SHREE TIRUPATI BALAJEE AGRO TRADING COMPANY LIMITED

September 04, 2024



SMC Ranking

★½☆☆☆ (1.5/5)

Issue Highlights

Industry	Agro
Offer for sale (Shares)	5,690,000
Fresh Issue (Shares)	14,750,000
Net Offer to the Public	**20,440,000**
Issue Size (Rs. Cr.)	159-170
Price Band (Rs.)	78-83
Offer Date	5-Sep-24
Close Date	9-Sep-24
Face Value	10
Lot Size	180

Issue Composition

	In shares
Total Issue for Sale	20,440,000
QIB	10,220,000
NIB	3,066,000
Retail	7,154,000

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	88.38%	65.42%
QIB	0.00%	12.53%
NIB	11.62%	13.28%
Retail	0.00%	8.77%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The company intend to utilize the net proceeds of the Fresh Issue 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 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 and

General corporate purposes.

Book Running Lead Manager

- PNB Investment Services Limited
- Unistone Capital Private Limited

Name of the registrar

- Link InTime India Private Limited

About the company

Established in October 2001, Shree Tirupati Balajee Agro Trading Company Limited manufactures and sells Flexible Intermediate Bulk Containers (FIBCs), i.e., large flexible bags, and other industrial packaging products such as woven sacks, woven fabric, narrow fabric, and tapes in the Indian domestic market and overseas. The company offers customized products and caters to the bulk packaging needs of clients from various industries, including chemicals, agrochemicals, food, mining, waste disposal, agriculture, lubricants, and edible oil. The company operates through subsidiaries such as Honourable Packaging Private Limited (HPPL), Shree Tirupati Balajee FIBC Limited (STBFL), and Jagannath Plastics Private Limited (JPPL). 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 the SEDEX SMETA four-pillar. The company's certifications cover the production of Flexible Intermediate Bulk Containers (FIBC), Woven Sacks, and Fabrics of PP (Polypropylene) and HDPE (High-Density Polyethylene).

Strength

Diverse customer base: Over the years, the company has nurtured relationships with clients across various industries, consistently providing them with its product offerings. Shree Tirupati Balajee Agro maintains relationships with many clients, and their repeat business provides it with an understanding of future revenues and a stable client base. It helps and designs customized FIBCs, by offering complete range of FIBC for packaging all possible products. This enables the customers to improve performance and to reduce the cost thereby helping it in retaining its customers and getting price advantage over other suppliers. Shree Tirupati Balajee Agro Trading Company Limited believes that diverse product range of products allows its customers to source most of their product requirement from a single vendor and enables it to expand its business from existing customers, as well as address a larger base of potential new customers. It provides customized solutions and manufacture bags that cater to changing and specific need-based requirements of its clients.

Cost-Effectiveness of FIBCs: FIBCs are made of flexible woven fabrics, usually polypropylene (PP), and can hold a weight of 500 kg to 2,000 kg. These flexible intermediate containers are commonly used to store dry and mobile products such as grains, seeds, salt, chemicals, sand, clay, cement, etc. FIBCs offer cost-effectiveness, efficient load handling, ease of use, and chemical resistance, making them a swift replacement for alternative bulk packaging options such as paper-based products. Additionally, FIBCs contribute to weight reduction, resulting in lower transportation costs. In addition, due to Container bags' low cost and lightweight, forklift trucks can be used for mechanical processing, which is very convenient to handle. Besides, the adoption rate is higher than that of corrugated paper packaging, which is widely used in the pharmaceutical, chemical, and food industries. Moreover, since Container bags are light in weight and can be used multiple times, they have lower packaging costs and transportation costs. At the same time, with the substitutes made of metal materials, the production process is complex with associated production costs. Therefore, cost-effectiveness is one of the driving factors of the FIBC market.

Multi- product portfolio: Shree Tirupati Balajee Agro Trading Company Limited offers a wide range of packaging solutions to clients since it manufactures variety of FIBC bags for packaging all possible products including, food products, chemicals, minings etc. Its

products are logistic solutions for diverse industry and the success of its business does not depend upon a few sectors. It believes that the company is a one-stop solution to all FIBC packaging needs and putting efforts to grow majorly on the same. The company has a multi-product portfolio and has the ability to adjust to needs of customers. Its ability to offer the complete range of FIBCs helps it in retaining its customers and also helps it in getting price advantage over other suppliers. The company is into diverse categories of bag and liner production, which is manufactured on the basis of the specifications provided by the customer, along with printing on the bags to make the bags attractive.

