

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

SAH POLYMER LIMITED

December 30, 2022



SAH POLYMERS LIMITED



December 30, 2022

Details of the Issue

Price Band	₹ 61 - ₹ 65
Issue Size	₹ 66.30 Cr
Face Value	₹ 10
Bid Lot	230
Listing on	BSE, NSE
Post Issue Mcap	₹ 157 Cr - ₹ 168 Cr
Investment Range	₹ 14,030 - ₹ 14,950

Important Indicative Dates (2022)

Opening	30 - Dec
Closing	04 - Jan
Basis of Allotment	09 - Jan
Refund Initiation	10 - Jan
Credit to Demat	11 - Jan
Listing Date	12 - Jan

Lead Manager

Pantomath Capital Advisors Pvt Ltd

No of shares Mn

Fresh Issue of Shares	-
Offer for Sales	25.79
Total No of Shares	25.79

Offer Details

Offer Size	₹ 66.30 Cr
Fresh Issue	-
OFS	₹ 66.30 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	49.73	32,305	30,317	75
NIB	9.95	1.53	1.63	15
Retail	6.63	1.02	1.08	10
Empty	-	-	-	-
Total	66.30	32,308	30,320	100

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	14.31	91.79	14.31	55.50
Promoter Group	1.28	8.21	1.28	4.96
Public	0	0.00	10.20	39.54
Total	15.59	100	25.79	100

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Company Profile

Company was incorporated in 1992, Sah Polymers Limited is primarily engaged in manufacturing and selling of Polypropylene (PP)/High-Density Polyethylene (HDPE) FIBC Bags, Woven Sacks, HDPE/PP woven fabrics and woven polymer. The company offer customised bulk packaging solutions to business-to-business ("B2B") manufacturers catering to different industries such as Agro Pesticides Industry, Basic Drug Industry, Cement Industry, Chemical Industry, Fertilizer Industry, Food Products Industry, Textile Industry Ceramic Industry and Steel Industry.

Sah Polymers Limited have two business divisions (i) **domestic sales**; and (ii) **exports**. The company has a presence in 6 states and 1 union territory for the domestic market and 6 regions internationally in 6 regions such as Africa, the Middle East, Europe, the USA, Australia and the Caribbean. As of March 31, 2022, the company is supported by 97 committed staff based on the payroll. The company has one manufacturing facility with an installed production capacity of 3960 m.t. p.a. located at Udaipur, Rajasthan.

Business Highlights & Services

They are an ISO 9001:2015 certified company, primarily engaged in manufacturing and selling of Polypropylene (PP)/ High Density Polyethylene (HDPE) FIBC Bags, Woven Sacks, HDPE/PP woven fabrics, based products of different weight, sizes and colours as per customers specifications. They offer customised bulk packaging solutions to business -to-business ("B2B") manufacturers catering to different industries such as Agro Pesticides Industry, Basic Drug Industry, Cement Industry, Chemical Industry, Fertilizer Industry, Food Products Industry, Textile Industry Ceramic Industry and Steel Industry. Besides, their Company is a Del Credere Associate cum Consignment Stockist (DCA/ CS) of Indian Oil Corporation Limited and also operates as Dealer Operated Polymer Warehouse (DOPW) of Indian Oil Corporation Limited for their polymer division. They enter into arrangements as third-party manufacturers to manufacture their tape and fabric based on customers' requirements.

Company have two business divisions (i) domestic sales; and (ii) exports. Company have presence in 5 states and 1 union territory for their domestic market based on sales made for the three months ended June 30, 2022 and FY 2022, respectively. Internationally they export their products to 14 countries such as Algeria, Togo, Ghana, Poland, Portugal, France, Italy, Dominican Republic, USA, Australia, UAE, Palestine, UK and Ireland. For the three months ended June 30, 2022 and for Fiscals 2022, 2021 and 2020, company's revenue from exports was Rs. 1558.22 lakhs, Rs. 4439.39 lakhs, Rs. 2752.39 lakhs, and Rs. 2491.88 lakhs contributed 57.61%, 55.14%, 49.98% and 50.75% respectively of their revenue from operations.

