



IPO Note

L. K. Mehta Polymers Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** L K Mehta Polymers Limited was originally incorporated on Jan 02, 1995. The registered office is located at Madhya Pradesh, India.
- **Business Activity:** The company is involved in the manufacturing of comprehensive array of Plastic products which include ropes and twines. They are also engaged in trading of polypropylene granules and polyethylene granules.
- **Revenue Stream:** The company derives majority of its revenue from sale of ropes and granules.
- **Human Resource:** The company has 21 permanent employees as on Jan 25, 2025.

Objects of the Issue -

- To Meet Incremental Working Capital Requirement
- General Corporate Expenses
- To Public Issue Expenses

Promoters Name -

Kamlesh Mehta and Rina Mehta

Rationale for recommendation -

- ✓ The PE ratio is 49.05 times post issue annualized basis makes it aggressively priced.
- ✓ The company had incurred loss in FY23 and saw a sudden increase in bottom line for FY24 which looks unsustainable.
- ✓ The profitability margins have also seen a dip in FY23.
- ✓ The company had negative cash flow from operations for FY22, FY24 and Dec-24.
- ✓ The company has high concentration in customers and suppliers.
- ✓ The company has geographic concentration as well.
- ✓ The IPO issue size is very small.
- ✓ The industry is highly fragmented and competitive.

IPO Details

Opening Date	Feb 13, 2025
Closing Date	Feb 17, 2025
Allotment Date	Feb 18, 2025
Listing Date	Feb 21, 2025
Stock Exchange	BSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹71
Issue Size	7.38 Cr.
Fresh Issue	7.38 Cr.
Offer for Sale	-
Application Amt	₹ 1,13,600 (1,600 shares)

INDUSTRY - Manufacturing (Rope)

Avg. P/E ratio as per RHP - N/A

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	1,142.81	1,675.21	1,816.26	1,185.71
EBITDA	21.25	13.52	101.42	102.89
Net Profit	4.09	-0.77	85.57	41.76
RoCE	2.39%	0.50%	17.42%	9.61%*
ROE	1.88%	-0.36%	28.35%	4.94%*
P/E	443.75	-	20.76	49.05*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	72.92%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.42	1.45
BVPS	48.29	29.32
P/E	20.76	49.05
P/BV	1.47	2.42
Mkt Cap (In Cr)	19.88	27.26

*Annualized

Lead Managers -

Swastika Investmart Limited

Registrar -





Bigshare Services Private Limited

Business Overview -

L K Mehta Polymers Limited is involved in the trading and manufacturing of comprehensive array of Plastic products. The product line is specifically designed to encompass a wide range of ropes and twines, including monofilament ropes, danline ropes, tape ropes, baler twines, packaging twine (sutli). They are also engaged in trading and reprocessing of basic raw materials like polypropylene granules and polyethylene granules. The company sells the products under the brand name “**Super Pack**”.

Manufacturing Units: The company has manufacturing located at Ahmedabad. The capacity utilization remained at 34.40%, 52.50% and 54.56% for FY22, FY23 and FY24 respectively.

Product Portfolio:

Product	End Usage
Ropes	
Monofilament Ropes 	Usually used in NON-ISI purpose like Transportation, Agriculture, Binding, Heavy lifting, Animal Breeding, Cloth drying racks, Water well, Slum houses, and other packaging uses.
Danline Ropes 	Usually used where Human Risk is involved and strength is required like Shipping, Mining, Army, Transport of heavy Vehicles and Machinery, Tubewells, etc.
Tape Rope 	
Twines	
Baler Twine 	Usually used in Agriculture, Harvesting, Stationary, Handicraft Industry, Retail packaging of consumer goods, household use.
Packaging wine(Sutli) 	
Granules: Polyethylene, Polypropylene 	For reprocessing and manufacturing of plastic products.

