



# Sah Polymers Ltd

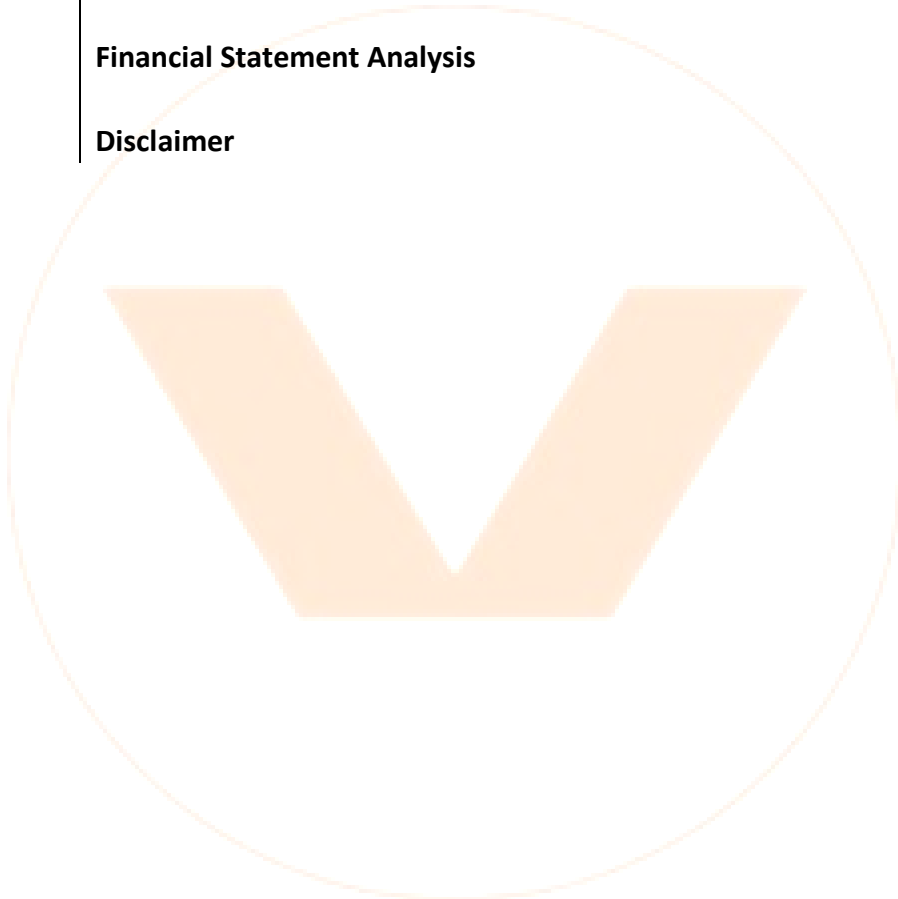
Gaining market share in an unorganized market



Kyon ki bhaiya, sabse bada rupaiya.

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**NOT RATED**

## Gaining market share in an unorganized market

Incorporated in 1992, Sah Polymers Ltd (SPL) is primarily engaged in manufacturing and selling Polypropylene (PP)/High-Density Polyethylene (HDPE) FIBC Bags, Woven Sacks, HDPE/PP woven fabrics and woven polymer. The company offer customized bulk packaging solutions to B2B manufacturers catering to different industries such as agrochemicals, bulk drugs, cement, chemicals, fertilizer, FMCG, textile, ceramics and steel. The company is a Del Credere Associate cum Consignment Stockist (DCA/CS) of Indian Oil Corporation Ltd and also operates as a dealer-operated polymer warehouse (DOPW) of Indian Oil Corporation Ltd for its polymer division. SPL has 1 manufacturing facility with an installed production capacity of 3,960 MTPA located at Udaipur, Rajasthan.

In India, SPL has a presence in 5 states and 1 UT. Internationally, SPL exports its products to 14 countries including Algeria, Togo, Ghana, Poland, Portugal, France, Italy, Dominican Republic, the USA, Australia, UAE, Palestine, UK and Ireland. The company generates 40% of its revenue through export.

During FY19-22, SPL's revenue/ EBITDA/ net profit grew at a CAGR of 21.2%/ 50.0%/ 124.5% to INR 80.5 cr/ INR 7.0 cr/ INR 4.2 cr, respectively, while EBITDA and net margins improved by 411bps to 8.7% and 440bps to 5.2%, respectively. As a result, return ratios – RoE and RoIC – improved by 1552bps to 17.5% and 682bps to 11.5%, respectively.