Presently, they have one manufacturing facility with installed production capacity of 3960 m.t. p.a. located at Udaipur, Rajasthan. Over the years, they have made investments, from time to time, in their manufacturing infrastructure to support their product portfolio requirements and its reach. Furthermore, in line with their strategic expansion plans, they intend to use part of their Net Proceeds to establish a new facility with an additional installed capacity of 3960 m.t p.a. to manufacture different variants of FIBC products. For details of their proposed manufacturing unit, please refer chapter titled "Objects of the Issue" on page 90 of the RHP. Company is promoted by SAT Industries Limited which is listed on BSE Ltd. and NSE Ltd.

Their Company is led by their Managing Director, Asad Daud, and Whole Time Director, Hakim Sadiq Ali Tidiwala, who have a combined average experience of approximately about 20 year sin the FIBC packaging 127 industry.



Each of their Executive Directors are involved in the critical aspects of their business, including expansion, process and plant, finance, sales and marketing.

Production Capacity and Capacity Utilization

Particular	Units	Jun'30,2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
Looms Production					
Installed Capacity	KGS	1,107,288	44,29,152	44,29,152	41,23,704
Actual Production	KGS	911,094	37,17,836	33,04,082	38,15,178
Capacity Utilisation	%	82.28	83.94	74.60	92.52
Tape Plant					
Installed Capacity	KGS	11,44,440	45,77,760	45,77,760	45,77,760
Actual Production	KGS	10,01,898	38,32,524	32,60,479	39,22,077
Capacity Utilisation	%	87.54	83.72	71.22	85.68

Company products

Types of Product	Major Verities	Application
FIBC (Flexible intermediate bulk container)	<ul style="list-style-type: none"> Wide range of patterns. 	End use in Construction Industry and Agriculture Industry
Container Bag	<ul style="list-style-type: none"> Garden/wastage bags: U-panel, 4 panel, Circular, Tubular, Max 4 side 4 colors. Heavy Duty Wastage Bags: ½m³, 1m³, 2m³ and 3m³ (color: white, green, blue and orange) 	End used in Household and Waste management
Woven sacks	<ul style="list-style-type: none"> Box Bags Sand Bags Vale Bags Bale Bags Envelope Bags Woven Sack with liner Box bags with liner Box bags with lamination 	Pack cement, fertilizer, food grain & seeds, sugar oilseeds, chemicals, bale covers, geo-textile, salt, para dropping packaging etc
PP Fabric	<ul style="list-style-type: none"> Flat / circular PP (polypropylene) HDPE (High Density Polyethylene) 	End use in packaging, sheltering and covering products
Ground covers	<ul style="list-style-type: none"> Width: 90 cms to 500 cms Fabric: 70 gsm to 200 gsm 	End use in Agriculture and Horticulture Industry
Spiral tubing	<ul style="list-style-type: none"> Ranges from 30 cms to 152 cms Durability and unlimited size flexibility 	End use in packaging industry
PP Woven fabric Rolls	<ul style="list-style-type: none"> Roll 	End use in packaging, sheltering and covering products



Industry Outlook

The Polymers Market size is expected to reach US\$790 billion by 2027, after growing at a CAGR of 5.5% during the forecast period 2022-2027. Polymers are a broad range of materials produced from small molecules called monomers. They form a long chain after bonding. Plastics are also referred to as polymers as these are manufactured using polymers. Polymers can be classified into natural polymers, semi-synthetic polymers and synthetic polymers. Based on structure, polymers can be categorized into linear polymers, cross-linked polymers and branched-chain polymers. These are extensively used in textiles, packaging, aircraft, bottles, trays, toys and many other applications. According to the US Bureau of Economic Analysis, the output of textile manufacturing in the US in 2019 was US\$18.79 billion which was 23.8% more than the numbers in 2009. Thus, the growth in such end-use industries is boosting its market growth.

