

Retail Research	IPO Note
Sector: Industrial Packaging	Price Band (Rs): 151 - 166
17th August 2023	Recommendation: Subscribe for long term Horizon

Pyramid Technoplast Limited

Company Overview:

Pyramid Technoplast is an industrial packaging company engaged in the business of manufacturing polymer-based molded products (Polymer Drums) mainly used by chemical, agrochemical, speciality chemical and pharmaceutical companies for their packaging requirements. They are one of the leading manufacturers of rigid Intermediate Bulk Containers (IBC) in India manufacturing 1,000 litre capacity IBC. They also manufacture MS Drums made of mild steel (MS) used in the packaging and transport of chemicals, agrochemicals and speciality chemicals.

Key Highlights:

Diverse customer base: The company caters to bulk packaging requirements of clients from diverse industries like chemicals, agrochemicals, pharmaceuticals, lubricants and edible oil by supplying them Polymer Drums, IBC and MS drums. They have maintained a long-term relationship with various clients serving them products as per industry standards and keeping up the mark on quality checks. This gives them strong visibility on future revenues and a stable client base. They have served more than 376 customers on a regular basis during the past three financial years.

Comprehensive product portfolio: The product offerings are polymer-based packaging drums ranging from 20 litres to 250 litres and IBC which is 1,000 litres. They also offer the alternative packaging option of MS Drums manufactured from MS enabling them to offer and provide alternative packaging solutions to their customers as per their preferences and requirements. They use blow molding technology to manufacture industrial packaging products such as jerry cans, polycans, drums (wide mouth, narrow mouth, open top), open top drums, etc. ranging from 20 litres to 250 litres. In addition to these products, they also use injection molding technology to manufacture caps, closures, bungs, lids, handles, lugs for in-house use for the products manufactured by them. MS Drums are made of MS with various coatings as per the requirements of our customers.

Strategically located manufacturing units: The Company operates six manufacturing units, four in Bharuch, GIDC, Gujarat and two in Silvassa, UT of Dadra and Nagar Haveli. These units are strategically located in industrial zones known for chemicals, agrochemicals, pharmaceuticals, lubricants, edible oil, etc. These units are conveniently located near Mumbai and major industrial zones, with great connectivity to ports, airports, and highways, ensuring timely and cost-effective product delivery. A seventh unit is being built in Bharuch, close to existing ones. The total installed capacity of Polymer drum manufacturing units is 20,612 MTPA. The total installed capacity of IBC manufacturing unit is 12,820 MTPA and the total installed capacity of MS drums unit is 6,200 MTPA.

Valuation:

At CMP, the company is valued at P/E multiple of 19.2x of its FY23 earnings at the upper price band. The IPO looks fairly valued across various valuation parameters when compared with its close peers. Investors can SUBSCRIBE the issue for a long-term investment perspective.

Issue Details	
Date of Opening	18 th August 23
Date of Closing	22 nd August 23
Price Band (Rs)	151 – 166
Issue Size (Rs cr)	139 – 153
No. of shares	92,20,000
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	555 – 610
BRLMs	PNB Investment Services Limited, First Overseas Capital Limited
Registrar	Bigshare Services Private Limited
Bid Lot	90 shares and in multiple thereof
QIB shares	30%
Retail shares	50%
NIB (HNI) shares	20%

Objects of Issue	
	(Rs Cr.)
Repayment and/or pre-payment, in full or part, of certain outstanding borrowings availed by our Company	40.0
Funding working capital requirements of our Company	40.2
General corporate purposes*	-
Total	-

* The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds of the Fresh Issue.

Shareholding Pattern		
Pre Issue	No. of Shares	%
Promoter & Promoter Group	3,12,84,800	100.0
Public & Others	0	0.0
Total	3,12,84,800	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	2,75,64,800	74.9
Public & Others	92,20,000	25.1
Total	3,67,84,800	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,75,64,800	74.9
Public & Others	92,20,000	25.1
Total	3,67,84,800	100.0

Source: RHP, SSL Research

Risk factors

- If the company is unable to successfully implement the proposed expansion plans, their results of operations and financial condition could be adversely affected.
- Any change in government policies or quality norms by the customers for molded industrial packaging, which they may not be able to adhere to, may affect the business growth, operations and financials.
- Unsecured loans of Rs 2.0 cr taken by the Company from lenders can be recalled at any time.
- Their manufacturing units are situated in Bharuch, Gujarat and Silvassa, Dadra and Nagar Haveli and the operations may be affected by various factors associated with the region where they operate.
- Any shutdown of operations from manufacturing units may have an adverse effect on the business and results of operations.
- Their customers expect to maintain high quality standards and any failure by them to comply with such quality standards may have an adverse effect on demand from end customers and on their reputation, business, results of operations and financial condition.

Growth strategy

- Continued focus on IBC by expanding the existing facilities.
- Continued focus on Polymer Drums and MS drums.
- Explore organic growth opportunities to increase capacity and business.
- Exploit industry opportunities arising out of the current geopolitical situation and government policies.