Revenue Bifurcation –

Particulars	FY 2022		FY 2023		FY 2024		Dec-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Manufactured Goods								
Ropes	475.82	41.64%	521.62	31.14%	794.23	43.73%	454.69	38.34%
Twines	7.87	0.69%	5.67	0.34%	20.10	1.11%	32.36	2.73%
Trading Goods								
Granules	320.91	28.08%	551.46	32.92%	599.08	32.98%	479.91	40.47%
Gold	338.21	29.59%	596.47	35.61%	385.80	21.24%	209.89	17.70%
Scrap	-	-	-	-	17.04	0.94%	8.96	0.76%
Total	1,142.81	100.00%	1,675.22	100.00%	1,816.25	100.00%	1,185.81	100.00%

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, brand reputation, timely delivery and customer network are influential, price and quality overwhelmingly dictate customer choices
- Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

- The company intends to keep improving their product quality.
- The company intends to develop cordial relationship with Suppliers, Customer and employees.
- The company intends to diversify their business globally.

Risk Factors -

The company is heavily dependent on top 10 customers for its revenue generation constituting 78% in FY22, FY23 and FY24.

The company is highly dependent on top 10 suppliers for raw materials contributing to 90% in FY22, FY23 and FY24.

The company is highly dependent on related parties for their revenue contributing to 44.55%, 38.99%, 39.04% and 17.93% in FY22, FY23, FY24 and Dec-24 respectively.

The company is highly dependent on related parties for their purchase of raw materials contributing to 38.38%, 42.99%, 60.66% and 44.10% in FY22, FY23, FY24 and Dec-24 respectively.

The promoters/ directors have 3 cases against them for tax matters amounting to Rs. 24.90 lakhs.

The group companies have 5 cases against it for tax matters.

The company had negative cash flow from operations for FY22, FY24 and Dec-24.

The company had incurred loss in FY23.

PEER ANALYSIS -

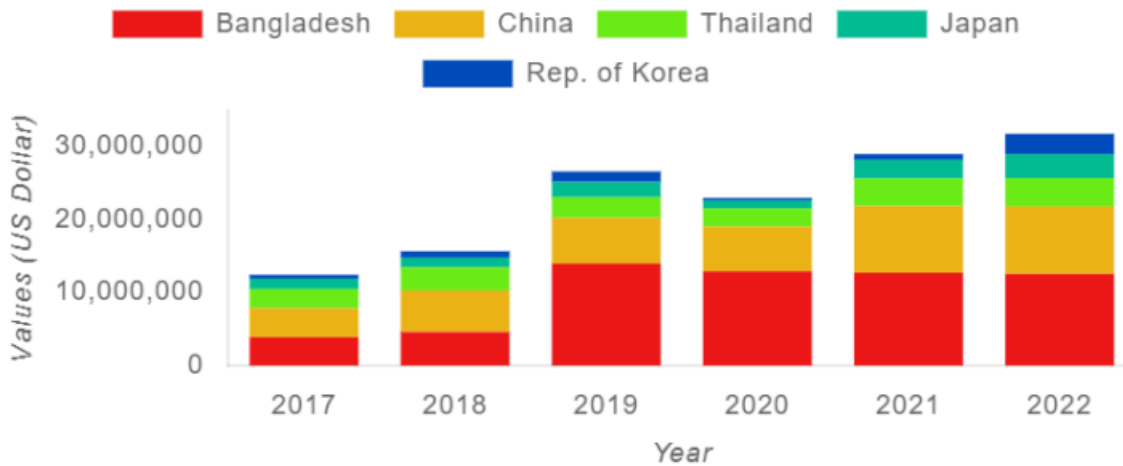
The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document

INDUSTRY OVERVIEW -

Indian Rope Market –

India Rope Market registered a growth of 0.24% in value shipments in 2022 as compared to 2021 and an increase of 10.51% CAGR in 2022 over a period of 2017. In Rope Market India is becoming less competitive as HHI index in 2022 was 1566 while in 2017 it was 1122. Herfindahl Index measures the competitiveness of exporting countries. The range lies from 0 to 10000, where a lower index number represents a larger number of players or exporting countries in the market while a large index number means less numbers of players or countries exporting in the market. India has reportedly relied more on domestic production to meet its growing demand in Rope Market.

Market Share Evolution of Exporting Countries in between 2017 & 2022 India Rope Market



(Source:RHP)

India Rope market currently, in 2023, has witnessed an HHI of 1628, which has decreased substantially as compared to the HHI of 2919 in 2017. The market is moving towards moderately competitive. Herfindahl index measures the competitiveness of exporting countries. The range lies from 0 to 10000, where a lower index number represents a larger number of players or exporting countries in the market while a large index number means fewer numbers of players or countries exporting in the market.