SPL's proposed issue size is INR 66.3 cr (100% fresh issue) and it will be utilized for

- The repayment of INR 19.7 cr of debt in FY23
- The capex requirements of INR 8.2 cr towards the new manufacturing facility to manufacture a new variant of FIBC.
- Funding working capital requirement of INR 15.0 cr
- General corporate purposes to the extent of INR 23.4 cr

At the IPO price of INR 65 per share (upper price band), SPL is valued at 39.9X TTM P/E, which is higher than its peers – EMMBI Industries (10.9X TTM P/E), Commercial Syn Bags (26.4X TTM P/E), Jumbo Bags (6.1X TTM P/E) and Rishi Techtex (15.5X). The valuations are on the higher side, and we would like to check the financial performance in the upcoming quarters after listing.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Adj PAT	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY19	45.2	2.1	0.4	4.6	0.8	0.1	7.4	2.0	4.7	451.6	8.8	85.6
FY20	49.8	2.5	0.3	5.1	0.6	0.1	7.5	1.5	6.3	564.9	8.7	69.6
FY21	55.1	3.0	1.3	5.5	2.3	0.5	7.8	6.3	7.1	131.8	8.3	59.2
FY22	80.5	7.0	4.2	8.7	5.2	1.6	10.3	17.5	11.5	39.9	6.3	27.9

Industry	Textiles
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### Issue Details

Listing	BSE & NSE
Open Date	30 <sup>th</sup> Dec 2022
Close Date	4 <sup>th</sup> Jan 2023
Price Band	INR 61-65
Face Value	INR 10
Market Lot	230 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	0%
Fresh Issue	100%
Issue Size (Amt)	INR 66.3 cr
Issue Size (Shares)	10,200,000
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	15,596,000
Post issue sh (nos)	25,796,000
Post issue M Cap	INR 168 cr

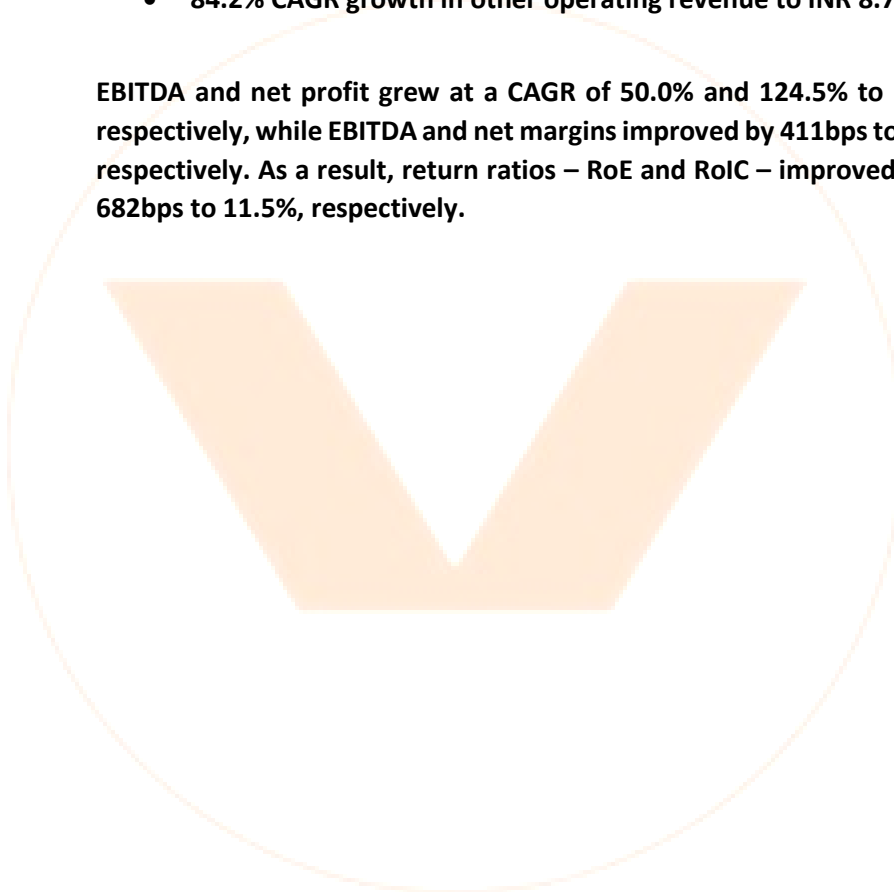
Shareholding (%)	Pre (%)	Post (%)
Promoter	91.8	55.5
Promoter Group	8.2	5.0
Public	0.0	39.5
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## FY20-22 performance: Pandemic affected the sale of premium cars in India

During FY19-22, SPL's revenue grew at a CAGR of 21.2% to INR 80.5 cr, which was primarily driven by

- 19.4% CAGR growth in the bag segment to INR 47.1 cr. The segment's domestic revenue grew at a CAGR of 14.6% to INR 21.7 cr and export revenue grew at a CAGR of 24.3% to INR 25.4 cr.
- 5.8% CAGR growth in the fabric segment to INR 16.9 cr. The segment's domestic revenue grew at a CAGR of 44.5% to INR 10.6 cr, however, export revenue declined at a CAGR of 16.2% to INR 6.3 cr.
- 84.2% CAGR growth in other operating revenue to INR 8.7 cr.

