drum Bags Container Line Bags, Recycled PP Bags, Bopp Printed Bags, Asbestos Bags, Sift Proof Bags, Type D Bags, Specialized PP Woven Bags etc.



Revenue Bifurcation Product-wise -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
FIBC	347.80	78.30	322.79	67.89	277.74	51.47
Woven Sacks	22.38	5.04	30.53	6.42	24.33	4.51
Woven & Narrow Fabric	4.04	0.91	9.09	1.91	115.04	21.32
Tape	0.74	0.17	37.59	7.91	22.74	4.21
Others*	69.23	15.59	75.43	15.87	99.80	18.49
Total	444.18	100.00	475.43	100.00	539.66	100.00

*Others include Liner, Container Liner, Thread, Multifilament Yarn, Filler cord, Treated Polymers etc.

Competition -

1. **Market Competition:** The FIBC industry is highly competitive where the key factor of competition primarily comprises of product quality, brand value, timely delivery and customer network.
2. **Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.
6. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. The company intends to manufacture FIBC and maintain their presence in the sector.
2. They intend to add new products and diversify their product portfolio.
3. The company ensures that they are not dependent on limited customer pool or any specific region for their sales.
4. They intend to invest in R&D and enhance their in-house technology capabilities.
5. The company recycles all plastic waste generated during production converting it into recycled plastic granules.

Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for meeting working capital requirements (Rs. 13.50 Cr), repayment/ prepayment of certain borrowings (Rs. 31.45 Cr), investment in subsidiaries HPPL, STBFL and JPPL for repayment/ prepayment of borrowings availed (Rs. 20.82 Cr), investment in subsidiaries HPPL, STBFL and JPPL for working capital requirements (Rs. 10.74 Cr) and remaining for general corporate purposes.

Risk Factors -

The company's top 10 suppliers contributed to 92.62%, 92.32% and 95.51% for FY 2024, 2023 and 2022.

The company's majority domestic sales are derived from the western zone which accounted to 93.81%, 90.06% and 73.61% for FY 2024, 2023 and 2022 respectively.

Majority of the revenue of the company is derived from FIBC products, which contributes to 51.47%, 67.89% and 78.30% for FY 2024, 2023 and 2022 respectively.

The company has filed 3 outstanding cases regarding criminal matter and certain complaint amounting to Rs. 3.68 Cr and there are 5 outstanding cases against the company for tax matters amounting to Rs. 0.50 Cr.

The company had negative cash flow from operations for FY 2022 and 2024.

The company has contingent liabilities amounting to Rs. 95.54 Cr.

The group company Foamnet Private Limited have incurred loss for FY 2022.

PEER ANALYSIS

Particulars	Shree Tirupati Balajee Agro Trading Company Limited			Commercial Syn Bags Ltd			Emmbi Industries Limited			Rishi Techtex Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.1%	4.4%	6.7%	5.6%	2.8%	2.7%	4.4%	2.2%	2.6%	1.3%	1.0%	1.2%
EBITDA Margin	7.0%	10.1%	11.5%	11.4%	8.6%	10.3%	11.3%	10.1%	9.9%	6.5%	5.9%	6.8%
RoCE	13%	21%	22%	19%	9%	12%	18%	12%	12%	11.3%	10.1%	12.9%
ROE	15%	19%	21%	17%	7%	6%	12%	5%	6%	4.6%	3.6%	4.2%
EPS (INR)	2.31	3.51	5.74	5.04	2.10	1.97	10.76	4.67	5.61	1.81	1.50	1.83
P/E	35.93	23.65	14.46	18.17	40.54	32.01	9.63	16.63	15.94	15.19	13.33	25.67