Integrated Manufacturing Facility: The Company owns and operates five (5) Manufacturing Facilities strategically located at Indore (Madhya Pradesh). The location of its units is in proximity to Mumbai, Maharastra and major industrial zones having good connectivity to ports, airports, and highways, which enhances its capability of supplying its products in time and on a cost-effective basis to its clients. Its manufacturing facilities are constructed over an area of 21,613 Sq. Mtr., with an installed extrudious capacity of 2,300 Mt/ month approximately and its utilized capacity of 2,200 Mt/ month approximately. Its facilities are equipped with modern machinery. The company has enhanced and persists in modernizing its manufacturing facilities, infrastructure, machinery, equipment, and technology to enable it to provide a varied product range, minimize operating expenses, and enhance productivity.

Quality Standard Certifications & Quality Tests: The Company emphasizes the production of quality products. Comprehensive inspections are conducted at each stage of production to address any concerns promptly, ensuring compliance with industry standards before distributing its products to customers. Its commitment to excellence is demonstrated through clearly defined quality and production procedures. Its products consistently meet global standards, backed by certifications for Manufacturing units I and II - ISO 9001:2015 and ISO 22000:2018 from International Certification Services Private Limited and Staunchly Management and System Services Limited, respectively. Furthermore, its Quality Management System and Food Safety Management System Standard certifications for the production of Flexible Intermediate Bulk Containers (FIBC), Woven Sacks, and Fabrics of PP (Polypropylene) and HDPE (High-Density Polyethylene) reinforce its commitment. Unit III holds certifications for ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 22000:2018, and SEDEX SMETA fits -pillar. This advanced Food Grade facility boasts BRCGS and GFSI certifications for food-grade production, featuring HEPA filters, controlled air conditioning, metal detectors, automatic bag cleaning machines, and other essentials for manufacturing bags. Further, the company has an in-house laboratory for conducting various tests for further improvements in technology. Testing of raw materials and products is a simultaneous process and is conducted in each process to ensure that any quality or technical defects are rectified on a real time basis and the same is removed before the fabric is passed on to next process. Moreover, it undertakes various strength tests like tensile testing, UV testing for weather ability, Surface resistibility test in Type C, Rig testing for performance of FIBC Bags and Drop testing. Its stringent quality systems and processes enable it to meet the rigorous and complex requirements of its customers within the stipulated timelines and provide it with its track record of reliability. Quality assurance is prioritized, and stringent measures are implemented to ensure the delivery of its products meeting the standards to customers.

Multi-market Company: The Company is not dependent on a single market and has its presence in both, overseas as well as domestic market having its customer base spread across the globe. Its products are exported to 38 different countries and in the domestic market it supplies its products on PAN India basis. Further, the company has exported around 3.8 million FIBC bags during FY 2023 from its Unit I and Unit II. The company exports its products to over 38 countries across six continents, with major export destinations including USA, Germany, Australia, UK, Singapore, Canada, France, New Zealand, Chile, Sweden, Switzerland, Spain and Malaysia. According to IFIBCA, India has a 75% share in European FIBC imports and a 72% share in the US import market. India's dominance in the export market is attributable to a growing focus on quality, excellent engineering capabilities, backward integration, and ethical business practices. Further, the growth is supported by the increasing demand from sectors like food and agriculture, chemical and petrochemicals, construction materials, etc. The export numbers are expected to project a CAGR of 5% during 2024-2028 and will reach around 99.9 million units by the end of the forecast period. One of the primary drivers of growth

in this industry is the rapid pace of industrialization worldwide. FIBCs are increasingly being adopted by manufacturers in the chemical and agriculture sectors for the transportation of various commodities, including grains, rice, potatoes, cereals, and liquid chemicals. Additionally, these bags are used to store and transport construction supplies such as carbon black, steel, alloys, minerals, cement, and sand.

Its Product Development Capabilities: Its team is capable of providing customized solutions to meet customer needs. Its endeavor is to focus substantially in its capabilities. The company has earmarked a separate area for this, employing individuals exclusively for such activities. The company has two pending patents for a unique weaving process designed to enhance the strength of FIBC with single and double loop jumbo bags, utilizing Mesh Technology without increasing GSM. The company is concentrating on in-house research and product development to create plastic processing solutions.

Growing Demand for Sustainable Packaging Solutions: FIBCs are a more sustainable packaging solution than traditional packaging materials, such as drums and sacks. FIBC bags are reusable, recyclable, lightweight, and efficient. Further, FIBC bags are made from polypropylene, which is a recyclable material. The increasing awareness about sustainability is thus expected to drive the demand for FIBC. FIBC accounts for 51.47%, 67.89% and 78.30% of revenue from operations for year ended Fiscal 2024, Fiscal 2023 and Fiscal 2022 respectively.

