

Sah Polymers

Packaging | India

IPO | 30 December 2022

Leading Manufacturer of PP Woven Fabrics in India

About the Company

Sah Polymers Limited is primarily engaged in manufacturing and selling of Polypropylene (PP)/ High Density Polyethylene (HDPE) FIBC bags, woven sacks and HDPE/PP woven fabrics-based products of different weight, sizes and colours as per customers specifications. Presently, the company has one manufacturing facility with installed production capacity of 3960 MTPA located at Udaipur, Rajasthan. The company is coming up with an IPO comprising of fresh issues of ~10.2mn shares, aggregating to Rs663mn. The company will utilize the funds for setting up its new manufacturing facility, repayment of borrowings, funding capex requirements and general corporate purposes.

Business Model

The company has two business divisions: **1) Domestic sales** and **2) Exports**. It offers customized bulk packaging solutions to business-to-business (B2B) manufacturers, catering to different industries such as agro pesticides, basic drug, cement, chemical, fertilizer, food products, textile, ceramic and steel. Sah Polymers Limited is a Del Credere Associate cum Consignment Stockist (DCA/CS) of Indian Oil Corporation Limited and operates as Dealer Operated Polymer Warehouse (DOPW) of IOCL for their polymer division.

Diversified Product Portfolio

Sah Polymers Limited's product portfolio includes FIBC (flexible intermediate bulk containers), container bags, PP and HDPE woven fabric, woven sacks and fabric rolls among others. The company has engaged in manufacturing of products based on the orders of their customers to meet their requirements. They offer variety of products to fulfill diverse needs of different customer segments. The products undergo quality check at various levels of production to ensure that any quality defects or product errors are rectified on real time basis.

Domestic & International Presence

Sah Polymers has its presence in 5 states and 1 union territory for their domestic market, based on sales made in 1QFY23 and FY22. Globally they export their products to 14 countries including US, Algeria, Ghana, UK and Australia to name a few. In line with their strategic expansion plans, the company intends to use part of their net proceeds to establish a new facility with an additional installed capacity of 3960 MTPA to manufacture different variants of FIBC product.

Financials in Brief

During FY20-22, its revenue and PAT clocked CAGR of 28% and 284% respectively, while EBITDA margin increased from 3.7% in FY20 to 8.7% in FY22. The company reported revenue of Rs805mn in FY22, up 46% YoY, while EBITDA increased to Rs70mn in FY22 from Rs30mn in FY21. PAT for FY22 stood at Rs43.8mn as against Rs12.7mn in FY21 and Rs2.97mn in FY20. Its ROE during FY20, FY21 and FY22 stood at 1.6%, 6.3% and 16.4% respectively. The company has maintained a Net-Debt/Equity of ~0.7x over FY20-22.

Our View

The Polymers market size is expected to reach \$790bn by 2027, growing at a CAGR of 5.5% during the period of 2022-27. The company manufactures and sells Polypropylene which is a very lightweight polymer and used as a substitute for various other polymers. Moreover, the global market for FIBC is estimated at \$6701.5mn in 2022 and is projected to reach \$9109.7mn by 2028, growing at a CAGR of 5.3% which is likely to aid in the company's growth. Based on FY22 earnings the company is valued at 38.3x P/E, 27.9x EV/EBITDA and 2.4x EV/Sales. **While, the company has a quality product mix, strong customer base across geographies and industries, good financials and a wide product portfolio, the issue seems pricey based on the current financials.**

IPO Details

Price Band (Rs)	61-65
Face Value (Rs)	10
Issue Open/Closing Date	30-Dec-22/4-Jan-23
Fresh Issues (mn)	10.2
OFS (mn)	-
Total Issue (mn)	10.2
Minimum Bid Qty. (Nos)	230
Issue Size (Rs bn)*	0.66
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs bn)*	1.7

*At a higher band

Object of the Issue

- ▶ Setting up of a new manufacturing facility.
- ▶ Repayment of borrowings.