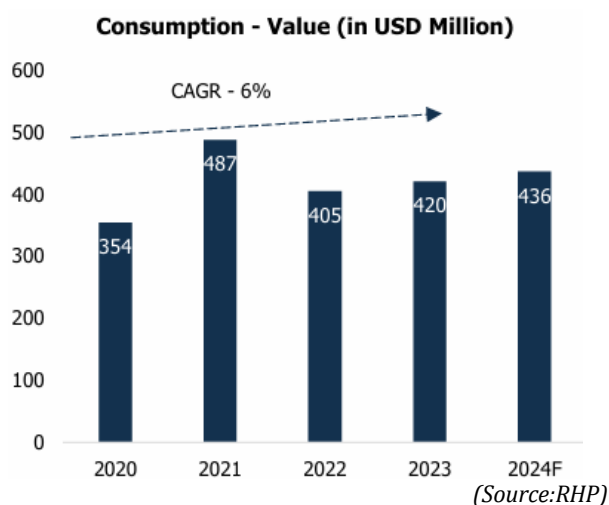
INTERPRETATION –

- The company has larger market cap compared to peers.
- The cash conversion cycle of the company is higher than its peers which indicates that it is taking longer time for converting inventory into cash and it is not a good sign.
- The PE ratio of the company has improved over the years compared to peer companies.
- The company’s RoCE and ROE are better compared to its peers.
- The PAT and EBITDA margin are better compared to peers.

INDUSTRY OVERVIEW – Flexible Intermediate Bulk Packaging (FIBC)

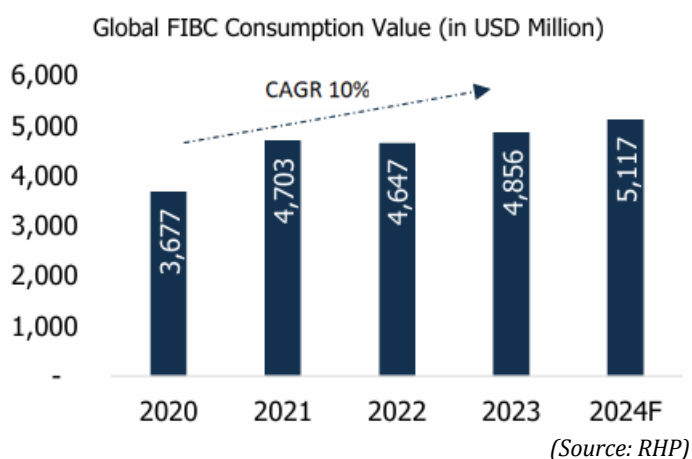
Indian Scenario -

The installed capacity of the FIBC Industry grew by around 3.4% y-o-y (year-on-year) in 2023. It is expected to reach around 212.5 million units by the end of 2024. The consumption of the FIBC Industry improved by around 7.3% y-o-y in 2023. It is expected to reach around 69.1 million units by the end of 2024.



Global Scenario –

The global FIBC consumption market was valued at USD 4,856 million in 2023 and is expected to grow to USD 5,117 million in 2024.



Under the global FIBC market, Type A Bulk Bags stand at 43% market share followed by Type B Bulk Bags, Type C Bulk Bags, and Type D Bulk Bags, which account for 37%, 14% and 7% respectively in 2023.

The exports of the FIBC industry grew by 8.6% y-o-y in 2023, however it had marginally declined around 1.1% y-o-y in 2022. It is expected to reach around 82.1 million units by the end of 2024.

Key Management -



- The overall management of the company is not satisfactory.
- There is evidence of dual chairmanship, which is not favourable.
- The promoter and management have decent experience in packaging sector.
- The experience of the independent directors is condensed.

Key Management Persons Name -	Binod Kumar Agarwal
Age	60
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 36+ years of experience in packaging business
Qualification	B. Sc. (Engineering) in the branch of chemical
Responsibility	Responsible for the entire business operations of the Company
Other Directorships	Shree Tirupati Balajee FIBC Limited, Honourable Packaging Private Limited, Jagannath Plastics Private Limited, STB International Private Limited etc.

Key Management Persons Name -	Ranjan Kumar Mohapatra
Age	55
Designation and No. of years of experience	Non-Executive Director, 22+ years of experience in product development and design
Qualification	Bachelor's degree, Post Graduate Diploma in Plastics Testing & Conversion Technology
Responsibility	Responsible for the entire operations of the manufacturing plant of the Company
Other Directorship	Shree Tirupati Balajee FIBC Limited, Honourable Packaging Private Limited, Jagannath Plastics Private Limited, STB International Private Limited etc.

