

IPO Snapshot

September 04, 2024

Shree Tirupati Balajee Agro Trading Company Limited



SELL BULLMARKET
BROKER OFFERING
COMPANY STOCK
GROWTH
UNDER WRITER
FLOW SHARES VALUE
IPO
PROCESS PROFIT
LARGE DISCOUNT VENTURE
TRADING PRICE MARKET
CAPITAL PERIOD
INVESTOR
MONEY SELLING
PUBLIC OFFERING
UNDER PRICING
OPPORTUNITY
SECURITY
FIRST



Issue Snapshot:

Issue Open: September 05 – September 09, 2024

Price Band: Rs. 78 – 83

*Issue Size: Up to 2,04,40,000 eq sh (Fresh issue of upto 1,47,50,000 eq sh + Offer for sale of upto 56,90,000 eq sh)

Reservation for:

QIB upto 50% eq sh
Non-Institutional atleast 15% eq sh
((including 1/3rd for applications between Rs.2 lakhs to Rs.10 lakhs))
Retail atleast 35% eq sh

Face Value: Rs 10

Book value: Rs 27.54 (March 31, 2024)

Bid size: - 180 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 66.82 cr
*Post issue Equity: Rs. 81.57 cr

Listing: BSE & NSE

Book Running Lead Managers: PNB Investment Services Limited, Unistone Capital Private Limited

Sponsor Bank: ICICI Bank Ltd & Axis Bank Ltd

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	88.38	65.42
Public & Employees	11.62	34.58
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Shree Tirupati Balajee Agro Trading Co. Ltd. (STBATCL) is engaged in the business of manufacturing and selling of Flexible Intermediate Bulk Containers (FIBCs) i.e. large flexible bags and other industrial packaging products such as woven sacks, woven fabric and narrow fabric, tapes in the Indian domestic market and overseas. It offers customized products and cater to the bulk packaging solutions of clients from diverse industries like chemicals, agrochemicals, food, mining, waste disposal industry, agriculture industry, lubricants and edible oil by supplying them FIBC products for transportation purposes and their packaging requirement. The company offers an alternative for packaging and transportation, streamlining the loading and unloading processes of vessels, containers, or trucks, thereby reducing labor requirements.

In terms of competence, its core competencies include a wide product range, multi-location facilities, recurring orders, global presence, scale of production, technical expertise, environmental contribution, and recycling efforts. It offers a wide range of packaging solutions to clients since it manufactures variety of FIBC bags, woven bags and container liners etc.

The Company manufactures FIBC bags for packaging all possible products including, food products, chemicals, mining etc. Its products are logistic solutions for diverse industries and the success of its business does not depend upon a few sectors. The company is a one-stop solution to all FIBC packaging needs. It is among the few companies in India with large portfolio. For ease of operations and better management and control, it manufactures specific products under various Subsidiaries.

STBATCL has established its services for more than 20 (twenty) years and operate out of five (5) manufacturing units. It operates and manages business through subsidiaries viz. Honorable Packaging Private Limited (HPPL), Shree Tirupati Balajee FIBC Limited (STBFL) and Jagannath Plastics Private Limited (JPPL) as well. For the last three fiscals, the company served B2B number of customers 351 (FY2), 353 (FY23), and 346 (FY24). As of July 23, 2024, it had 857 employees on its payroll. It also hires contract labourers as and when required.

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit of Rs. 453.79 cr. / Rs. 13.66 cr. (FY22), Rs. 478.14 cr. / Rs. 20.72 cr. (FY23), and Rs. 552.82 cr. / Rs. 36.07 cr. (FY24). The company reported PAT margins of 3.01% (FY22), 4.33% (FY23), 6.53% (FY24), and RoCE margins of 10.02%, 13.39%, 16.29% for the referred periods, respectively.

Objects of Issue:

The Offer comprises of a Fresh Issue of 1,47,50,000 Equity Shares and the Offer for Sale of 56,90,000 Equity Shares.

Offer for Sale

The Selling Shareholder will be entitled to receive the proceeds of the Offer for Sale after deducting its proportion of the Offer expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale. The proceeds of the Offer for Sale will be received by the Selling Shareholder and will not form part of the Net Proceeds.