Key Risk

- ▶ Negative cash flows from operations in the past.
- ▶ Significant portion of revenue from limited number of customers.
- ▶ Competition from other large and small players.
- ▶ High working capital.
- ▶ Require several approvals, NOCs, licences, registrations and permits.
- ▶ Unsecured loans from banks and NBFCs.
- ▶ High capex.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	100.0	60.5
Others	-	39.5

Key Financials

(Rs mn)	FY20	FY21	FY22
Revenue	491	551	805
EBITDA	18	30	70
EBITDA Margin (%)	3.7	5.5	8.7
PAT	3	13	44
PAT Margin (%)	0.6	2.3	5.4
EPS (Rs)	0.1	0.5	1.7
P/E (x)	564.9	131.8	38.3
EV/EBITDA (x)	97.7	59.2	27.9
EV/Sales (x)	3.6	3.3	2.4
Net Worth	188	201	266
RoE (%)	1.6	6.3	16.4
Gross Debt	104	138	305
Net Block	127	142	156
Net Asset Turnover (x)	3.9	3.9	5.2

Source: RHP

Research Analyst:

Arafat Saiyed

Contact : (022) 41681371 / 9819503007

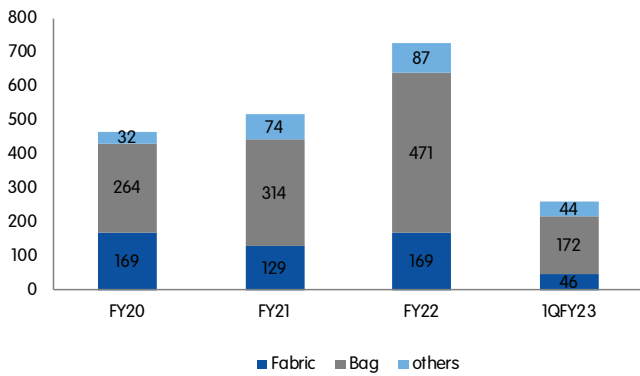
Email : arafat.saiyed@relianceada.com

Exhibit 1: Product Basket



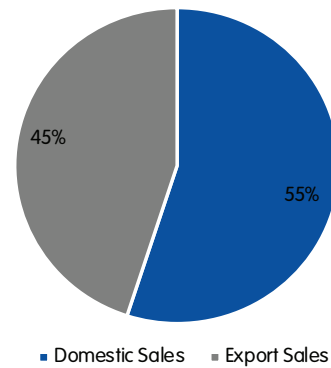
Source: RHP

Exhibit 2: Domestic and Export Sales of Primary Manufactured Products (Rs mn)



