



IPO NOTE

**Shree Tirupati Balajee
Agro Trading Co. Ltd.**

04th September 2024

Company Overview

Shree Tirupati Balajee Agro Trading Company Limited, established in October 2001, stands out as a key player in the flexible bulk packaging sector, specializing in Flexible Intermediate Bulk Containers (FIBCs) and related products such as woven sacks and industrial packaging solutions. Serving diverse industries, including chemicals, food, and mining, it provides efficient bulk packaging that simplifies transportation and storage, reducing labor costs. With over 20 years of experience, the company operates five manufacturing units. Units I and II are certified with ISO 9001:2015 and ISO 14001:2018. Unit III is certified with ISO 9001:2015, ISO 45001:2018, ISO 14001:2015, ISO 14064-1:2018, and SEDEX SMETA four-pillar. The company's certifications cover the production of Flexible Intermediate Bulk Containers (FIBCs), woven sacks, and fabrics of PP (Polypropylene) and HDPE (High-Density Polyethylene). It also manages several subsidiaries, including Honourable Packaging Private Limited (HPPL), Shree Tirupati Balajee FIBC Limited (STBFL), and Jagannath Plastics Private Limited (JPPL), underscoring its extensive reach and production capacity. Offering a wide range of products, including UN-certified bulk bags, thermal insulation bags, and fire retardant bags, the company highlights its ability to cater to varied industry needs. The company's commitment to quality is evident in its rigorous testing processes and various certifications, while its sustainability efforts are demonstrated by investments in solar power. Financially robust, the company shows significant revenue growth and profitability, supported by a diverse global customer base. Its innovative solutions and adherence to high standards position it as a leading force in the global flexible bulk packaging market.

Objects of the issue

The company proposes to utilize the net proceeds towards the funding of the following objects:

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

Investment Rationale

Leading player in FIBC packaging and provides cost-effective and environmentally friendly solutions to diversified customer base

Shree Tirupati Balajee Agro Trading Company Limited, a key player in the FIBCs market, offers a diverse range of packaging solutions to a broad customer base and maintains a notable international presence with exports to 38 countries, thereby mitigating the risk of dependence on any single market. The FIBCs, made from lightweight polypropylene, can hold between 500 kg and 2,000 kg, making them suitable for various products such as grains, chemicals, mining materials, and construction materials. The design of these FIBCs not only reduces transportation costs but also simplifies handling with forklifts, providing a more economical and efficient alternative to traditional paper and metal packaging. Due to these advantages, FIBCs are gaining popularity and experiencing growing demand, particularly in the Asia-Pacific region and across industries like food and beverage, chemicals, and pharmaceuticals. As the global market increasingly favors sustainable packaging solutions, the cost-efficiency and environmental benefits of FIBCs continue to drive their adoption and market growth. The company is well-positioned to leverage these market dynamics effectively.

Integrated manufacturing facility and quality control measures offer advantage in the marketplace

The company operates five strategically located manufacturing facilities in Indore, Madhya Pradesh, near major industrial hubs with good connectivity to transport networks. These facilities span 21,613 square meters with an extrusion capacity of approximately 2,300 metric tons per month, and utilize about 2,200 metric tons per month. The company consistently upgrades its infrastructure and technology to enhance productivity and reduce costs. It adheres to stringent quality standards, with

Issue Details

Offer Period 05th Sep 2024 - 09th Sep 2024

Price Band Rs. 78 to Rs. 83

Bid Lot 180

Listing BSE & NSE

Issue Size (no. of shares in mn) 2.0

Issue Size (Rs. in bn) 1.7

Face Value (Rs.) 10

Issue Structure

QIB 50%

NIB 15%

Retail 35%

BRLM PNB Investment Services Ltd., Unistone Capital Private Ltd.

Registrar Link Intime India Private Ltd.

Particulars	Pre Issue %	Post Issue %
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Promoters and promoter group	88.4	65.4
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Public	11.6	34.6
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Total	100.00	100.00
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(Assuming issue subscribed at higher band)

certifications including ISO 9001:2015, ISO 22000:2018, ISO 14001:2015, ISO 45001:2018, SEDEX SMETA, and BRCGS. An in-house laboratory supports ongoing testing and quality control, addressing any issues in real time. The company is also focused on innovation, led by a chemical engineer, with ongoing product development and patent pursuits for advanced weaving processes to improve FIBC strength. These integrated manufacturing capabilities and quality measures enable the company to meet market demands with high-quality products at competitive prices.

