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## IPO Note

# Shreenath Paper Products Limited

Recommendation: **AVOID!**



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### IPO Details

Opening Date	Feb 25, 2025
Closing Date	Feb 28, 2025
Allotment Date	Mar 03, 2025
Listing Date	Mar 05, 2025
Stock Exchange	BSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹44
Issue Size	23.36 Cr.
Fresh Issue	23.36 Cr.
Offer for Sale	-
Application Amt	₹ 1,32,000 (3,000 shares)

### Company Background -

- **Incorporation:** Shreenath Paper Products Limited was originally incorporated on Oct 10, 2011. The registered office is located at Aurangabad, Maharashtra.
- **Business Activity:** The company is engaged in the business of providing supply chain solution to industries where paper such as, coating based paper, food grade paper, machine glazed paper, pressure sensitive adhesive paper, forms a major part of their raw materials.
- **Revenue Stream:** The company generates majority of the revenue from coated paper, food grade paper, uncoated paper (Hi-Bright) and sublimation paper as of Dec-24.
- **Human Resource:** The company has 9 permanent employees as on Dec 31, 2024.

### Objects of the Issue -

- Meeting incremental working capital requirements
- General Corporate Expenses

### Promoters Name -

Alok Parekh, Ronak Parekh, Navneetdas Parekh, Hasumati Navneetdas Parekh, Harish Parekh, Hasumati Harish Parekh, Neha Parekh & Sayali Parekh

### Rationale for recommendation -

- ✓ The PE ratio of 27.02 times post annualized basis makes it slightly aggressively priced.
- ✓ The company's top line has remained inconsistent over the years.
- ✓ The bottom line and PAT margin saw a sudden increase in FY23 which looks unsustainable.
- ✓ The company had negative CFO for FY23, FY24 and Dec-24.
- ✓ There is high concentration for suppliers.
- ✓ The industry is high fragmented.

### INDUSTRY - Office Space

Avg. P/E ratio as per RHP - 39.25

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Dec-24
Revenue	13,597.83	20,443.77	18,584.83	7,704.05
EBITDA	-195.34	664.26	577.35	434.33
Net Profit	133.75	438.47	439.05	240.50
RoCE	-17.95%	38.37%	24.94%	11.27%*
ROE	23.66%	41.59%	23.19%	7.04%*
P/E	46.81	14.33	14.33	27.02*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	72.98%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.07	1.63
BVPS	13.20	23.15
P/E	14.33	27.02
P/BV	3.33	1.90
Mkt Cap (In Cr)	63.11	86.48

\*Annualized

### Lead Managers -

**Galactico Corporate Services Limited**

### Registrar -

**Bigshare Services Private Limited**

## Business Overview -

Shreenath Paper Products Limited is engaged in the business of providing supply chain solution to industries where paper such as, coating based paper, food grade paper, machine glazed paper, pressure sensitive adhesive paper, forms a major part of their raw materials. Accordingly, they supply different kinds of paper such as sublimation base paper, thermal base paper, straw paper, paper for cone sleeve, cup stock paper, poster paper, security PSA sheet, transcode PSA sheet, filmic & digital PSA sheet, removable PSA sheet, permanent PSA sheet, C2S paper and board, C1S paper, hi-bright paper, low- bright paper, high-strength paper, etc. They offer paper in different grades ranging from 24-350 grams per square meter ('GSM'), which is manufactured from waste recycled papers, bagasse base (agricultural waste) and virgin pulp. The company has geographic presence in Maharashtra, Gujarat and Madhya Pradesh.

**Business Model:** The business comprises of understanding the specific requirements of client, curate the technical specification based on their requirements, identify manufacturer who specialise in the required paper, place order, test the sample, procure the material in the desired quantity and supply to customers.