Source: RHP, F&S

Exhibit 3: Geographic Revenue Split



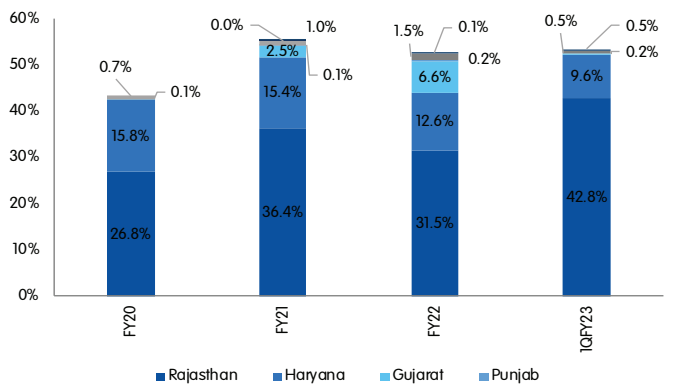
Source: RHP

Exhibit 4: Geographical Presence



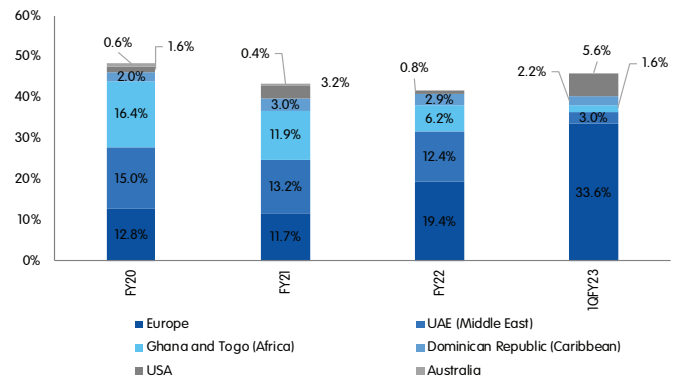
Source: RHP

Exhibit 5: Revenue by Geographical Region



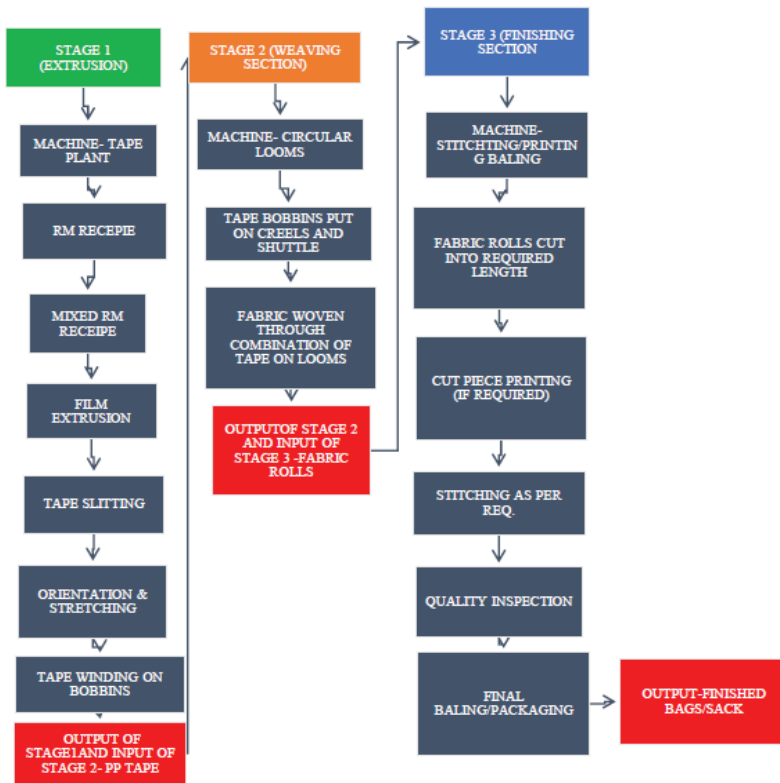
Source: RHP

Exhibit 6: Revenue by Geographical Region



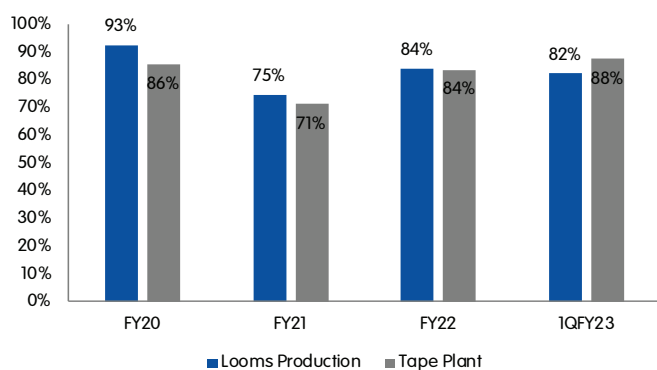
Source: RHP

Exhibit 7: Manufacturing Process



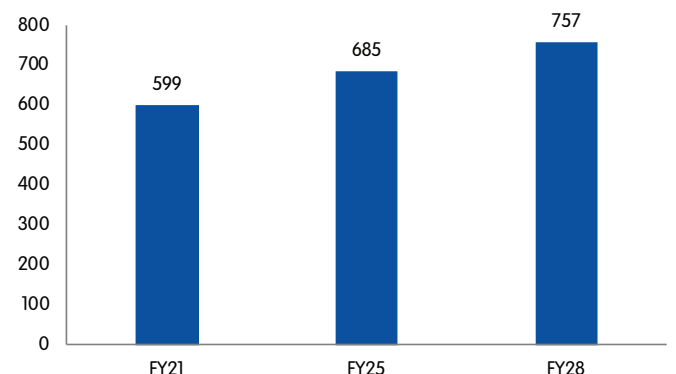
Source: RHP

Exhibit 8: Capacity Utilization



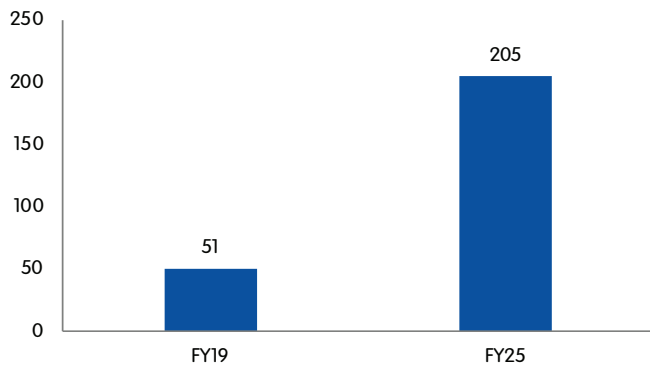
Source: RHP

Exhibit 9: Global Plastic Industry (USD bn)