Competition

Sah Polymer compete with large organised companies as well as smaller regionally based competitors. Some of their competitors may have greater resources than those available to them. While product quality, brand value, timely delivery, customer network, etc. are key factors in customer decisions among competitors, however, price and quality are the deciding factor in most cases. among listed companies of similar size and product portfolio in India, they face competition from Kanpur Plastipack Ltd., Rishi Techtex Ltd., Jumbo Bag Ltd., SMVD Polypack Ltd., EMMBI Industries Ltd. and Commercial Syn. Bags Ltd.

Industries Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Sah Polymers Ltd	10	8,123.45	2.81	17.09	NA	16.42%
Peer Group						
Rishi Techtex Ltd	10	10,108.44	1.78	39.76	15.67	4.46%
Jumbo Bag Ltd	10	13,113.80	1.27	37.85	17.37	3.35%
SMVD Poly Pack Ltd	10	8,629.99	2.11	46.41	7.17	6.01%
EMMBI Industries Ltd	10	43,572.60	10.76	86.71	8.60	12.41%
Commercial Syn Bags Ltd	10	32,620.40	15.48	85.22	21.20	17.32%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Setting up of a new manufacturing facility to manufacture new variant of Flexible Intermediate Bulk Containers (FIBC) (hereinafter referred to as the "Project") of ₹ 8.17 Cr.
- Repayment of certain secured and unsecured borrowings in full availed by their Company of ₹ 19.66 Cr.
- Funding the working capital requirements of their Company of ₹ 14.95 Cr.

Company's Promoter

The company was incorporated as 'Peacock Continental Ltd' at Udaipur on April 20, 1992. The company was promoted by Sat Industries Ltd. Currently, the Promoters hold 91.79% of the pre-issue issued, subscribed and paid-up equity share capital.

Board of Directors

It boards of directors Include Asad Daud who is the MD of the company. Hakim Sadiq Ali Tidiwala is the whole-time -Director of the company. Ramesh Chandra Soni, Sanjay Suthar, Nikhil Khanderao Raut, Chetna is the Non-Executive Director of the company.

**Companies Competitive Strength :**

- Diversified product portfolio.
- Customer base across geographies and industries.
- Experienced Management Team.

Key Strategies Implemented by Company

- Setting up a new manufacturing facility to widen their product portfolio and increase their capacity.
- Increase their customer network in existing markets and enter new geographical markets.
- Carefully evaluate and pursue accretive acquisitions.

Particulars (Rs Cr)	Consolidated	Standalone	
	2022	2021	2020
Equity Share Capital	15.60	15.60	15.60
Reserves	11.05	4.49	3.21
Net worth as stated	26.65	20.09	18.81
Revenue from Operation	80.51	55.07	49.10
Revenue Growth (%)	46.20%	12.16%	-
EBITDA as Stated	7.73	3.30	2.61
EBITDA margin (%)	9.52%	5.96%	5.24%
Profit Before Tax	5.49	1.62	0.51
Net Profit for the period	4.38	1.27	0.30
Net Profit (%) as Stated	5.43%	2.31%	0.60%
EPS (₹)	2.81	0.82	0.19
RoNW (%)	16.42%	6.33%	1.58%
Net Asset Value (₹)	17.09	12.88	12.06

Valuations and Recommendation:

- Sah Polymers Limited's annualized earnings arrives at ₹ 2.5 Cr based on (6MFY23). Company is expected to have post Market cap of ₹ 168 Cr, Which implies a earnings multiple (P/E) of 67.20(x).
- The Company Competes with peers who holds large scale production facilities shares relatively same business model along with high Top and bottom line, it already established listed players trades at significantly lower P/E compare to Sah Polymer, Its Premium to Listed players leaves little room for potential listing gains, hence We Assign "Avoid" rating to the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Harshad D. Gadekar | + 022-6618 2685 | Harshadgadekar@geplcapital.com

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