## Major Products:



Sublimation Base Paper



Thermal Base Paper



Hi – Bright Maplitho Paper



Low Bright Paper

## Revenue Bifurcation product-wise:

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Dec-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Coated Paper	2,616.00	19.24%	2,789.50	13.64%	2,108.94	11.35%	794.38	10.31%
Coating Base paper	2,008.90	14.77%	5,484.45	26.83%	5,604.10	30.15%	96.61	1.25%
Food Grade Paper	24.90	0.18%	-	-	374.16	2.01%	1,125.97	14.62%
Machine Glazed paper	664.22	4.88%	1,962.90	9.601%	2,787.97	15.001%	-	-
Pressure Sensitive Adhesive Sheet	516.29	3.80%	448.00	2.19%	403.51	2.17%	257.30	3.34%
Uncoated paper (Hi-Bright)	4,720.94	34.72%	4,022.00	19.67%	3,681.14	19.81%	1,606.52	20.85%
Uncoated paper (High Strength)	417.00	3.0667%	666.61	3.26%	-	-	279.10	3.62%
Uncoated paper (Low-Bright)	1,989.15	14.63%	3,708.59	18.14%	2,519.81	13.558%	674.02	8.75%
Sublimation Paper	-	-	-	-	188.74	1.02%	1,405.81	18.25%
Others	640.42	4.71%	1,362.32	6.66%	916.47	4.93%	1,464.34	19.01%
<b>Total</b>	<b>13,597.82</b>	<b>100.00%</b>	<b>20,444.37</b>	<b>100.00%</b>	<b>18,584.84</b>	<b>100.00%</b>	<b>7,704.05</b>	<b>100.00%</b>

### Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, price and availability.
2. **Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

### Business Strategies -

1. The company intends to focus on increasing its product range, particularly in the high value-added segment like industrial grade paper and sublimation paper.
2. The company is committed to acquiring new customers while simultaneously exploring unexplored local markets for geographical diversification.
3. The company intends to maintain robust relationships with both suppliers and customers and advancing company's growth trajectory.

### Risk Factors -

The company is highly dependent on top 10 suppliers for their products which constituted 98.31%, 95.17%, 85.21% and 78.08% in FY22, FY23, FY24 and Dec-24 respectively.

The company has 9 cases against it for tax matters amounting to Rs. 18.21 lakhs and has filed 1 case for criminal matter amounting to Rs. 8.56 lakhs.

The promoter/ directors has 2 cases against them for tax matters amounting to Rs. 0.476 lakhs.

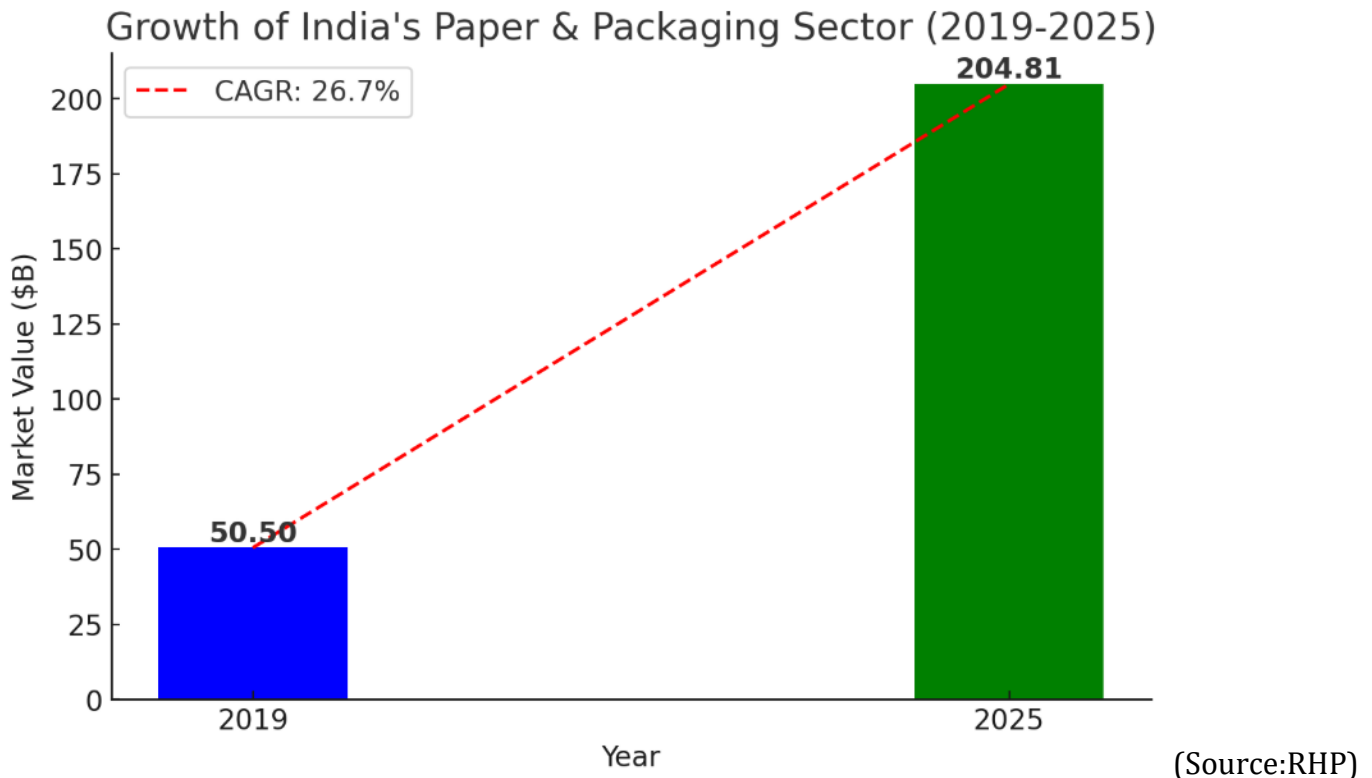
The related party transaction of the company for revenue generation was slightly high for FY24 and Dec-24 constituting 28.61% and 20.93% respectively.