(Source:RHP)

For India Exporters of Rope, USA seems to be the most attractive market (in 2028) in terms of export potential followed by Mozambique, United Arab Emirates (UAE), Indonesia and Australia. However, in terms of total import demand across all countries, Thailand occupies the top position. Hence considering overall import demand, Thailand leads the importing demand but considering India as a partner, USA provides high unmet demand potential as Compared to others for 2028.

Key Management -

Key Management Persons Name -	Kamlesh Mehta
Age	54
Designation and No. of years of experience	Promoter and Managing Director, 29+ years of experience in plastic industry
Qualification	Bachelor of Commerce.
Other Directorships	-
Key Management Persons Name -	Rina Mehta
Age	51
Designation and No. of years of experience	Promoter and Whole-Time Director, 2+ years of experience in plastic industry.
Qualification	Bachelor of Commerce and Masters in Arts
Other Directorships	-
Key Management Persons Name -	Chetan Moonat
Age	41
Designation and No. of years of experience	Non-Executive Director, 3+ years of experience in plastic industry and 13 years in capital market
Qualification	Bachelor of Commerce
Other Directorships	-

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Deepak Mehta and Nitesh Kumar Barbeta are Independent Directors of the Company. They have decent experience and education in their respective fields.
- Aashi Mehta (CFO) holds a B.Com degree and is pursuing CA. She has 3 years of experience as articleship.
- Pooja Wadhvani (CS) has 8 years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	1,142.81	1,675.21	1,816.26	1,185.71
Other Income	50.86	38.59	71.14	12.44
Total Income	1,193.67	1,713.80	1,887.40	1,198.15
Expenses				
Cost of Material Consumed	2.63	12.58	28.98	10.32
Purchases of stock-in-trade	1,151.58	1,529.71	1,783.99	940.76
Change in Inventories of Stock In Trade	-96.96	59.01	-170.00	70.47
Employee Benefit Expenses	7.93	5.94	7.73	8.80
Finance Cost	46.80	40.76	59.88	49.71
Depreciation and Amortization Expense	11.31	11.23	11.99	9.09
Other expenses	56.38	54.45	64.14	52.47
Total Expenses	1,179.67	1,713.68	1,786.71	1,141.62
EBITDA	21.25	13.52	101.42	102.89
EBITDA Margin	1.86%	0.81%	5.58%	8.68%
Profit/(Loss) before tax	14.00	0.12	100.69	56.53
Tax Expense				
Current tax	0.70	4.29	13.32	12.25
Tax for prior years	-	-	-	4.33
Deferred Tax	9.21	-3.40	1.80	-1.81
Total Tax	9.91	0.89	15.12	14.77
Profit/(Loss) for the year	4.09	-0.77	85.57	41.76
Net Profit Margin	0.36%	-0.05%	4.71%	3.52%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	62.50	62.50	62.50	280.00
Reserves and surplus	154.49	153.73	239.29	93.56
Total Equity	216.99	216.23	301.79	373.56
NON-CURRENT LIABILITIES				
Long-term borrowings	172.62	220.40	187.37	180.82
Deferred Tax liability	25.92	22.52	24.32	22.51
Total Non-current liabilities	198.54	242.92	211.69	203.33
CURRENT LIABILITIES				
Short-term Borrowings	266.78	169.31	460.66	488.04
Trade Payables	109.57	53.73	54.70	94.77
Other Current Liabilities	30.84	33.94	7.40	15.41
Short-term provisions	0.59	3.92	13.07	11.59
Total Current liabilities	407.78	260.90	535.83	609.81
Total Liabilities	606.32	503.82	747.52	813.14
Total Equity and Liabilities	823.31	720.05	1,049.31	1,186.70
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	105.45	93.44	103.18	94.21
Intangible Assets	0.07	0.04	0.44	0.94
Intangible assets under development	-	-	-	0.67
Other Non- current Assets	9.15	4.62	7.05	6.80
Total Non-Current assets	114.67	98.10	110.67	102.62