Key Management Persons Name -	Anubha Mishra
Age	39
Designation and No. of years of Experience	Executive Director, 12+ years of experience
Qualification	MBA Degree (Foreign Trade)
Responsibility	Responsible for identifying opportunities to reach new market segments and expand market share
Other Directorships	-

Key Management Persons Name -	Palash Jain
Age	29
Designation and No. of years of experience	Independent Director, 5+ years of experience
Qualification	B. Com degree and Qualified CS
Responsibility	Played a crucial role in managing compliances of corporate affairs, SEBI, legal affairs, FEMA, RBI, & LLP matters
Other Directorships	-

Key Management Persons Name -	Amit Bajaj
Age	35
Designation and No. of years of experience	Independent Director, 5+ years of experience
Qualification	B. Com degree and Qualified CS
Responsibility	Assisted in developing financial management processes and methodologies to control the financial, administrative and accounting areas of the company
Other Directorships	Corporate Merchant Bankers Limited, Nimstech Industries Limited, Bombay Talkies Limited, Spright Agro Limited etc.

Key Management Persons Name -	Ruchi Joshi Meratia
Age	38
Designation and No. of years of experience	Independent Director, 10+ years of experience in corporate and secretarial management
Qualification	Qualified CS
Other Directorships	Ruchi Infrastructure Limited, Ruchi Renewable Energy Private Limited and Peninsular Tankers Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	444.18	475.43	539.66
Other Income	9.61	2.70	13.16
Total Income	453.79	478.14	552.82
Expenses			
Cost of Materials Consumed	286.23	317.94	414.22
Purchase of Stock in Trade	15.62	1.04	-
Changes in Inventories of finished goods, work-in-progress	-2.25	-10.51	-39.33
Employee Benefit Expenses	31.48	33.62	32.51
Finance Cost	16.02	17.83	20.72
Depreciation and amortisation expense	7.15	5.81	6.91
Other expenses	82.19	85.30	70.34
Total Expenses	436.45	451.03	505.38
EBITDA	30.91	48.04	61.91
EBITDA Margin	6.96%	10.10%	11.47%
Profit/(Loss) before tax	17.34	27.11	47.44
Tax Expense			
Current tax	3.41	5.66	11.01
Deferred Tax	0.29	0.78	-0.05
MAT Credit Entitlement	-0.02	-0.05	0.41
Total Tax	3.68	6.39	11.37
Profit/(Loss) for the year	13.66	20.72	36.07
Net Profit Margin	3.08%	4.36%	6.68%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1.15	1.16	66.82
Other equity	91.08	109.05	106.24
Non-Controlling Interest	26.19	30.75	37.61
Total Equity	118.42	140.96	210.68
2. Non-current liabilities			
Long-term borrowings	60.68	51.70	38.33
Lease Liability	1.38	1.34	1.29
Long-term provisions	4.02	3.10	2.88
Deferred Tax Liabilities (Net)	1.54	2.33	2.28
Total Non-current liabilities	67.63	58.47	44.79
3. Current liabilities			
Short-term borrowings	179.37	172.10	205.36
Trade Payables	-	-	-
(i) Total outstanding dues of MSME	2.31	0.46	2.27
(ii) Total outstanding dues of creditors other than MSME	14.25	8.57	32.04
Other Financial Liabilities	0.05	0.01	0.06
Other current liabilities	4.52	3.45	10.76
Short-term provisions	2.44	3.01	1.56
Current Tax Liabilities (Net)	2.90	5.43	9.42
Total Current liabilities	205.84	193.03	261.47
Total Liabilities	273.47	251.50	306.26
Total Equity and Liabilities	391.89	392.46	516.94
ASSETS			

Recommendation: **AVOID**

Particulars	FY 22	FY 23	FY 24
1. Non-current assets			
Property, Plant & Equipment	56.32	51.30	71.54
Capital Work-In-Progress	14.13	21.99	15.87
Right of Use Assets	1.06	1.00	0.95
Intangible Assets	0.83	0.74	0.65
Non Current Investments	0.57	0.92	1.08
Loans & Advances	2.56	2.56	-
Other Non- current Assets	22.25	16.01	10.59
Total Non-Current assets	97.72	94.54	100.67
2. Current assets			
Inventories	194.15	201.46	252.10
Trade Receivables	48.18	51.07	92.85
Cash & Cash equivalents	8.73	5.09	0.31
Bank balances other than cash	2.18	4.30	7.51
Short term loans and advances	11.16	4.07	30.88
Other Current Assets	29.78	31.93	32.61
Total Current assets	294.17	297.92	416.27
Total Assets	391.89	392.46	516.94