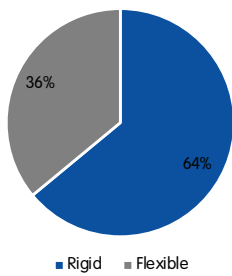
Source: RHP

Exhibit 10: Indian Plastic Industry (USD bn)



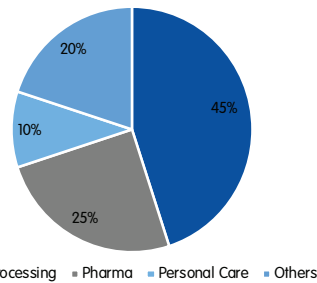
Source: RHP

Exhibit 11: Packing Type Share



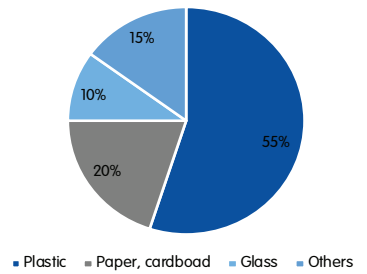
Source: RHP

Exhibit 12: End Consumer Share



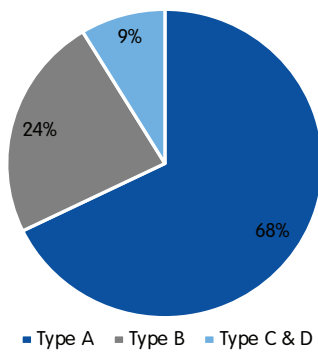
Source: RHP

Exhibit 13: Packing Material Share



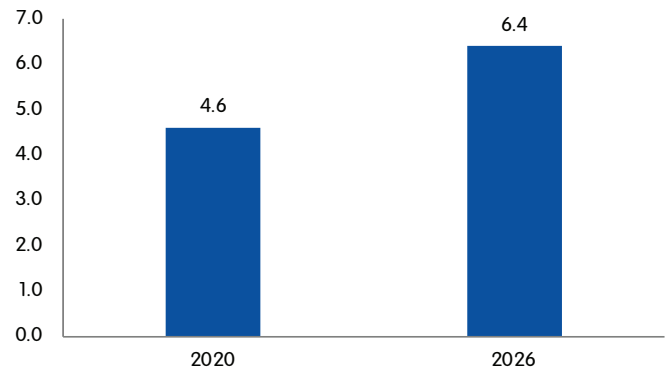
Source: RHP

Exhibit 14: Market Share by Bag Type



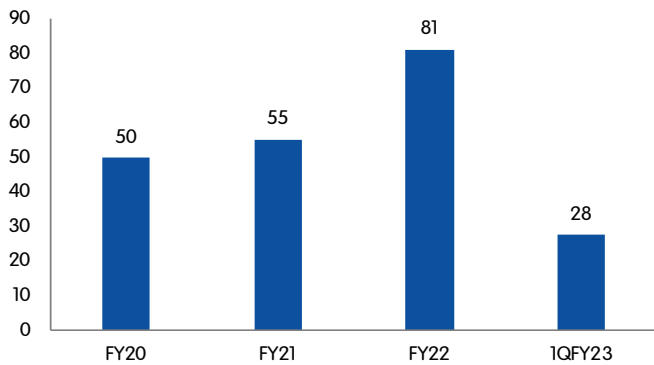
Source: RHP

Exhibit 15: Global FIBC Industry (USD bn)