Valuation

The FIBC market is set for significant growth, driven by increasing demand across various industries and the expanding e-commerce sector. Since their introduction in India in the early 1990s, FIBCs have become a key export product, with Indian production reaching nearly 65 countries. This growth is supported by strong domestic demand in sectors such as chemicals, food products, construction materials, and agriculture, coupled with favorable government policies like Make-in-India that enhance manufacturing and international trade. Shree Tirupati Balajee Agro Trading Co. Ltd. has established itself as a prominent player in the FIBC and industrial packaging sector, benefiting from substantial market demand and a global footprint. Despite facing risks from regulatory changes affecting plastic use, raw material supply fluctuations, and regional concentration of manufacturing facilities, the company has demonstrated steady financial growth. It reported a revenue CAGR of 10.2%, increasing from Rs. 4,442 million in FY22 to Rs. 5,397 million in FY24. EBITDA margins improved from 7% in FY22 to 11% in FY24, while PAT rose from Rs. 137 million in FY22 to Rs. 361 million in FY24, with an EPS of Rs. 5.7 in FY24. **The current issue is priced at a P/E ratio of 14.5x on upper price band based on FY24 earnings, aligning well with its peers. Given the industry's promising growth trajectory and the company's strategic focus on capacity optimization, new product development, and expansion in domestic and global presence, we recommend a "SUBSCRIBE" rating for the issue with a medium to long-term investment perspective.**

Key Risks

- **Potential impact of plastic regulations on operations:** The company faces potential risks from increasing global efforts to ban plastic products. The company's primary offerings, such as FIBCs and woven fabrics, rely on polypropylene, a plastic material. The upcoming legislative restrictions, particularly in India and export markets, could adversely affect its revenue and operations. Despite efforts in recycling and emission reduction, these regulations present a significant risk.
- **Risks from raw material supply and pricing:** The company faces significant risks due to reliance on short-term raw material contracts and exposure to price fluctuations. With no long-term supply agreements, the company is vulnerable to changes in raw material availability and costs, which can impact margins, sales, and operations. Key suppliers contribute a substantial portion of total purchases, adding to the variability in supply and pricing.
- **Regional concentration risks:** The company's five manufacturing facilities are all located in Pithampur, Madhya Pradesh, creating a concentration risk. Any significant disruption, such as natural disasters, political instability, or production delays in this region, could severely impact the company's business, financial condition, and operations.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	4,442	4,754	5,397
Total Revenue	4,442	4,754	5,397
Expenses			
Cost of material consumed	2,862	3,179	4,142
Purchase of stock-in-trade	156	10	-
Change in inventory	-22	-105	-393
Employee benefit expenses	315	336	325
Other expenses	822	853	703
Total Operating Expenses	4,133	4,274	4,778
EBITDA	309	480	619
Depreciation and Amotization expenses	72	58	69
Other income	96	27	132
EBIT	334	449	682
Finance costs	160	178	207
Exceptional item	0	0	0
PBT	173	271	474
Current Tax	34	57	110
Deferred Tax charge / (credit)	3	8	0
MAT Credit Entitlement	0	0	4
Total Tax	37	64	114
PAT	137	207	361
Duplicate EPS	2.3	3.5	5.7

Source:RHP,StoxBox

Cash Flow Statement (Rs in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	(222)	369	(265)
Cash flow from investing activities	(68)	(83)	(111)
Cash flow from financing activities	329	(339)	318
Net increase/(decrease) in cash and cash equivalents	45	(36)	(48)
Cash and cash equivalents at the beginning of the period	43	87	51
Cash and cash equivalents at the end of the period	87	51	3

Source:RHP,StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Assets			
Non- Current assets			
a) property, plant and equipment	563	513	715
b) Capital work in Progress	141	220	159
c) Right of Use Assets	11	10	9
d) Intangible Assets	8	7	7
e) Intangible Assets under development	0	0	0
f) Financial assets			
(i) Investements	6	9	11
(ii) Loans & Advances	26	26	0
(iii) Other financial assets	223	160	106
Total non-current assets	977	945	1,007
current assets			
a) Inventories	1,941	2,015	2,521
b) Financial assets			
i) Trade receivables	482	511	929
ii) Cash and cash equivalents	87	51	3
iii) bank balance other than(ii) above	22	43	75
iv) Loans & Advances	112	41	309
c) Other current assets	298	319	326
Total current assets	2,942	2,979	4,163
Total Assets	3,919	3,925	5,169
Equity and liabilities			
Equity			
a) Equity share capital	11	12	668
b) Other equity	911	1,091	1,062
Total attributable to owners of the parent company	922	1,102	1,731
Total attributable to Non-Controlling Intrest	262	307	376
Total equity	1,184	1,410	2,107
Liabilities			
Non-current liabilities			
a) Financial liabilities			
i) Borrowings	607	517	383
ii) Lease Liability	14	13	13
iii) Other financial liabilities	-	-	-
b) Provisions	40	31	29
c) Deferred Tax liabilities (Net)	15	23	23
Total non-current liabilities	676	585	448

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Current Liabilities			
a) Financial liabilities			
i) Borrowings	1,794	1,721	2,054
ii) Trade Payables	166	90	343
iii) Other financial liabilities	0	0	1
b) Other Current Liabilities	45	34	108
c) Provisions	24	30	16
d) Current Tax Liabilities (Net)	29	54	94
Total Current Liabilities	2,058	1,930	2,615
Total equity and liabilities	3,919	3,925	5,169

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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For complaints, send email on investor@bpwealth.com.

Corporate Office :

4th floor, Rustom Bldg, 29, Veer Nariman Road, Fort, Mumbai-400001
Phone- +91 22 6159 6464 | Fax:+91 22 6159 6160 | <https://stobox.in/>

Registered Office :

24/26, 1st floor, , Cama Building, Dalal street, Fort, Mumbai-40000



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