EBITDA and net profit grew at a CAGR of 50.0% and 124.5% to INR 7.0 cr and INR 4.2 cr, respectively, while EBITDA and net margins improved by 411bps to 8.7% and 440bps to 5.2%, respectively. As a result, return ratios – RoE and RoIC – improved by 1552bps to 17.5% and 682bps to 11.5%, respectively.



## Management Team

Key Person	Designation	Details
Mr Asad Daud	MD	He holds a Masters of Science degree in field of Accounting & Finance from The London School of Economics and Political Science. He possesses more than 12years of experience in the polymer packaging Industry.
Mr Hakim Sadiq Ali Tidiwala	Whole Time Director	He has been associated with SPL since August 1, 1998. He does not have a formal education degree. He possesses more than 23 years of experience in the polymer packaging Industry.
Mr Murtaza Ali Moti	CEO	He is a CA, CFA and Financial Risk manager and has an over all experience of over 16 years in the field of Finance and Accounts
Mr Lalit Kumar Bolia	CFO	He holds a Masters of Commerce degree fr om Mohanlal Sukhadia University, Udaipur. Further he has an overall experience of over 30 years in field of Finance and Accounts.

Source: Company Reports

### Key Risks & Concerns

- One of the promoter groups companies – Aeroflex Industries Ltd, is appearing in the RBI willful defaulter list issued by CIBIL in relation to default in payment for various facilities availed by the company in the past from State Bank of India, Axis Bank, Bank of India, UCO Bank, Exim Bank and Allahabad Bank in the year 2009 and prior thereto for its business. In the event, such instances occur once again it could adversely affect SPL’s reputation.
- The company derives a significant portion of its revenue from a limited number of customers, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for SPL’s products could adversely affect the business,
- Italica Furniture Pvt Ltd, the group company and Fibcorp Polyweave Pvt Ltd, the subsidiary, is carrying on business activities similar to SPL’s business. This may be a potential source of conflict of interest and may have an adverse effect on the business.

## Issue Structure and Offer Details

The proposed fresh issue size of SPL is INR 66.3 cr and the price band for the issue is in the range of INR 61-65 and the bid lot is 230 shares and multiples thereof.

### Issue Structure

Investor category	Allocation	No of shares offered
QIB	Not more than 75%	7,650,000
NIB	Not less than 15%	1,530,000
Retail	Not less than 10%	1,020,000
<b>Total</b>		<b>10,200,000</b>

