



## IPO Note

# Barflex Polyfilms Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Barflex Polyfilms Limited was originally incorporated as "Hitkari Polyfilms Private Limited" on January 24, 2005. The registered office is located at New Delhi, India.
- **Business Activity:** The company is engaged in the manufacturing of COEX films, laminates and labels.
- **Revenue Stream:** The company derives majority of its revenue from the sale of 3 ply laminates.
- **Human Resource:** The company has 112 employees as on Nov 30, 2024.

### Objects of the Issue -

- Funding capital expenditure towards the purchase of additional plant and machinery.
- General Corporate Purpose.

### Promoters Name -

Jaiwant Bery and Nomita Bery

### Rationale for recommendation -

- ✓ The P/E ratio on a post-IPO annualized basis appears fair at 7.34x but rises to 34.60x excluding non-recurring income, indicating potential overpricing.
- ✓ The management shows operational capability but faces governance concerns due to disputes with banks, investors, and a 10-year BSE disbarment.
- ✓ Inconsistent growth in revenue and profit, with net profit overstated due to non-recurring income from the sale of investments.
- ✓ Negligible debt-to-equity ratio highlights missed opportunities to leverage low-cost debt for expansion.
- ✓ The packaging industry is highly competitive, with minimal entry barriers and growing demand for eco-friendly products.

### IPO Details

Opening Date	Jan 10, 2025
Closing Date	Jan 15, 2025
Allotment Date	Jan 16, 2025
Listing Date	Jan 20, 2025
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹57 to ₹60
Issue Size	39.42 Cr.
Fresh Issue	12.32 Cr.
Offer for Sale	27.10 Cr.
Application Amt	₹ 1,20,000 (2,000 shares)

### INDUSTRY - Packaging

Industry PE as on 10-01-2024 - 26.8

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Nov-24
Revenue	9,349.72	10,917.07	11,023.36	6,567.99
EBITDA	1,000.6	1,206.75	1,793.25	705.20
Net Profit	794.08	1,013.05	1,623.54	1,349.28
RoCE	24.15%	23.36%	26.92%	8.58%
ROE	21.20%	21.29%	25.44%	17.45%
P/E	19.67	13.45	8.39	7.34*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
92.66%	66.72%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	7.15	8.18
BVPS	28.12	38.94
P/E	8.39	7.34
P/BV	2.13	1.54
Mkt Cap (In Cr)	136.18	148.50

\*Annualized

### Lead Managers -

**Almondz Financial Services Limited**

### Registrar -

**Maashitla Securities Private Limited**

**Business Overview -**

**Incorporation and Initial Operations**

Barflex Polyfilms Limited was incorporated on January 24, 2005, as a private limited company. The company began operations by manufacturing flexible packaging materials, such as barrier COEX films, laminates, and PVC labels, at Unit-I in Baddi, Himachal Pradesh, with an initial capacity of 2,400 MT per annum.

**Strategic Expansion**

In 2008, Barflex expanded its operations:

1. Unit-II: Adjacent to Unit-I, with a capacity of 950 MT per annum, later enhanced to 3,000 MT per annum by 2012, focusing on PVC shrink sleeves, pouches, and laminates.
2. Unit-III: Established at Plot No. 15, Barotiwala, Baddi, to produce stretch and plastic films and pouches with a capacity of 360 MT per annum.

**Production and Capacity Utilization -**

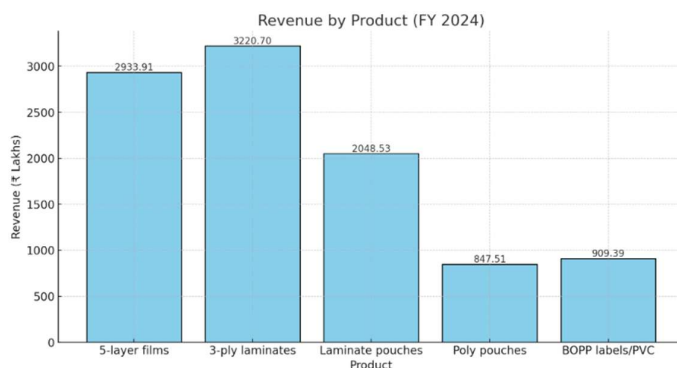
Unit	Installed Capacity (MT)	FY 2024 Production (MT)	Utilization (%)
Unit-I	2,400	2,217	92.38%
Unit-II	3,000	2,401	80.03%
Unit-III	360	250	69.44%

