



### IPO Details

Opening Date	September 10, 2024
Closing Date	September 12, 2024
Allotment Date	September 13, 2024
Listing Date	September 17, 2024
Stock Exchange	NSE SME
Lot Size	2000 Shares
Issue Price Per Share	₹59
Issue Size	24.49 Cr.
Fresh Issue	24.49 Cr.
Offer for Sale	-
Application Amt	₹ 1,18,000 (2,000 shares)

### KPIs

(Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24	Jun 24
Revenue	8,028.16	6,604.72	9,175.11	2,819.50
EBITDA	154.24	267.56	617.37	202.32
Net Profit	28.01	54.43	99.40	91.34
RoCE	2.57%	3.98%	6.10%	3.29%
ROE	1.42%	2.24%	3.92%	3.48%
P/E	190.32	120.41	67.05	72.84

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
94.99%	69.38%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	0.88	2.49
BVPS	22.53	34.86
P/E	67.05	23.69
P/BV	2.62	1.69
Mkt Cap (In Cr)	66.32	90.81

### Lead Managers -

**Interactive Financial Services Ltd.**

### Registrar -

**Kfin Technologies Ltd.**

## SPP Polymer Limited

Recommendation: **AVOID!**

- SPP Polymer Limited, established in 2004 has their registered office in New Delhi, India.
- Business Activity:** The company is engaged in the business of manufacturing and supplying a diverse range of packaging solutions, primarily HDPE/PP woven fabric & bags, non-woven fabrics & bags, and PP multifilament yarn.
- Revenue Model:** SPP Polymer operates on a B2B model, generating revenue primarily from the sale of packaging solutions to various industries.
- Revenue Streams:** Operations are concentrated in North India, with revenue primarily from Uttar Pradesh (12.89% in Q1 FY24, 25.20% in FY24, Haryana (10.88% in Q1 FY24), Himachal Pradesh (26.64% in Q1 FY24), Punjab (21.62% in Q1 FY24), and Uttarakhand (12.89% in Q1 FY24).  
Moreover, the company's primary revenue driver is HDPE/PP Woven Fabric and Bags, constituting approximately 75% of total revenue in Q1 FY24.
- The company had 4 permanent employees as of March 31, 2024.

### Objects of the Issue -

- Repayment of Loan
- Working capital requirement of the company
- General Corporate Purposes.

### Promoters Name -

Dipak Goyal, Mahavir Bahety, Liladhar Mundhara and Asha Ram Bahety

### Rationale for recommendation -

- ✓ Highly fragmented sector. High risk-low reward.
- ✓ Over-priced at post issue P.E. of 23.69.
- ✓ Negative Cashflows in FY 22.
- ✓ Peers have performed better across all metrics.

**Business Overview -**

**Key Strengths:**

• **Quality Assurance:** ISO certifications and stringent quality control at each manufacturing stage.

Advanced testing infrastructure to meet global standards.

• **Diversified Customer Base:** Long-standing relationships across domestic markets.

**Growth Strategies:**

• **Cost Efficiency:** Enhance operational effectiveness to improve margins and pass cost savings to customers.

• **Geographical Expansion:** Expand footprint domestically and internationally while mitigating risks.

• **Customer Relationships:** Strengthen ties with customers and retain skilled manpower for sustained growth.

**Manufacturing Facility Location:**

• **Pantnagar, Uttarakhand:** Manufacturing facility on 13,650 sq. m. leased land.

**Capacity Expansion:**

• **Investment:** ₹21.11 crores in FY 2022-23 increased HDPE/PP capacity from 3,600 MT to 9,125 MT.





**Quality Control:**

• **Lab Testing:** In-house lab ensures raw materials and finished goods meet high standards.

**Capacity Utilization:**

• **HDPE/PP:** 67.19% in FY 2024 (down from 91.66% in FY 2023). The company has room to further increase production and utilize its expanded capacity.

• **Non-Woven:** 79.27% in FY 2024 (up from 56.36% in FY 2023).