*Number of share based on higher price band of INR 65*

*Source: Company Reports*





**SPL financial summary and analysis**

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22
<b>Income Statement</b>					<b>Per share data &amp; Yields</b>				
Revenue	45.2	49.8	55.1	80.5	Adjusted EPS (INR)	0.1	0.1	0.5	1.6
YoY Growth (%)		10.3	10.5	46.2	Adjusted Cash EPS (INR)	0.4	0.4	0.8	2.0
Raw Material Cost	32.1	33.4	38.5	56.3	Adjusted BVPS (INR)	7.4	7.5	7.8	10.3
RM Cost to Sales (%)	71.0	67.1	69.9	70.0	Adjusted CFO per share (INR)	1.3	0.8	0.5	(0.3)
Employee Cost	2.1	2.2	2.2	3.2	CFO Yield (%)	2.0	1.2	0.8	(0.5)
Employee Cost to Sales (%)	4.5	4.3	4.1	3.9	Adjusted FCF per share (INR)	0.4	0.3	(0.6)	(2.0)
Other Expenses	9.0	11.7	11.3	14.0	FCF Yield (%)	0.6	0.5	(1.0)	(3.0)
Other Exp to Sales (%)	19.9	23.5	20.5	17.4	<b>Solvency Ratio (X)</b>				
EBITDA	2.1	2.5	3.0	7.0	Total Debt to Equity	0.6	0.5	0.7	1.1
Margin (%)	4.6	5.1	5.5	8.7	Net Debt to Equity	0.5	0.5	0.6	1.1
YoY Growth (%)		22.0	19.3	131.9	Net Debt to EBITDA	4.8	3.4	3.8	4.0
Depreciation & Amortization	0.7	0.8	0.8	1.0	<b>Return Ratios (%)</b>				
EBIT	1.4	1.8	2.2	6.0	Return on Equity	2.0	1.5	6.3	17.5
Margin (%)	3.0	3.5	4.0	7.5	Return on Capital Employed	2.2	1.0	5.1	8.8
YoY Growth (%)		29.6	25.3	170.8	Return on Invested Capital	4.7	6.3	7.1	11.5
Other Income	0.4	0.1	0.3	0.7	<b>Working Capital Ratios</b>				
Finance Cost	1.0	1.6	0.9	1.2	Payable Days (Nos)	32	33	23	36
Interest Coverage (X)	1.3	1.1	2.6	4.9	Inventory Days (Nos)	47	41	38	71
Exceptional Item	0.0	0.0	0.0	0.0	Receivable Days (Nos)	71	66	64	63
PBT	0.7	0.3	1.6	5.5	Net Working Capital Days (Nos)	85	74	80	98
Margin (%)	1.7	0.5	2.9	6.8	Net Working Capital to Sales (%)	23.4	20.3	21.8	26.8
YoY Growth (%)		(64.9)	517.2	238.6	<b>Valuation (X)</b>				
Tax Expense	0.4	0.2	0.3	1.1	P/E	451.6	564.9	131.8	39.9
Tax Rate (%)	50.4	82.8	21.6	20.3	P/BV	8.8	8.7	8.3	6.3
PAT	0.4	0.0	1.3	4.4	EV/EBITDA	85.6	69.6	59.2	27.9
Margin (%)	0.8	0.1	2.3	5.4	EV/Sales	3.9	3.5	3.3	2.4
YoY Growth (%)		(87.9)	2,721	243.9	<b>Cash Flow Statement</b>				
Min Int/Sh of Assoc	(0.0)	0.3	0.0	(0.2)	PBT	0.7	0.3	1.6	5.5
Net Profit	0.4	0.3	1.3	4.2	Adjustments	(1.1)	1.5	2.0	4.4
Margin (%)	0.8	0.6	2.3	5.2	Change in Working Capital	4.0	0.4	(1.9)	(9.6)
YoY Growth (%)		(20.1)	328.7	230.4	Less: Tax Paid	(0.4)	(0.2)	(0.3)	(1.1)
<b>Balance Sheet</b>					<b>Cash Flow from Operations</b>				
Share Capital	15.6	15.6	15.6	15.6	Net Capital Expenditure	(1.0)	(0.9)	(2.3)	(1.1)
Total Reserves	3.4	3.7	4.5	11.1	Change in Investments	0.0	0.0	0.0	(9.7)
Shareholders Fund	19.0	19.3	20.1	26.6	<b>Cash Flow from Investing</b>	(0.9)	(0.8)	(2.3)	(10.8)
Long Term Borrowings	0.0	0.0	0.9	1.5	Change in Borrowings	(0.6)	(0.1)	1.7	12.3
Deferred Tax Assets / Liabilities	1.2	1.3	1.4	1.4	Less: Finance Cost	(1.0)	(1.6)	(0.9)	(1.2)
Other Long Term Liabilities	0.0	0.0	0.0	0.0	Proceeds from Equity	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.0	0.0	Dividend Paid	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>20.2</b>	<b>20.6</b>	<b>22.4</b>	<b>29.5</b>	<b>Cash flow from Financing</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>0.9</b>	<b>11.1</b>
Net Block	13.1	13.2	14.2	18.7	<b>Net Cash Flow</b>	<b>0.7</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(0.5)</b>
Capital Work in Progress	0.0	0.0	0.0	6.7	Forex Effect	0.0	0.0	0.0	0.0
Intangible assets under developmen	0.0	0.0	0.0	0.0	Opening Balance of Cash	0.8	1.5	1.0	1.0
Non Current Investments	0.0	0.0	0.0	0.0	<b>Closing Balance of Cash</b>	<b>1.5</b>	<b>1.0</b>	<b>1.0</b>	<b>0.5</b>
Long Term Loans & Advances	0.8	0.6	0.6	2.1					
Other Non Current Assets	0.0	0.0	0.0	0.0					
Net Current Assets	6.3	6.8	7.6	2.0					
<b>Total Assets</b>	<b>20.2</b>	<b>20.6</b>	<b>22.4</b>	<b>29.5</b>					

Source: Ventura Research

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