**Product Portfolio and Market Presence**

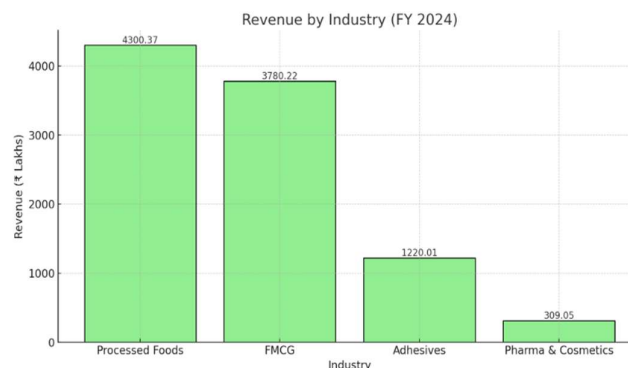
The company offers a diversified range of flexible packaging materials tailored for industries such as FMCG, processed foods, adhesives, pharmaceuticals, cosmetics, and construction. Key products include:

- 3-layer and 5-layer poly films.
- 3-ply laminates, vacuum pouches, bulk liners, and PVC shrink labels.
- Future plans include manufacturing 7-layer films to enhance competitiveness.

**1. Revenue by Product (FY 2024)**

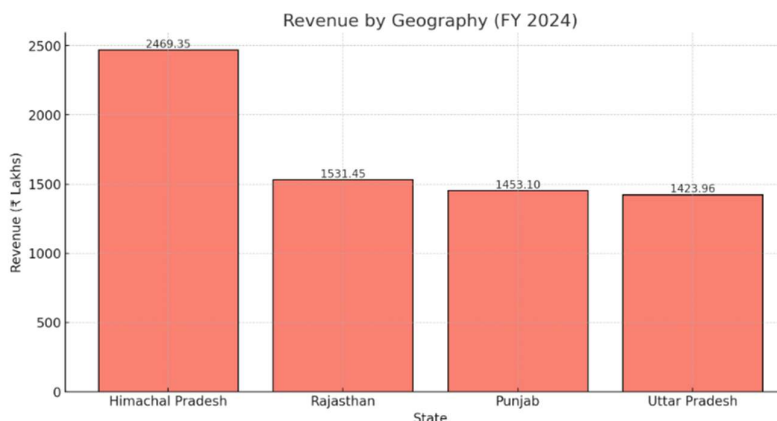


**2. Industry Revenue Contribution (FY 2024)**



**Geographical Reach**

Barflex caters to over 15 states in India and has a growing export presence. In FY 2024, 97.99% of revenues were domestic, with 2.01% from exports. Chart below Displays the revenue generated from major states –



**Competition -**

- 1. Market Competition:** Highly competitive; factors include product quality, cost-competitiveness, brand value, timely delivery, and diverse product offerings. Barflex Polyfilms competes with both organized and unorganized players, including large Indian and international companies.
- 2. Geographic Competition:** Strong competition from large Indian and multinational players, as well as local businesses across over 15 states in India. Export contributions add a layer of global competition.
- 3. Barriers to entry:** Low, with minimal barriers to entry.
- 4. Threat of Substitutes:** High, as customers may opt for alternative materials or suppliers.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

**Business Strategies -**

1. The company intends to diversify product portfolio which could cater to customers across segments, sectors, and geographies. Company plan to invest in bag making machines to make bags for the e-commerce industry, which is rapidly expanding.
2. The company intends to strengthen existing marketing team by inducting qualified and experienced personnel, who will supplement existing marketing strategies in the domestic and international markets.
3. Apart from expanding business and revenues, company intends to optimize resources in order to remain competitive in the industry.