Product/Service	Description	Revenue % (FY24)	Product Image
<b>HDPE/PP Woven Fabric</b>	Strong, dependable, and economical woven fabric made from HDPE or PP. Available in various colors, widths, weights, and meshes. Offered in laminated and unlaminated forms. Leno fabrics (a type of woven fabric) are used for packing vegetables and fruits.	<b>68.06%</b>	
<b>HDPE/PP Woven Bags</b>	Tough and versatile packaging bags made from HDPE/PP woven fabric. Available in coated and unlaminated forms, and various types including normal bags, laminated bags, cement bags, fertilizer bags, anti slip bags, leno bags, sandbags, and jumbo bags. The company has two BIS licenses for PP woven bags.		
<b>Non-Woven Fabric</b>	Moisture-proof, breathable, flexible, and lightweight fabric made from 100% polypropylene materials. It is non-combustible, easy to decompose, non-toxic, non-irritating, and recyclable. Customizable in terms of GSM (grams per square meter), width, and colors. It's also used in headrest covers and tray liners in the aviation sector.	<b>30.65%</b>	
<b>Non-Woven Bags</b>	Eco-friendly and 100% recyclable carry bags made from non-woven polypropylene fabric. They are durable, long-lasting, tear-resistant, water-resistant, permeable, fire-resistant, soft, non-allergenic, and non-toxic. Customizable in terms of size and color. The company offers D-cut/U-cut/W-cut shopping bags and printed non-woven bags.		

**PP  
Multifilament  
Yarn**

Yarn made from multiple polypropylene filaments twisted or spun together. It is strong, lightweight, chemical resistant, moisture resistant, and UV stable.

**0.01%**

**Competition -**

Major competitors in the Indian packaging industry include Uflex Limited, Essel Propack Limited, SRF Limited, Jindal Polyfilms Limited, and Cosmo Films Limited.

**Porter's Five Forces Analysis:**

- **Threat of New Entrants:** Moderate. High capital investment and technical expertise create barriers, but growth potential attracts new players.
- **Bargaining Power of Buyers:** Moderate. Buyers have alternatives, but SPP Polymer's focus on quality and long-term relationships reduces this risk.
- **Bargaining Power of Suppliers:** Low to Moderate. Multiple suppliers lower supplier power, but raw material price fluctuations impact profitability.
- **Threat of Substitutes:** Low to Moderate. Alternatives exist, but HDPE/PP's strength and cost-effectiveness limit substitution risks.
- **Competitive Rivalry:** High. Intense competition, but SPP Polymer's focus on quality and relationships helps differentiation.

The industry is in a mature life cycle with slow growth.

**Risk Factors -**

The company, its group entities, promoters, and directors are involved in two direct tax litigations totaling ₹5.93 lakhs in FY 2023, including e-proceedings (₹3.86 lakhs) and TDS defaults (₹2.07 lakhs).

Company has experienced negative Cashflows in FY 22.

Prices of raw material used by the company are volatile in nature.

Top 10 customers accounted for 82.28% of the company's revenue in FY 24. Loss of any of them would possibly affect the business.

Top 10 suppliers accounted for 90.50% of purchases in FY 24. Disruptions could adversely impact the company's business and financial position.

Operations are concentrated in North India, with revenue primarily from Uttar Pradesh (12.89% in Q1 FY24, 25.20% in FY24, 39.74% in FY23, and 40.50% in FY22), Haryana (10.88% in Q1 FY24), Himachal Pradesh (26.64% in Q1 FY24), Punjab (21.62% in Q1 FY24), and Uttarakhand (12.89% in Q1 FY24). The company is developing an online market to expand beyond North India and improve liquidity. Geographic concentration

**PEER ANALYSIS**

Particulars	SPP Polymer Limited			Rishi Techtex Ltd.			Emmbi Industries Ltd.		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.3%	0.82%	1.08%	1.33%	1.03%	1.21%	2.23%	2.23%	2.63%
EBITDA Margin	1.92%	4.05%	6.73%	6.52%	5.92%	6.81%	11.29%	10.13%	9.93%
RoCE	2.57%	3.98%	6.10%	11.26%	10.06%	12.95%	17.82%	11.69%	11.61%
ROE	1.42%	2.24%	3.92%	4.56%	3.64%	4.24%	12.41%	5.15%	5.84%
EPS (INR)	0.31	0.49	0.88	1.81	1.50	1.83	10.76	4.67	5.61
P/E	190.32	120.41	67.05	16.02	13.33	25.67	9.63	16.63	15.94

## Industry Overview – Gems and Jewellery

India's paper and packaging industry is witnessing rapid growth, fueled by e-commerce, food processing, pharmaceuticals, and government initiatives. Valued at \$50.5 billion in 2019, it's projected to reach \$204.81 billion by 2025, exhibiting a 26.7% CAGR.

### Key Segments:

- **Rigid Packaging (36%):** Corrugated and paperboard boxes offer strength and protection for various goods.
- **Flexible Packaging (64%):** Bags, sachets, and envelopes provide cost-effective and lightweight solutions.