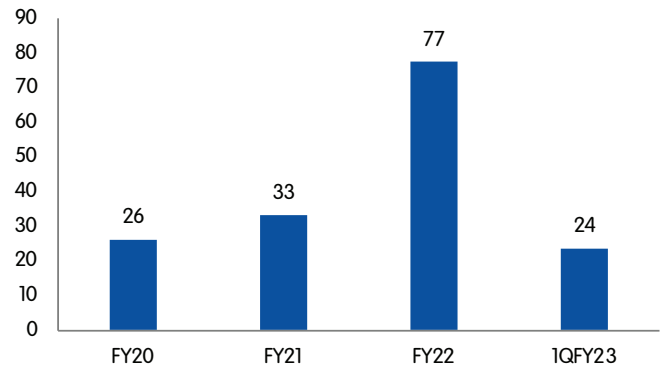
Source: RHP

Exhibit 16: Total Revenue (Rs mn)



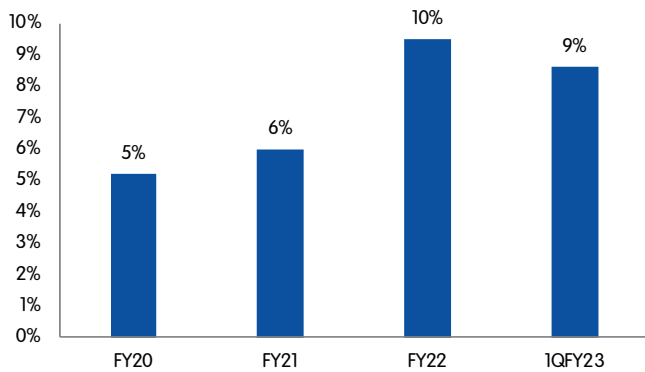
Source: RHP

Exhibit 17: EBITDA (Rs mn)



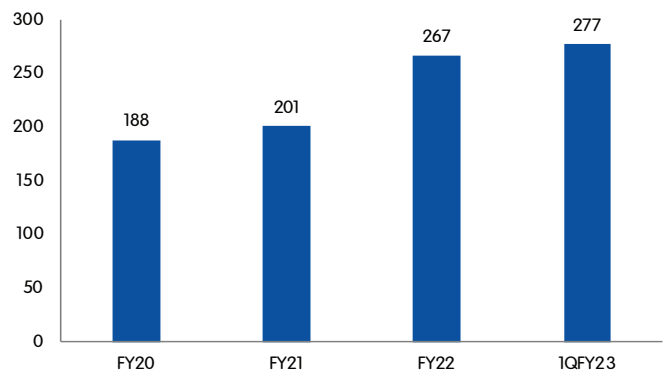
Source: RHP

Exhibit 18: EBITDA Margin



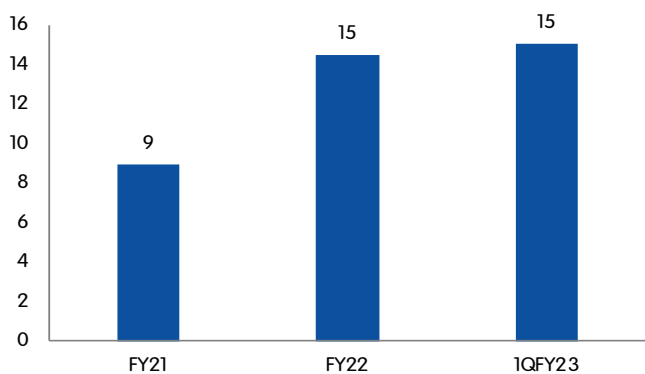
Source: RHP

Exhibit 19: Networth (Rs mn)



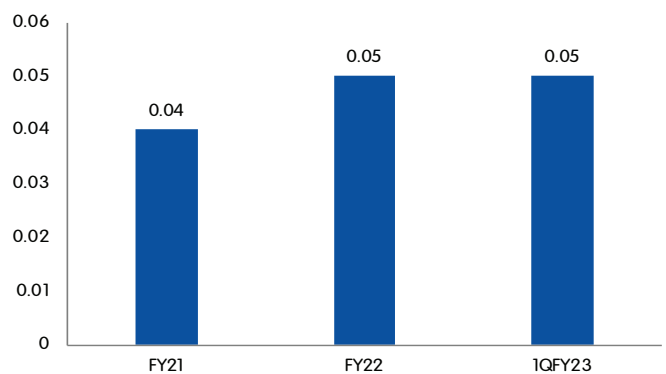
Source: RHP

Exhibit 20: Long Term Debt (Rs mn)



Source: RHP

Exhibit 21: D/E Ratio



Source: RHP

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