**Risk Factors -**

1. The company had, in the past, entered OTS (One Time Settlement) with lender in respect of credit facilities.
2. In the past, on account of losses, Company failed to meet financial performance as per the expectation of Investor (AA Development Capital India Fund 1, LLC) in 2010-11 for an investment of around ₹ 3500 lakhs constituting 41.67% stake in the Company which had subsequently resulted in dispute.
3. Company's Promoters, Mr. Jaiwant Bery and Mrs. Nomita Bery, were associated with Hitkari China Limited which was delisted compulsorily by an order of BSE Dissemination Board and were debarred from accessing the securities market for a period of 10 years. Subsequently, upon receiving the representations and documents evidencing that none of its Promoters' association with Hitkari China Limited, BSE cleared the name of Promoters from the effects of notice dated August 21, 2017.
4. There are outstanding litigations involving Company, its Promoters and Directors amounting to ₹290.74 Lakhs which, if determined adversely, may affect business and financial condition of the company.
5. Promoters Group Entity viz. Packit have similar objects and have engaged in the line of business similar to Company. There is no non-compete agreements between Company and this Promoter Group Entity. As a result, conflicts of interests may arise in trading activities in allocating business opportunities amongst the Company and that entity.

**PEER ANALYSIS -**

Particulars	Barflex Polyfilms Limited			Uma Converter Limited			Purv Flexipack Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	8.49%	9.28%	14.73%	2.57%	0.60%	2.25%	2.72%	2.73%	2.20%
EBITDA Margin	10.70%	11.05%	16.27%	9.77%	7.61%	9.39%	7.67%	8.15%	9.59%
RoCE	24.15%	23.36%	26.92%	15.54%	7.73%	12.42%	13.35%	16.88%	10.16%
ROE	21.20%	21.29%	25.44%	10.14%	1.57%	5.78%	9.20%	12.16%	4.70%
EPS (INR)	3.05	4.46	7.15	3.28	0.61	2.07	4.43	6.59	3.42
P/E	19.67	13.45	8.39	-	49.51	11.79	-	-	61.39

- The market cap of the company is high compared Uma Converter Limited.
- The PE ratio of the company is low compared to the peers.
- The RoCE and RoE of the company is high compared its peer.
- The NP margin and EBITDA margin of the company has seen a similar trend as Uma Converter and has better margins compared to its peers.
- The cash conversion cycle of the company is better compared to its peers.

## INDUSTRY OVERVIEW -

### Packaging Industry -

The global flexible packaging market size was estimated at USD 270.96 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of 4.7% from 2024 to 2030. The increasing demand for packaged food and beverages is one of the prominent factors driving the flexible packaging market growth. The continuous advancements in packaging technology along with the convenience, hygiene and higher shelf life provided by packaging across the application industry are supporting its growth and demand across the globe. Furthermore, the increasing consumption of packaged items across the globe coupled with the growing urban lifestyle and increased spending power is driving the market growth. The U.S. market is projected to grow significantly over the forecast period due to growing demand for packaging from food & beverage and healthcare products.

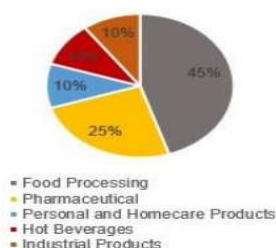
### Flexible Packaging Market Segmentation by Packaging Type -

By packaging type, the flexible packaging market is bifurcated into bags/sachets, film, foil, pouches, tubes, and wrappers among others. Bags/sachets is the dominating segment in terms of volume (millions of pack units) and value (US\$ Million) owing to its wide application area and usability for various types of products including cereals, flour, chips, and snacks, spices, baby food, pet food, and others. The continuously changing consumer preferences where people are more inclined towards convenience, sustainability, and on-the-go consumption, is the factor supporting the demand for required flexible packaging across the globe.

### Flexible Packaging Market in India -

The paper and packaging sector in India is growing rapidly and has significant potential for future expansion. The industry was valued at \$50.5 billion in 2019 and is anticipated to reach \$204.81 billion by 2025, registering a CAGR of 26.7% from 2020 to 2025 and is forecasted to grow by USD 15.57 bn during 2023-2028, accelerating at a CAGR of 12.69% during the forecast period. The growth in the sector is being driven by a surge in e-commerce, food processing, pharmaceuticals, FMCG, manufacturing industry and healthcare sector. Additionally, numerous government initiatives including 'Make in India' had positive impact on the packaging industry. The paper and packaging industry is currently the fifth largest sector in the Indian economy and has the potential to achieve pricing levels that are about 40% cheaper compared to European regions.