### Growth Drivers:

- Booming e-commerce and rising demand in various sectors.
- Government initiatives like 'Make in India' promoting domestic manufacturing and exports.
- India's growing role as a key exporter of packaging materials.

### Outlook:

The industry's positive trajectory, coupled with government support and SPP Polymers' strategic product offerings, creates a favorable environment for the company's continued expansion and success

## Key Sectors & Applications:

- **Pharmaceutical:** High demand for blister packs and other packaging solutions.
- **Food & Beverage:** Growth driven by food delivery services and innovative packaging.
- **Other Applications:** Packaging for various goods, including cement, chemicals, food grains, agriculture products, and more.

## Government Support:

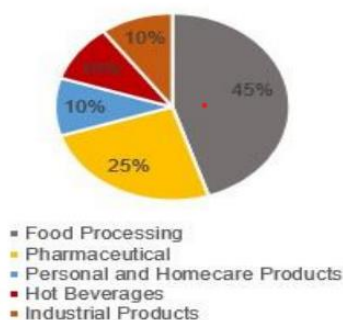
- National Packaging initiative to set guidelines, promote bulk movement, and reduce waste.
- Policies to boost domestic manufacturing and technological advancements.

## SPP Polymers' Advantage:

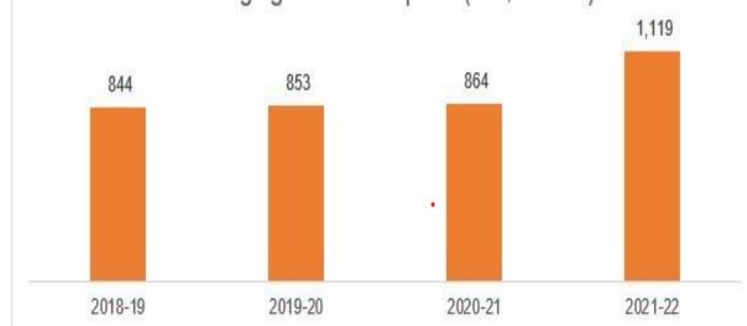
SPP Polymers is well-positioned to leverage this growth with its diverse product portfolio, including:

- **HDPE/PP Woven Bags:** Catering to packaging needs across multiple industries.
- **Non-Woven Bags:** Meeting the rising demand for eco-friendly and reusable bags.
- **Woven Fabrics & PP Multifilament Yarn:** Serving diverse industrial and agricultural applications.

Packaging Materials and Machinery End Users (by share of volume)



Packaging Material Exports (US\$ Million)





**Key Management –**

<b>Key Management Persons Name -</b>	<b>Mahavir Bahety</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 30+ years of experience in Financial Planning and Analysis, Strategic Leadership, Operational Efficiency, Risk Assessment, Business development and Compliance & Regulatory Affairs as well as Polymer and other industry
<b>Qualification</b>	C. A.
<b>Other Directorships:</b>	Goldstar Footwears Private Limited

<b>Key Management Persons Name -</b>	<b>Liladhar Mundhara</b>
<b>Age</b>	66
<b>Designation and No. of years of experience</b>	Promoter and Whole time Director, 30+ years of experience
<b>Qualification</b>	Electrical Engineering in the year 1981 University of Allahabad
<b>Roles and Responsibility</b>	-
<b>Interest in other entities:</b>	Shanti Gold International Limited

<b>Key Management Persons Name -</b>	<b>Dipak Goyal</b>
<b>Age</b>	42
<b>Designation and No. of years of experience</b>	Promoter, Managing Director, CFO, 20+ years of experience
<b>Qualification</b>	-
<b>Roles and Responsibility</b>	Identifying new business opportunities, developing financial strategy and analysis, establishing and maintaining strong relationships with clients and suppliers
<b>Experience</b>	-

<b>Key Management Persons Name -</b>	<b>Asharam Bahety</b>
<b>Age</b>	65
<b>Designation and No. of years of experience</b>	Non-Executive Director, 30+ years of experience in Polymer industry with 12 years in tape industry
<b>Qualification</b>	Master's in technology from Indian Institute of Technology Bombay and Post-Graduate Diploma in Management from The Indian Institute of Management (IIM) Ahmedabad.
<b>Field of Experience</b>	Financial Planning and Analysis, Strategic Leadership, Operational Efficiency, Risk Assessment, Business development and Compliance & Regulatory Affairs.

**Rakesh Kothari, 50, Independent Director.** He has an MMS from the University of Mumbai and **20+ years of experience** in finance. His focus is on providing independent judgment on strategy, performance, risk management, and more.