Particulars	FY 22	FY 23	FY 24	Dec-24
CURRENT ASSETS				
Inventories	295.16	236.34	421.35	342.58
Trade Receivables	192.87	235.31	291.65	461.90
Cash & Cash equivalents	1.05	1.06	10.71	3.60
Short term loans and advances	219.54	149.25	214.92	276.00
Total Current assets	708.62	621.96	938.63	1,084.08
Total Assets	823.29	720.06	1,049.30	1,186.70

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	-1.28	55.10	-200.72	-14.65
Net Cash Flow from Investing Activities	48.27	34.00	11.19	5.45
Net Cash Flow from Financing Activities	-53.66	89.09	199.17	2.09

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.16	-0.03	3.42	1.45	EV/EBITDA	30.84	44.74	9.26	4.95
BV per share	34.72	34.60	48.29	29.32	Market Cap / Sales	0.39	0.26	0.24	1.73
Operating Ratios					P/E	443.75	-	20.76	49.05
EBITDA Margins	1.86%	0.81%	5.58%	8.68%	Price to Book Value	2.05	2.05	1.47	2.42
PAT Margins	0.36%	-0.05%	4.71%	3.52%	Solvency Ratios				
Inventory days	94.53	51.64	84.91	77.63	Debt / Equity	2.02	1.80	2.15	0.59
Debtor days	61.77	51.41	58.77	69.77	Current Ratio	1.74	2.38	1.75	1.75
Creditor days	34.58	12.75	10.95	21.48	Quick Ratio	1.01	1.48	0.97	0.97
Return Ratios					Asset Turnover	1.39	2.33	1.73	1.50
RoCE	2.39%	0.50%	17.42%	9.61%	Interest Coverage Ratio	0.21	0.06	1.49	1.89
RoE	1.88%	-0.36%	28.35%	4.94%					

INTERPRETATION –

- The top line has increased over the years. It increased by 46.59% in FY23 which was due to association with new dealers' clients along with increased revenue from existing clients. It increased by 8.42% in FY24 which was due to increase in demand of plastic ropes, also the company was able to expand their client base and increase the revenue.
- The company incurred loss in FY23 and then saw a sudden jump in FY24 by 11,212.99%.
- The EBITDA margin and PAT margin also saw a dip in FY2023 and the PAT margin remained negative in FY23.
- The RoCE and RoE also saw a dip in FY23.
- The DE ratio is slightly high in FY24.
- There is negative cash flow from operations for FY22, FY24 and Dec-24.

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.	United Heat Transfer Limited	30.00	59.00	Oct 29, 2024	63.10
2.	Aditya Ultra Steel Limited	45.88	62.00	Sep 16, 2024	41.00
3.	Resourceful Automobile Limited	11.99	117.00	Aug 29, 2024	58.06
4.	Ideal Technoplast Industries Limited	16.03	121.00	Aug 28, 2024	141.75
5.	Bulkcorp International Limited	20.78	105.00	Aug 06, 2024	80.00
6.	TBI Corn Limited	44.94	94.00	Jun 07, 2024	146.00
7.	Sai Swami Metals & Alloys Limited	15.00	60.00	May 08, 2024	45.10
8.	Shree Marutinandan Tubes Limited	14.30	143.00	Jan 19, 2024	150.00
9.	Saroja Pharma Industries India Limited	9.11	84.00	Sep 13, 2023	52.80
10.	Service Care Limited	20.68	67.00	Jul 26, 2023	64.00

The company has handled 13 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 12th Feb 2025.

As per the offer document, all the above-mentioned mandates Saroja Pharma Industries India has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

L K Mehta Polymers Limited has been in the industry since 1995 and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 49.05 times which makes it aggressively priced.

The company's management is decent. The CFO has limited experience and the company can consider a more seasoned professional to enhance decision-making.

The company's top line increased over the years. The company had incurred loss in FY23 and then saw a sudden increase in FY24 which raises concern. The profitability margins saw a dip in FY23. The company has negative cash flow from operations for FY22, FY24 and Dec-24. The DE ratio for FY24 is slightly high. Overall, the financials of the company looks unsustainable.

The company has high concentration of suppliers and customers and loss of any can have an adverse impact in their business operations. Also, the company is significantly dependent on related parties'/group entities for their revenue generation and purchase of raw materials.

Overall, the company is operating in a very fragmented and competitive industry and has no unique business strategies to expand their product portfolio.

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

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