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

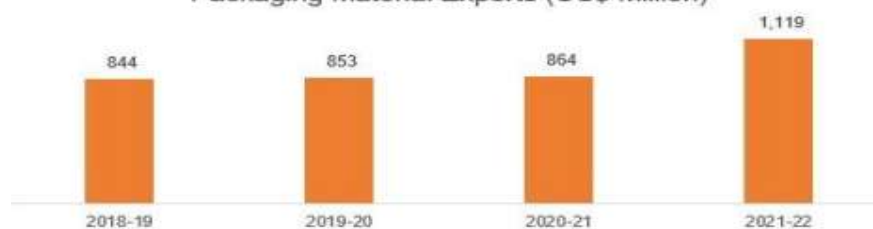


(Source-RHP)

### Growing Exports of Packaging Material -

India is emerging as a key exporter of packaging materials in the global market. The export of packaging materials from India grew at a CAGR of 9.9% to US\$ 1,119 million in 2021-22 from US\$ 844 million in 2018-19. US remains the major export destination for the packaging industry, followed by the UK, the UAE, Netherlands, and Germany.

Packaging Material Exports (US\$ Million)



(Source-RHP)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Jaiwant Bery</b>
<b>Age</b>	64
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 37 years of experience in flexible packaging industry.
<b>Qualification</b>	Post graduate diploma in management from Indian Institute of Management, Bangalore.
<b>Responsibility</b>	He looks after the management and operations of the Company and is involved in bringing about innovations in the products of the Company. In addition to developing strategic plans, he looks after promotion of production and growth of the Company.
<b>Other Directorships</b>	S P J Consultants Private Limited

<b>Key Management Persons Name -</b>	<b>Nomita Bery</b>
<b>Age</b>	60
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 19 years of experience in label designing for the Company.
<b>Qualification</b>	Bachelor of Arts (Honors) from Delhi University
<b>Responsibility</b>	she is responsible for graphic, packaging designing.
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Krishan Mohan Pandey</b>
<b>Age</b>	62
<b>Designation</b>	Executive Director
<b>Qualification</b>	Diploma in electronics from State Polytechnic, Gorakhpur
<b>Responsibility and experience</b>	He is associated with the Company as unit head since October 2005 and was looking after the purchase and production department of the Company. He got promoted to Senior Vice President of Operations in the Company dated May 12, 2014, and was looking after manufacturing operations of all units in addition to purchase department. He is also responsible for quality controls.
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Anil Kumar Mittal</b>
<b>Age</b>	65
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 40 years of experience in banking
<b>Qualification</b>	Master's degree in commerce from Delhi University, He is also a qualified CAIIB from Indian Institute of Bankers (now IIBF)
<b>Other Directorships</b>	Jaguar Overseas Limited, Rockland Finstock Limited and Resurgent Resolution Professionals LLP

<b>Key Management Persons Name -</b>	<b>Aditya Rungta</b>
<b>Age</b>	36
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, He holds post qualification work experience of more than a decade in corporate compliances.
<b>Qualification</b>	Company Secretary
<b>Other Directorships</b>	Tulsi Extrusions Limited, Z-Tech (India) Limited, A&S Wealth Creations Private Limited and Saroj Rungta Foundation.

<b>Key Management Persons Name -</b>	<b>Simran Sabharwal</b>
<b>Age</b>	45
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 16 years of experience in marketing.
<b>Qualification</b>	Master's degree in business administration (marketing and finance).
<b>Other Directorships</b>	Ardour Pack Private Limited, Ardour Flex Private Limited, Ardour Polymers Private Limited and Ardour Infotech Private Limited.



Recommendation: **AVOID**

- The overall management of the company is decent.
- The promoter and management have vast experience and good qualification in the industry.
- There is no evidence of dual chairmanship, which is favourable.
- Anil Kumar Gupta (CFO), aged 54, has done diploma in financial management and holds master's in business administration (MBA). He has overall 16 years of working experience in accounting management.