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-22.16	36.89	-26.50
Net Cash Flow from Investing Activities	-6.75	-8.28	-11.09
Net Cash Flow from Financing Activities	32.91	-33.87	31.77

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	2.31	3.51	5.74	EV/EBITDA	10.40	6.76	6.61
BV per share	0.14	0.16	0.26	Market Cap / Sales	152.42	142.40	125.46
Operating Ratios				P/E	35.93	23.65	14.46
EBITDA Margins	6.96%	10.10%	11.47%	Price to Book Value	601.34	503.22	320.46
PAT Margins	3.08%	4.36%	6.68%	Solvency Ratios			
Inventory days	159.54	154.67	170.51	Debt / Equity	2.60	2.03	1.41
Debtor days	39.59	39.21	62.80	Current Ratio	1.43	1.54	1.59
Creditor days	20.22	10.47	29.47	Quick Ratio	0.49	0.50	0.63
Return Ratios				Asset Turnover	1.13	1.21	1.04
RoCE	12.77%	21.18%	21.53%	Interest Coverage Ratio	1.48	2.37	2.65
RoE	14.81%	18.80%	20.84%				

INTERPRETATION –

1. The top line increased consistently over the years and this increase was due to increase in domestic sale of products and services, which looks sustainable in the long run.
2. The net profit has also increased by 51.68% in FY 2023 and by 74.11% in FY 2024 and might not be sustainable.
3. The PAT margin and EBITDA margin has seen a sudden increase in FY 2023.
4. The RoCE and ROE are stable and have improved over the years.
5. The PE ratio has improved over the years.
6. The cash flow from operations is negative for FY 2024 and 2022.

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are PNB Investment Services Limited and Unistone Capital Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

PNB Investment Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Pyramid Technoplast Limited	153.05	166.00	Aug 29, 2023	159.30
2.	G N A Axles Limited	130.41	207.00	Sep 26, 2016	64.85
3.	Dilip Buildcon Limited	653.98	219.00	Aug 11, 2016	100.90

The company has handled 1 mandate in the past three years (including the current year).

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Saraswati Saree Depot Limited	160.01	160.00	Aug 20, 2024	158.25
2.	Manglam Infra and Engineering Limited	27.62	56.00	July 31, 2024	67.10
3.	Platinum Industries Limited	253.32	171.00	Mar 05, 2024	417.25
4.	Exicom Tele-Systems Limited	429.00	142.00	Mar 05, 2024	381.00
5.	BLS E-Services Limited	310.91	135.00	Feb 06, 2024	235.75
6.	Valiant Laboratories Limited	152.46	140.00	Oct 06, 2023	115.40
7.	Unihealth Consultancy Limited	56.55	132.00	Sep 21, 2023	150.50
8.	Ratnaveer Precision Engineering Limited	165.03	98.00	Sep 11, 2023	169.25
9.	Mono Pharmacare Limited	14.84	28.00	Sep 07, 2023	37.40
10.	Sangani Hospitals Limited	15.17	40.00	Aug 17, 2023	42.65

The company has handled 14 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 4th Sep 2024.

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

Recommendation -

Shree Tirupati Balajee Agro Trading Company Limited has been in the industry since 2001 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 18.77 times which makes it fairly priced compared to its peer's PE of 30.74 times.

Although, the company has seen consistent increase in the top line over the years which is steady looks sustainable in the long run, but the bottom line has seen sudden increase and might not be viable. Also, the profitability margins have a seen a sudden increase.

The company had negative cash flow from operations for FY 2024 and 2022.

The supplier concentration is very high.

The manufacturing and FIBC industry are highly competitive and fragmented. There are many small and established players. The industry prospect is moderate.

Also, the company is raising funds majorly for repayment of loans availed by the company and its subsidiaries and is not using the opportunity of IPO for any expansion or growth which raises concern.

Thus, investors can **AVOID** this IPO.

Disclaimer

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