Strategy

Focus on core competence: Focused on the manufacturing of FIBC, it aims to maintain its presence in this sector. Its commitment lies in consistently enhancing its capabilities to meet the rising demand, considering the global shift in FIBC usage. While historically prevalent in developed countries, FIBC is now gaining traction in India and other developing nations. It foresees a growing market for FIBC with the increasing industrial and agricultural production in India. Its existing capacity, operational scale, and skilled workforce position us to effectively respond to this escalating demand.

Multi-Location Facilities: The company has dedicated facilities in Indore, Madhya Pradesh for different type of bags under the Company and Subsidiaries thereby ensuring more cost effectiveness and consistency of quality. The company is planning to enhance its revenue growth through optimum utilisation of its capacity.

Developing the new product line: The Company has a wide product basket and strive to add new products that are required or essential or which are trending in the market or those products which are manufactured by its competitors or those that may be recommended by its Research and Development team. The company shall continue to focus on exploring new and feasible business opportunities.

Global and Domestic Presence: FIBC is a universally used product worldwide. Its global presence is a testament to the credibility it has built through its quality and services over more than 20 years, fostering further growth. Additionally, having a customer base spread across the globe ensures that the company is not dependent on a limited customer pool or any specific region of the world for sales stability. The company has two business divisions (i) Domestic sales; and (ii) Exports. The company has a presence in Telangana, Madhya Pradesh, Rajasthan, Chhattisgarh, Maharashtra, Karnataka, Andhra Pradesh, Odisha, Punjab, West Bengal, Tamil Nadu, Gujarat, Delhi, Uttar Pradesh, Himachal Pradesh, Bihar, Jharkhand states for its domestic market based on sales made in last 3 years.

Continue to improve operating efficiencies through technology enhancements: The Company is continuously enhancing its technology systems to improve asset productivity, operational efficiencies, and bolster its competitive standing. It believes that its in-house technology capabilities will remain instrumental in efficiently managing and expanding its operations, maintaining rigorous operational and fiscal controls, and elevating customer service standards. Its plan includes ongoing investment in its in-house technology capabilities to create tailored systems and processes for effective management control. Its ongoing focus is on reinforcing operational and fiscal controls.

Risk factor

- All of its manufacturing facilities are situated at Pithampur, Madhya Pradesh resulting in concentration in a single region.
- The Company has negative cash flows from its operating, investing and financing activities in the past years.
- Increased revenue may not necessarily lead to higher margins, as they are affected by raw material costs, finance expenses, and other operational costs.
- Heavy reliance on short-term raw material contracts, coupled with exposure to price fluctuations and lack of hedging policies, poses a significant threat.
- Majority portion of its domestic sales are derived from the western zone and any adverse developments in this market could adversely affect its business.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Rishi Techtex	113.23	1.33	1.80	34.41	1.44	43.09	10	61.93	45.77
Emmbi Industries	382.49	9.98	5.64	22.58	1.32	96.17	10	127.35	225.28
Commerl. Synbags	285.85	7.25	1.81	37.72	2.12	32.22	10	68.27	272.75
Shree Tirupati Balajee Agro Trading Company Limited	539.66	36.07	5.40	18.77	2.03	40.84	10	83.00	677.04

***Peer companies financials are TTM based**
***** Shree Tirupati Balajee Agro Trading Company Limited is based on FY24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.83, the stock is priced at pre issue P/E of 15.37x on FY24 EPS of Rs. 5.40. Post issue, the stock is priced at a P/E of 18.77x on its EPS of Rs. 4.42. Looking at the P/B ratio at Rs. 83 pre issue, book value of Rs. 31.53 of P/BVx 2.63x. Post issue, book value of Rs. 40.84 of P/BVx 2.03x.

Considering the P/E valuation, on the lower end of the price band of Rs.78, the stock is priced at pre issue P/E of 14.45x on FY24 EPS of Rs. 5.40. Post issue, the stock is priced at a P/E of 17.64x on its EPS of Rs. 4.42. Looking at the P/B ratio at Rs. 78 pre issue, book value of Rs. 31.53 of P/BVx 2.47x. Post issue, book value of Rs. 40.84 of P/BVx 1.91x.