**FINANCIAL SNAPSHOT**

<b>Statement of Profit and Loss</b>				<b>Amt in Lakhs.</b>
<b>Particulars</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Nov-24</b>
Revenue from Operations	9,349.72	10,917.07	11,023.36	6,567.99
Other Income	60.55	123.69	588.74	1,234.10
<b>Total Income</b>	<b>9,410.27</b>	<b>11,040.76</b>	<b>11,612.10</b>	<b>7,802.09</b>
<b>Expenses</b>				
Cost of Material Consumed	6,894.11	7,876.46	7,527.83	4,707.03
Change in Inventories of Stock In Trade	-3.27	77.56	-77.53	-123.81
Employee Benefit Expenses	551.37	653.11	653.55	417.07
Finance Cost	3.23	18.09	38.37	0.75
Depreciation and Amortization Expense	79.81	76.45	52.81	35.29
Operating and other expenses	906.90	1,103.19	1,126.26	862.50
<b>Total Expenses</b>	<b>8,432.15</b>	<b>9,804.86</b>	<b>9,321.29</b>	<b>5,898.83</b>
<b>EBITDA</b>	<b>1,000.61</b>	<b>1,206.75</b>	<b>1,793.25</b>	<b>705.20</b>
<b>EBITDA Margin</b>	<b>10.70%</b>	<b>11.05%</b>	<b>16.27%</b>	<b>10.74%</b>
<b>Profit/(Loss) before tax</b>	<b>978.12</b>	<b>1,235.90</b>	<b>2,290.81</b>	<b>1,903.26</b>
<b>Tax Expense</b>				
Current tax	163.27	215.94	642.64	541.15
Deferred Tax	20.77	6.91	24.63	12.83
<b>Total Tax</b>	<b>184.04</b>	<b>222.85</b>	<b>667.27</b>	<b>553.98</b>
<b>Profit/(Loss) for the year</b>	<b>794.08</b>	<b>1,013.05</b>	<b>1,623.54</b>	<b>1,349.28</b>
<b>Net Profit Margin</b>	<b>8.49%</b>	<b>9.28%</b>	<b>14.73%</b>	<b>20.54%</b>

<b>Statement of Assets and Liabilities</b>				<b>Amt in Lakhs.</b>
<b>Particulars</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Nov-24</b>
<b>EQUITY AND LIABILITIES</b>				
Share Capital	2,269.70	2,269.70	2,269.70	2,269.70
Reserves and surplus	1,476.56	2,489.62	4,113.17	5,462.45
<b>Total Equity</b>	<b>3,746.26</b>	<b>4,759.32</b>	<b>6,382.87</b>	<b>7,732.15</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	9.37	13.59	10.43	8.36
Other Long Term Liabilities	15.51	19.30	19.30	14.30
Long-Term Provisions	41.64	47.12	53.49	56.03
<b>Total Non-current liabilities</b>	<b>66.52</b>	<b>80.01</b>	<b>83.22</b>	<b>78.69</b>
<b>CURRENT LIABILITIES</b>				
Trade Payables	457.27	374.42	467.06	424.07
Other Current Liabilities	200.01	345.93	161.03	121.62
Short-term provisions	58.91	105.37	146.82	467.34
<b>Total Current liabilities</b>	<b>716.19</b>	<b>825.72</b>	<b>774.91</b>	<b>1,013.03</b>
<b>Total Liabilities</b>	<b>782.71</b>	<b>905.73</b>	<b>858.13</b>	<b>1,091.72</b>
<b>Total Equity and Liabilities</b>	<b>4,528.97</b>	<b>5,665.05</b>	<b>7,241.00</b>	<b>8,823.87</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	627.87	564.75	522.41	520.61