**Pooja Garg, 43, Independent Director.** She is a Chartered Accountant with **20+ years of experience** in audit, taxation, and finance. She also acts as an advisor to the board on various strategic issues.

**Rinku Gulgulia, 36, Independent Director.** She has an MBA and **3+ years of experience** in accounts and finance. She also serves in an advisory capacity to the board.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	12,022.72	12,329.86	23,818.61	27,595.41
Other Income	7.94	12.66	152.91	137.79
<b>Total Income</b>	<b>12030.66</b>	<b>12342.52</b>	<b>23971.52</b>	<b>27733.2</b>
<b>Expenses</b>				
Cost of Material Consumed	6,933.47	5,180.25	7,510.74	2,185.29
Changes in inventories	-431.22	50.61	-555.24	-148.69
Employee Benefit Expenses	572.71	484.46	555.57	237.52
Finance Cost	60.56	110.84	269.63	56.78
Depreciation and Amortisation	102.56	127.15	411.11	89.52
Other expenses	798.96	621.84	1,046.67	343.06
<b>Total Expenses</b>	<b>8,037.04</b>	<b>6,575.15</b>	<b>9,238.48</b>	<b>2,763.48</b>
<b>EBITDA</b>	<b>154.24</b>	<b>267.56</b>	<b>617.37</b>	<b>202.32</b>
<b>EBITDA Margin</b>	<b>1.92%</b>	<b>4.05%</b>	<b>6.73%</b>	<b>7.18%</b>
<b>Profit/(Loss) before tax</b>	<b>40.92</b>	<b>102.33</b>	<b>142.81</b>	<b>132.38</b>
<b>Tax Expense</b>				
Current tax	17.84	17.08	56.65	41.04
Deferred Tax Expenses/(credit)	-2.96	30.33	-17.83	0
MAT Credit	-1.97	0.49	4.59	-
<b>Total Tax</b>	<b>12.91</b>	<b>47.90</b>	<b>43.41</b>	<b>41.04</b>
<b>Profit/(Loss) for the year</b>	<b>28.01</b>	<b>54.43</b>	<b>99.40</b>	<b>91.34</b>
<b>Net Profit Margin</b>	<b>0.35%</b>	<b>0.82%</b>	<b>1.08%</b>	<b>3.24%</b>

Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	420.00	420.00	420.00	420.00
Reserves and Surplus	755.38	1,089.33	1,817.24	2,891.00
<b>Total Equity</b>	<b>1,175.38</b>	<b>1,509.33</b>	<b>2,237.24</b>	<b>3,311.00</b>
<b>3. Non-current liabilities</b>				
Long-term borrowings	1,552.81	1,214.57	985.45	623.61
<b>Total non-current liabilities</b>	<b>1,567.93</b>	<b>1,233.04</b>	<b>1,007.72</b>	<b>650.99</b>
<b>4. Current liabilities</b>				
Short -term borrowings	1,222.21	1,118.23	1,049.85	1,065.31
Trade Payables				
Total outstanding dues of micro enterprises & small enterprises	358.71	559.58	402.5	730.92
Total outstanding dues of creditors other than micro enterprises & small enterprises	62.09	34.12	1,967.57	2,002.16
Other Current Liabilities	149.2	159.49	234.3	292.29
Short term provisions	17.84	15.96	56.65	97.69
<b>Total Current liabilities</b>	<b>1,810.05</b>	<b>1,887.38</b>	<b>3,710.87</b>	<b>4,188.37</b>
<b>Total Liabilities</b>	<b>1,850.05</b>	<b>2,984.33</b>	<b>4,558.83</b>	<b>4,995.00</b>
<b>Total Equity and Liabilities</b>	<b>3,821.87</b>	<b>5,417.97</b>	<b>7,091.88</b>	<b>7,619.39</b>

**ASSETS****1. Non-current assets**

Property, Plant & Equipment	676.78	2,702.06	2,418.31	2,372.54
Capital WIP	434	12.39	27.28	29.37
Preliminary Expenses			32.75	32.75
Deferred Tax Assets (Net)	41.92	11.59	29.42	29.42
Long Term Loans and Advances	104.25	100.64	121.36	130.33
Other Non- current Assets	-	-	-	-

<b>Total Non-Current assets</b>	<b>1,256.95</b>	<b>2,826.68</b>	<b>2,629.12</b>	<b>2,594.41</b>
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**2. Current assets**

Inventories	942.2	1,021.83	2,460.82	2,575.20
Trade Receivables	1,022.40	782.56	1,411.83	1,864.59
Cash & Cash equivalents	124.39	81.02	7.84	2.77
Short-term loans and advances	466.92	697	574.22	567.61
Other Current Assets	9.01	8.88	8.05	14.81