Industry Outlook

The FIBC market in India has grown by almost 38% in the last 10 years. The installed capacity of the FIBC Industry grew by around 3.3% y-o-y (year-on-year) in 2022. It reaches around 205.5 million units by the end of 2023. The production of the FIBC industry declined by around 3.3% y-o-y in 2022 but increased by 8% y-o-y in 2023. The FIBC market was valued at 926 USD million in 2023 and has grown at a CAGR of 6.7% during the period, 2020-2023. FIBCs offer a convenient way to store and transport food products. This is because they are lightweight, easy to handle, and can be stacked to save space. India is a major exporter of food products. Food-grade FIBCs are used to transport food products to overseas markets. Moreover, the FIBC industry's consumption is likely to reach 69 million units at the end of the 2024. It has been growing at a CAGR of 5% during 2020-2023, owing to the increasing consumption from the chemicals & petrochemicals, food & agriculture, construction & mining sectors. This expansion can be majorly attributed to expanding businesses such as food and agriculture, medicinal products, and chemicals and fertilizers. The global FIBC consumption market was valued at USD 4,647 million in 2022. The global FIBC consumption market was valued at USD 4,856 million in 2023. Under the global FIBC market, Type A Bulk Bags stand at 43% market share followed by Type B Bulk Bags, Type C Bulk Bags, and Type D Bulk Bags, which account for 37%, 14% and 7% respectively in 2023. The market growth is attributed to the rising need to reduce the weight of bulk packaging, the thriving food and pharmaceutical industries, and the expanding manufacturing and construction sectors in developing regions. Moreover, the FIBC market is expanding due to

growing environmental concerns and the rising demand for lightweight, biodegradable bulk packaging materials, particularly in the pharmaceutical sector.

Outlook

The company specializes in manufacturing and marketing FIBCs and other industrial packaging products. It has shown consistent growth in both revenue and profit over the past three fiscal years. However, its dependence on short-term raw material contracts, vulnerability to price fluctuations, and absence of hedging strategies present significant risks. Additionally, the concentration of domestic sales in the western zone makes the business susceptible to any negative developments in that region. Long-term investors may consider this issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	05-September-24
BID/ISSUE CLOSES ON	09-September-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	10-September-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	11-September-24
Credit of Equity Shares to Demat Accounts of Allottees	11-September-24
Commencement of trading of the Equity Shares on the Stock Exchanges	12-September-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	539.66	475.43	444.18
Total expenditure	477.75	427.39	413.27
Operating Profit	**61.91**	**48.04**	**30.91**
OPM%	11.47	10.10	6.96
Other Income	13.16	2.70	9.61
Total Net Income	**75.07**	**50.74**	**40.51**
Interest	20.72	17.83	16.02
PBDT	**54.36**	**32.92**	**24.49**
Depreciation	6.91	5.81	7.15
Loss before tax	**47.44**	**27.11**	**17.34**
Tax	11.37	6.39	3.68
PAT	**36.07**	**20.72**	**13.66**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	71.54	51.30	56.32
Capital Work in Progress	15.87	21.99	14.13
Right-of-use assets	0.95	1.00	1.06
Intangible Assets	0.65	0.74	0.83
Intangible Assets under development	0.00	0.00	0.00
Financial Assets			
Investments	1.08	0.92	0.57
Loans & Advances	0.00	2.56	2.56
Other financial assets	10.59	16.01	22.25
Total non-current assets	**100.67**	**94.54**	**97.72**
Current asset			
Inventories	252.10	201.46	194.15
Financial Assets			
Trade Receivables	92.85	51.07	48.18
Cash and Cash Equivalents	0.31	5.09	8.73
Bank Balances other than Cash & Cash Equivalents	7.51	4.30	2.18
Loans & Advances	30.88	4.07	11.16
Other current assets	32.61	31.93	29.78
Total current assets	**416.27**	**297.92**	**294.17**
Total Assets	**516.94**	**392.46**	**391.89**
Non-current liabilities			
Financial liabilities			
Borrowings	38.33	51.70	60.68
Lease liabilities	1.29	1.34	1.38
Other financial liabilities	0.00	0.00	0.00
Provisions	2.88	3.10	4.02
Deferred Tax Liabilities (Net)	2.28	2.33	1.54
Total Non- Financial liabilities	**44.79**	**58.47**	**67.63**
Current liabilities			
Financial Liabilities			
Borrowings	205.36	172.10	179.37
Trade and other payables			
Total outstanding dues of micro and small enterprises	2.27	0.46	2.31
Total outstanding dues of creditors other than micro and small enterprises	32.04	8.57	14.25
Other financial liabilities	0.06	0.01	0.05
Other current liabilities	10.76	3.45	4.52
Provisions	1.56	3.01	2.44
Current Tax Liabilities (Net)	9.42	5.43	2.90
Total Financial liabilities	**261.47**	**193.03**	**205.84**
Total	**306.26**	**251.50**	**273.47**
Net worth represented by:			
Equity Share Capital	66.82	1.16	1.15
Other equity	106.24	109.05	91.08
Total attributable to Non- Controlling Interest	37.61	30.75	26.19
Net Worth	**210.68**	**140.96**	**118.42**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s)in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.