The company had negative cash flow from operations in FY23, FY24 and Dec-24.

**INDUSTRY OVERVIEW -**

**India's Paper and Packaging Industry –**

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.



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.

Paper and paperboard exports from India reached an all-time high of Rs. 13,963 crore (US\$ 1.79 billion) in FY21-22, an increase of nearly 80% year on year. According to data issued by the Directorate General of Commercial Intelligence & Statistics (DGCI&S), exports have increased fourfold since the fiscal year 2017. Paper exports from India increased in volume from 0.66 million tonnes in FY17 to 2.85 million tonnes in FY22, and in value from Rs. 3,041 crore (US\$ 391.97 million) to Rs. 13,963 crore (US\$ 1.79 billion) during the same time.

The outlook for the paper and packaging industry in India is optimistic, driven by several factors including the country's growing population, increasing urbanization, and rising disposable incomes. The rapid expansion of e-commerce is fueling demand for packaging materials, while a growing focus on sustainability is prompting the industry to innovate greener solutions. Government initiatives like "Make in India" and infrastructure development projects are expected to boost manufacturing activities and streamline supply chains. Technological advancements are enhancing productivity and quality, while rising export potential offers opportunities for market expansion. Despite challenges such as fluctuating raw material prices and competition from alternative materials, strategic investments and a commitment to sustainability can help the industry capitalize on opportunities and strengthen its position in the global market

**Key Management -**



<b>Key Management Persons Name -</b>	<b>Alok Parekh</b>
<b>Age</b>	40
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 10+ years of experience in supply chain solutions
<b>Qualification</b>	Bachelors of Engineering (Information Technology) degree
<b>Responsibility</b>	Currently looks after the vendor and customer relationship management & handles the finance and accountancy.
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Ronak Parekh</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Promoter, Whole-Time Director and CEO, 10+ years of experience in supply chain solutions
<b>Qualification</b>	Bachelor of Management Studies and a Master's of Management Studies degree
<b>Responsibility</b>	Heads the marketing and product innovation division
<b>Other Directorships</b>	-

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- Aditya Daultabadkar, Neha Nagar and Vijay Shah are Non-Executive Independent Directors of the Company. They have an average experience of 20+ years and have education qualification in their respective fields.
- Navneetdas Parekh (CFO) has completed B. Com and has 10+ years of experience.
- Neetika Sakla (CS) is a fresher by experience.