Fresh Issue

STBATCL intends to utilize the net proceeds of the Fresh Issue i.e. gross proceeds of the Fresh Issue less the Offer related expenses apportioned to the Company (“Net Proceeds”) are proposed to meet the following objects:



- Repayment and/or prepayment, in part or full, of certain of the outstanding borrowings availed by the Company.
- Investment in subsidiaries HPPL, STBFL and JPPL for Repayment and/or prepayment, in part or full, of certain of outstanding borrowings availed
- Funding the incremental working capital requirements of the Company;
- Investment in subsidiaries HPPL, STBFL and JPPL for funding working capital requirements and
- General corporate purposes

In addition, STBATCL expects to achieve the benefits of listing of the Equity Shares on the Stock Exchanges, including enhancement of the Company’s brand name and creation of a public market for its Equity Shares in India. It will also provide liquidity to the existing shareholders and will also create a public trading market for the Equity shares of the Company.

Utilisation of Net Proceeds

S.No	Particulars	Amount (in Rs. Lakhs)
1	Repayment and/or prepayment, in part or full, of certain of the outstanding borrowings availed by the Company	3,145.36
2	Investment in subsidiaries HPPL, STBFL and JPPL for Repayment and/or prepayment, in part or full, certain of outstanding borrowings availed	2,082.14
3	Funding the incremental working capital requirements of the Company;	1,350.00
4	Investment in subsidiaries HPPL, STBFL and JPPL for funding working capital requirements and	1,074.00
5	General corporate purposes	*
	Total	*

Competitive Strengths

- Diverse customer base.
- Cost-Effectiveness of FIBCs
- Multi- product portfolio
- Integrated Manufacturing Facility
- Quality Standard Certifications & Quality Tests
- Experienced Promoter and senior management team
- Multi-market Company
- Product Development Capabilities
- Growing Demand for Sustainable Packaging Solutions

Business Strategy:

- Focus on core competence.
- Multi- Location Facilities
- Developing the new product line
- Global and Domestic Presence
- Continue to improve operating efficiencies through technology enhancements
- Recycling

Key Concerns

- All manufacturing facilities are situated at Pithampur, Madhya Pradesh resulting in concentration in a single region. Any localized social unrest, natural disaster, delay in production at, or shutdown of, or any interruption for a significant period of time, in these facilities may in turn adversely affect the business, financial condition and results of operations.
- There is an increased awareness towards controlling pollution and many economies including India have joined in the efforts to ban plastic product. In case any plastic packaging products manufactured by the Company are banned in India or in any of the markets where it exports its products, it could have a material and adverse effect on the business and results of operations.
- The Company's name may suggest involvement in agro business, leading to misconceptions among investors.



- STBATCL has negative cash flows from its operating, investing and financing activities in the past years. Sustained negative cash flow could impact on the growth and business.
- Increased revenue may not necessarily lead to higher margins, as they are affected by raw material costs, finance expenses, and other operational costs
- Poly Propylene granules, Poly Propylene (LDPE) and High-Density Polyethylene (HDPE) of different grades is STBATCL's primary raw material constituting a significant percentage of the Company's total expenses. The business is susceptible to adverse impacts from fluctuations in crude oil prices affecting polymer costs, and risks associated with foreign exchange movements during polymer imports. Additionally, increases in raw material prices, supply shortages, and cost overruns pose potential adverse effects on its operations. Increases in the prices of raw materials, its availability, quality and cost overruns could have adverse effect on it.
- Heavy reliance on short-term raw material contracts, coupled with exposure to price fluctuations and lack of hedging policies, poses a significant threat. The Company is further subject to uncertainties in the supply of raw materials and there is no assurance that its suppliers will continue to sell raw materials to it as per its requirements. This could impact the business and financial performance of the Company.
- STBATCL has lapsed /delayed in making the required filings under Companies Act, 2013 and under the applicable provisions of Companies Act, 1956.
- Majority portion of the domestic sales are derived from the western zone and any adverse developments in this market could adversely affect the business.
- The volatile fluctuations in crude oil prices, particularly during events like COVID-19 and the Russia-Ukraine war, can result in substantial changes in manufacturing costs and gross profit margins within the FIBC market, ultimately impacting the company's financial position.w

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