<b>Total Current assets</b>	<b>2,564.92</b>	<b>2,591.29</b>	<b>4,462.76</b>	<b>5,024.98</b>
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<b>Total Assets</b>	<b>3,821.87</b>	<b>5,417.97</b>	<b>7,091.88</b>	<b>7,619.39</b>
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**Cash Flow Statement****Amt in Lakhs.**

<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Jun-24</b>
Net Cash Flow from Operating Activities	-647.48	380.44	460.12	46.83
Net Cash Flow from Investing Activities	-592.37	-1,672.84	53.68	30.74
Net Cash Flow from Financing Activities	1,275.45	1,249.04	-586.99	-82.66

**Key Ratios**

<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY24*</b>
<b><u>Per Share Data</u></b>				
Diluted EPS	0.31	0.49	0.88	3.41
BV per share	17.54	21.65	22.53	47.73
<b><u>Operating Ratios</u></b>				
EBITDA Margins	1.92%	4.05%	6.73%	14.15%
PAT Margins	0.35%	0.82%	1.06%	3.29%
Inventory Days	42.84	56.47	97.90	227.76
Debtor days	46.48	43.25	56.16	164.91
Creditor Days	19.13	32.81	94.29	241.72
<b><u>Return Ratios</u></b>				
RoCE	2.57%	3.98%	6.10%	20.22%
RoE	1.42%	2.24%	3.92%	7.15%
<b><u>Valuation Ratios (x)</u></b>				
EV/EBITDA	20.16	17.07	7.16	4.50
Market Cap / Sales	1.13	1.37	0.99	0.80
P/E	190.32	120.41	67.05	17.30
Price to Book Value	3.36	2.73	2.62	1.24
<b><u>Solvency Ratios</u></b>				
Debt / Equity	0.64	0.91	0.75	0.35
Current Ratio	1.42	1.37	1.20	4.83
Quick Ratio	1.42	1.37	1.20	4.83
Asset Turnover	2.10	1.22	1.29	1.49
Interest Coverage Ratio	0.85	1.27	0.76	7.99

\*Annualised

**Key Observations & Implications:**

**Profitability:** Steady improvement, with EBITDA increasing from 1.92% in FY22 to 6.73% in Jun-24. ROE and ROCE also increased, reflecting efficient capital utilization.

**Efficiency:** Worsening debtor days may strain cash flow. Higher creditor days could boost working capital but needs monitoring. Decreasing asset turnover suggests potential inefficiencies.

**Valuation:** Decreasing EV/EBITDA (20.16 in FY22 to 22.21 in Jun-24) and P/E indicate potential undervaluation relative to earnings. Declining Market Cap/Sales may reflect market concerns about growth.

**Solvency & Liquidity:** Liquidity is adequate but tightening.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Interactive Financial Services 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 –

**Interactive Financial Services Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kizi Apparels Limited	5.58	21.00	Aug 06, 2024	39.20
2.	Kataria Industries Limited	54.58	96.00	July 24, 2024	186.55
3.	Winy Immigation and Education Services Limited	9.13	140.00	June 27, 2024	250.00
4.	DCG Cables & Wires Limited	49.99	100.00	April 16, 2024	130.65
5.	Teerth Gopicon Limited	44.40	111.00	April 16, 2024	668.55
6.	SRM Contractors Limited	130.20	210.00	April 03, 2024	255.35
7.	Kalahridhaan Trendz Limited	22.49	45.00	Feb 23, 2024	36.55
8.	Vrundavan Plantation Limited	15.29	108.00	Nov 06, 2023	47.99
9.	Vivaa Tradecom Limited	7.99	51.00	Oct 12, 2023	50.00
10.	Crop Life Science Limited	26.73	52.00	Aug 30, 2023	57.80

The company has handled 15 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 11<sup>th</sup> September 2024.

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



**Recommendation -**

The company has been in the industry since 2004 and has a good amount of exposure to the industry. Management overview is satisfactory with the Promoters and Key managerial personnel possessing good amount of experience as well as relevant education.

**Financial Performance:**

The company has demonstrated steady improvement in its financial performance from FY22 to FY24, with most key indicators showing positive trends. However, the June-24 figures raise some concerns about potential stagnation or even a slight reversal in some areas.

**Peer Performance:**

Peers outperform the company across all metrics.

The P/E on a post-IPO is around 17.3 times which makes it slightly over-priced by looking at the performance of the company and sector.

For the above stated reasons we would recommend to **AVOID** this IPO for the time being.

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