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	13,597.83	20,443.77	18,584.83	7,704.05
Other Income	577.33	226.14	382.15	157.90
<b>Total Income</b>	<b>14,175.16</b>	<b>20,669.91</b>	<b>18,966.98</b>	<b>7,861.95</b>
<b>Expenses</b>				
Purchases of stock-in-trade	12,929.45	19,843.33	17,376.09	7,344.02
Change in Inventories of Stock In Trade	644.69	-409.17	196.83	-307.78
Employee Benefit Expenses	95.70	113.69	154.67	112.03
Finance Cost	193.54	271.63	334.75	239.27
Depreciation and Amortization Expense	9.52	30.71	34.63	22.09
Other expenses	123.33	231.66	279.89	121.45
<b>Total Expenses</b>	<b>13,996.23</b>	<b>20,081.85</b>	<b>18,376.86</b>	<b>7,531.08</b>
<b>EBITDA</b>	<b>-195.34</b>	<b>664.26</b>	<b>577.35</b>	<b>434.33</b>
<b>EBITDA Margin</b>	<b>-1.44%</b>	<b>3.25%</b>	<b>3.11%</b>	<b>5.64%</b>
<b>Profit/(Loss) before tax</b>	<b>178.93</b>	<b>588.06</b>	<b>590.12</b>	<b>330.87</b>
<b>Tax Expense</b>				
Current tax	45.01	148.56	150.96	81.81
Excess/Short Provision for prior years	-	-	-	6.44
Deferred Tax	0.17	1.03	0.11	2.12
<b>Total Tax</b>	<b>45.18</b>	<b>149.59</b>	<b>151.07</b>	<b>90.37</b>
<b>Profit/(Loss) for the year</b>	<b>133.75</b>	<b>438.47</b>	<b>439.05</b>	<b>240.50</b>
<b>Net Profit Margin</b>	<b>0.98%</b>	<b>2.14%</b>	<b>2.36%</b>	<b>3.12%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	68.40	74.69	1,434.42	1,434.42
Reserves and surplus	497.01	979.51	458.83	699.35
<b>Total Equity</b>	<b>565.41</b>	<b>1,054.20</b>	<b>1,893.25</b>	<b>2,133.77</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	572.55	592.73	278.25	318.01
Deferred Tax liability	3.16	4.19	4.30	6.42
<b>Total Non-current liabilities</b>	<b>575.71</b>	<b>596.92</b>	<b>282.55</b>	<b>324.43</b>
<b>CURRENT LIABILITIES</b>				
Short-term Borrowings	1,100.72	1,907.77	2,611.02	2,818.86
Trade Payables				
(i) Total outstanding dues of MSME	106.66	276.39	164.69	271.35
(ii) Total outstanding dues of creditors other than MSME	504.42	717.75	808.90	532.72
Other Current Liabilities	222.12	529.78	254.87	118.12
Short-term provisions	7.04	12.33	18.38	26.13
<b>Total Current liabilities</b>	<b>1,940.96</b>	<b>3,444.02</b>	<b>3,857.86</b>	<b>3,767.18</b>
<b>Total Liabilities</b>	<b>2,516.67</b>	<b>4,040.94</b>	<b>4,140.41</b>	<b>4,091.61</b>
<b>Total Equity and Liabilities</b>	<b>3,082.08</b>	<b>5,095.14</b>	<b>6,033.66</b>	<b>6,225.38</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	312.94	333.71	280.57	263.09
Non-Current Investments	0.25	-	5.50	14.50
Long-Term Loans and Advances	90.20	138.70	160.00	159.90

Particulars	FY 22	FY 23	FY 24	Dec-24
<b>Total Non-Current assets</b>	<b>403.39</b>	<b>472.41</b>	<b>446.07</b>	<b>437.49</b>
<b>CURRENT ASSETS</b>				
Inventories	338.53	747.70	550.87	858.65
Trade Receivables	2,209.91	3,377.30	4,299.61	4,168.39
Cash & Cash equivalents	10.52	245.50	489.01	266.59
Short term loans and advances	119.73	252.22	212.43	450.51
Other Current Assets	-	-	35.68	43.74
<b>Total Current assets</b>	<b>2,678.69</b>	<b>4,622.72</b>	<b>5,587.60</b>	<b>5,787.88</b>
<b>Total Assets</b>	<b>3,082.08</b>	<b>5,095.13</b>	<b>6,033.67</b>	<b>6,225.37</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	105.79	-332.12	-250.53	-242.09
Net Cash Flow from Investing Activities	-194.75	-38.82	40.02	11.34
Net Cash Flow from Financing Activities	92.01	605.92	454.02	8.33