Recommendation: **AVOID**

Particulars	FY 2022	FY 2023	FY 2024	Nov-24
Long-Term Loans and Advances	28.63	24.97	26.90	28.43
Deferred tax assets (net)	159.00	152.10	127.47	114.64
<b>Total Non-Current assets</b>	<b>815.50</b>	<b>741.82</b>	<b>676.78</b>	<b>663.68</b>
<b>CURRENT ASSETS</b>				
Inventories	1,351.87	813.54	1,033.70	1,096.67
Short term investments	814.66	1,095.53	2,474.45	2,057.81
Trade Receivables	1,170.86	1,444.38	1,415.09	1,843.57
Cash & Cash equivalents	286.88	1,518.18	1,459.82	2,771.77
Short term loans and advances	85.47	29.90	166.10	383.50
Other Current Assets	3.72	21.70	15.08	6.87
<b>Total Current assets</b>	<b>3,713.46</b>	<b>4,923.23</b>	<b>6,564.24</b>	<b>8,160.19</b>
<b>Total Assets</b>	<b>4,528.96</b>	<b>5,665.05</b>	<b>7,241.02</b>	<b>8,823.87</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 2022	FY 2023	FY 2024	Nov-24
Net Cash Flow from Operating Activities	693.44	1,540.25	1,374.22	931.34
Net Cash Flow from Investing Activities	-890.84	-273.41	-1,391.06	383.44
Net Cash Flow from Financing Activities	-19.73	-13.87	-41.52	-2.82

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY25*
Diluted EPS	3.05	4.46	7.15	1.73	EV/EBITDA	3.47	2.70	2.75	-1.23
BV per share	16.51	20.97	28.12	36.80	Market Cap / Sales	1.46	1.25	1.24	1.51
<b>Operating Ratios</b>					P/E	19.67	13.45	8.39	34.60
EBITDA Margins	10.70%	11.05%	16.27%	10.74%	Price to Book Value	3.64	2.86	2.13	1.63
PAT Margins	8.49%	9.28%	10.15%	4.36%	<b>Solvency Ratios</b>				
Inventory days	52.92	27.27	34.32	38.81	Debt / Equity	0.00	0.00	0.00	0.00
Debtor days	45.83	48.42	46.98	52.43	Current Ratio	5.19	5.96	8.47	8.47
Creditor days	23.80	18.56	22.40	21.79	Quick Ratio	3.30	4.98	7.14	7.14
<b>Return Ratios</b>					Asset Turnover	2.06	1.93	1.52	1.36
RoCE	24.15%	23.36%	26.92%	11.03%	Interest coverage Ratio	285.08	62.48	45.36	893.21
RoE	21.20%	21.29%	17.53%	4.71%	*Annualised				

**INTERPRETATION -**

- The company achieved 16.8% growth in revenue from FY22 to FY23, followed by a 0.9% growth in FY24, indicating unsteady demand. Net profit grew by 27.6% in FY23 and an impressive 60.3% in FY24, which is due to other income i.e., sale of investments.
- EBITDA increased by 20.6% in FY23 and surged by 48.6% in FY24, with margins improving from 10.7% to 16.3%, highlighting robust cost management and operational leverage.
- The company operated with a negligible debt-equity ratio, showing financial stability but underutilized opportunities for leveraging low-cost debt to support expansion or capacity growth.
- Inventory turnover improved, with inventory days decreasing by 48.5% in FY23 before slightly rising in FY24. Liquidity ratios remained strong, with consistent improvements in the current and quick ratios.
- RoCE grew from 24.2% in FY22 to 26.9% in FY24, and RoE improved from 21.2% to 25.4%, showcasing effective capital deployment. Strategic debt utilization could further enhance these metrics.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Almondz Financial Services Limited.

As per the offer document, Almondz Financial Services Limited has not handled any Public Issue in the past.

## Recommendation -

Barflex Polyfilms Limited has been in the industry since 2005 and has vast experience.

The P/E on a post-IPO annualized basis is around 7.34 times which makes it look fairly price. Whereas if we do not consider Profit on sale of Investments (non-recurring income) in the other income, this increases to 34.60 times making the issue highly priced.

The company's management has demonstrated decent operational capabilities. However, it has faced significant challenges, including disputes highlighted in the risk factors. These include issues with the OTC and a bank, conflicts with investors, and a 10-year disbarment from the BSE, raising concerns about governance and compliance practices.

The company's top line and bottom line have not increased consistently over the years. The NP is overstated due to Profit on sale of Investments (non-recurring income) in the other income. The company has underutilized opportunities for leveraging low-cost debt to support expansion or capacity growth as there D/E ratio is negligible.

The packaging industry is intensely competitive and fragmented, driven by product quality, pricing, innovation, and rising demand for eco-friendly solutions amidst minimal entry barriers.

Thus, investors can **AVOID** to this IPO for long-term basis.

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