### 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	0.94	3.07	3.07	1.63	EV/EBITDA	-11.41*	4.98	7.44	4.73
BV per share	82.66	141.14	13.20	23.15	Market Cap / Sales	0.02	0.02	0.34	0.84
<b>Operating Ratios</b>					P/E	46.81	14.33	14.33	27.02
EBITDA Margins	-1.44%*	3.25%	3.11%	5.64%	Price to Book Value	0.53	0.31	3.33	1.90
PAT Margins	0.98%	2.14%	2.36%	3.12%	<b>Solvency Ratios</b>				
Inventory days	9.11	13.39	10.85	16.00	Debt / Equity	2.96	2.37	1.53	0.69
Debtor days	59.48	60.46	84.67	88.35	Current Ratio	1.38	1.34	1.45	1.45
Creditor days	17.30	18.34	20.51	21.56	Quick Ratio	1.21	1.13	1.31	1.31
<b>Return Ratios</b>					Asset Turnover	4.41	4.01	3.08	1.70
RoCE	-17.95%*	38.37%	24.94%	11.27%	Interest Coverage Ratio	-1.06*	2.33	1.62	1.72
RoE	23.66%	41.59%	23.19%	7.04%					

\*EBITDA was negative.

\*\*Annualized

### INTERPRETATION –

- The top line has remained slightly inconsistent over the years. It increased by 50.35% in FY23. The increase was due to increase in business post COVID and customer relation for quality and timely services. In FY24 it decreased by 9.09% which was due to decrease in price of the products sold by the company.
- The net profit also increased over the years. It saw sudden increase by 227.83% in FY23 and increased by just 0.13% in FY24.
- The EBITDA has remained negative in FY22 as other income was high and the reason for that increase is due to discount received from suppliers. The EBITDA margin remained negative in FY22 and then it increased.
- The PAT margin has also increased over the years and saw a sudden increase in FY23 which looks unsustainable.
- There is negative cash flow from operations for FY23, FY24 and Dec-24.
- The DE ratio was high in FY22 and FY23.
- The RoCE and RoE saw a dip in FY24.

**PEER ANALYSIS –**

Particulars	Shreenath Paper Products Limited			JK Paper Limited			Star Paper Mills Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.98%	2.14%	2.36%	12.42%	17.22%	15.52%	10.52%	12.77%	13.43%
EBITDA Margin	-1.44%	3.25%	3.11%	25.67%	30.97%	25.50%	14.36%	17.34%	18.30%
RoCE	-17.95%	38.37%	24.94%	14.68%	25.63%	19.52%	7.22%	12.45%	11.10%
ROE	23.66%	41.59%	23.19%	17.77%	29.20%	21.96%	6.85%	11.05%	9.89%
EPS (INR)	0.94	3.07	3.07	32.03	70.59	66.22	23.49	42.07	41.00
P/E	46.81	14.33	14.33	10.12	5.41	4.87	7.33	3.48	5.48

Particulars	Shreenath Paper Products Limited			Seshasayee Paper and Boards Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.98%	2.14%	2.36%	8.0%	18.6%	14.5%
EBITDA Margin	-1.44%	3.25%	3.11%	13.7%	27.0%	21.6%
RoCE	-17.95%	38.37%	24.94%	10.5%	29.4%	17.3%
ROE	23.66%	41.59%	23.19%	8.8%	24.2%	14.2%
EPS (INR)	0.94	3.07	3.07	17.44	62.76	42.93
P/E	46.81	14.33	14.33	10.27	3.76	6.85

- The company is not comparable to its peers on an apple-to-apple basis as all these mentioned peers manufacture paper and related products whereas Shreenath Paper Products procures products from third party manufacturers.
- The market cap of the company is less compared to its peers.
- The cash conversion cycle of the company is worse than Seshasayee Paper & Boards and JK Paper.
- The PE ratio of the company is worse than its peers.

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is **Galactico Corporate Services Limited**. This is their second mandate. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Galactico Corporate Services Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Atal Realtech Limited	10.83	72.00	Oct 15, 2020	12.12

The company has handled 0 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 24<sup>th</sup> Feb 2025.

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



## Recommendation -

Shreenath Paper Products Limited has been in the industry since 2011 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 27.02 times which makes it slightly aggressively priced.

The company's management is decent and the promoters have decent experience in the industry.

The company's top line has remained inconsistent over the years. The bottom line and PAT margin saw a sudden increase in FY23 and then a slight increase in FY24 which looks unsustainable. The EBITDA and EBITDA margin remained negative for FY22. The company had negative cash flow from operations for FY23, FY24 and Dec-24. Overall, the financials of the company looks unsustainable.

The company has high concentration for suppliers and loss of any mat have an adverse impact.

The company operates in a very highly fragmented and competitive industry and has no unique business strategies for growth.

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

### Disclaimer

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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