Revenue Break-up (Rs cr)

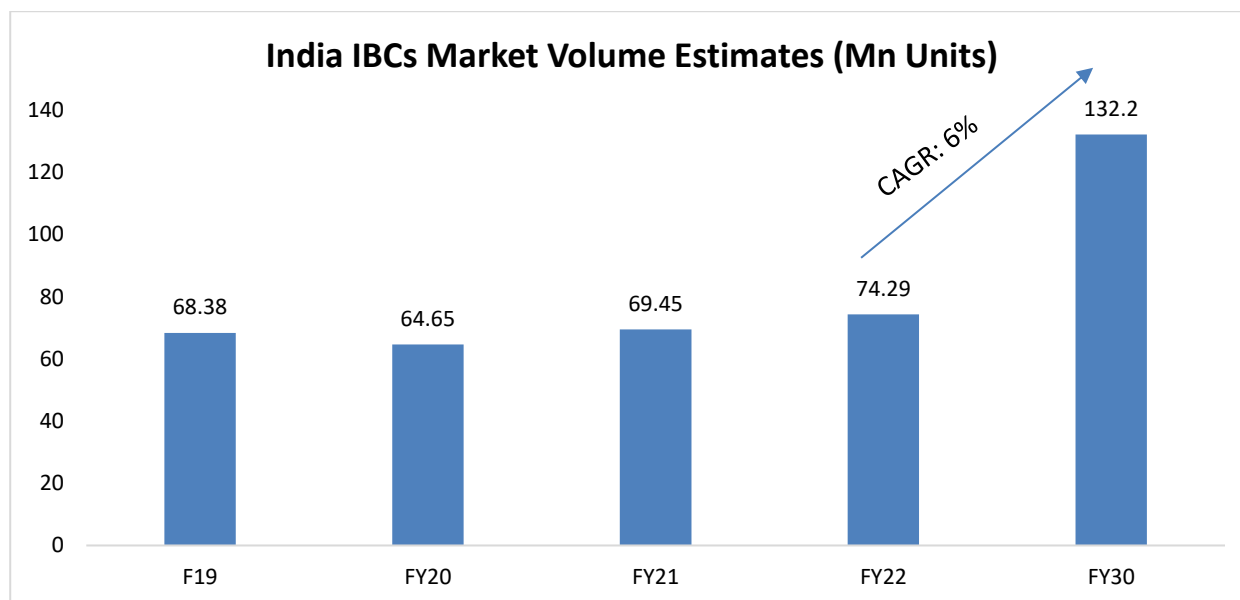
Particulars	FY21		FY22		FY23	
	Revenue (Rs cr)	% Revenue	Revenue (Rs cr)	% Revenue	Revenue (Rs cr)	% Revenue
Polymer Drums	179.3	57.2%	214.0	53.5%	248.1	51.7%
IBC	82.8	26.4%	122.1	30.5%	153.3	31.9%
MS Drums	26.8	8.5%	44.6	11.1%	42.4	8.8%
Others	24.5	7.8%	19.8	4.9%	36.2	7.6%
Total	313.5	100.0%	400.4	100.0%	480.0	100.0%

Source: RHP, SSL Research

Industry Overview

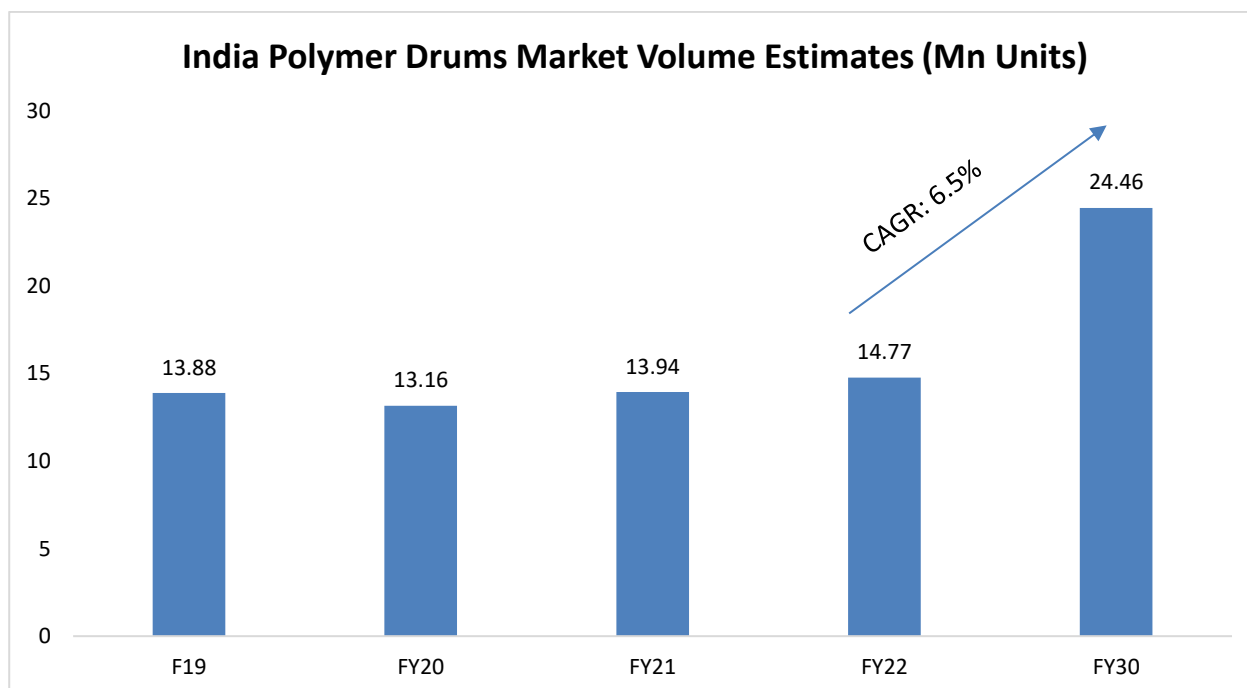
India Intermediate Bulk Containers Market Volume Estimates

The demand for intermediate bulk containers (IBCs) in India is expected to grow rapidly due to the expectation of end-use industries such as chemicals, pharmaceuticals, and food & beverages, driven by factors such as cost efficiency, space utilization, safety features, and improved handling. India's chemical industry plays a significant and major role in categories like specialty chemicals, bulk chemicals, polymers, petrochemicals, and fertilizers. This industry's growth and export/import activities contribute to the increased demand for IBCs for the transportation and protection of chemicals.



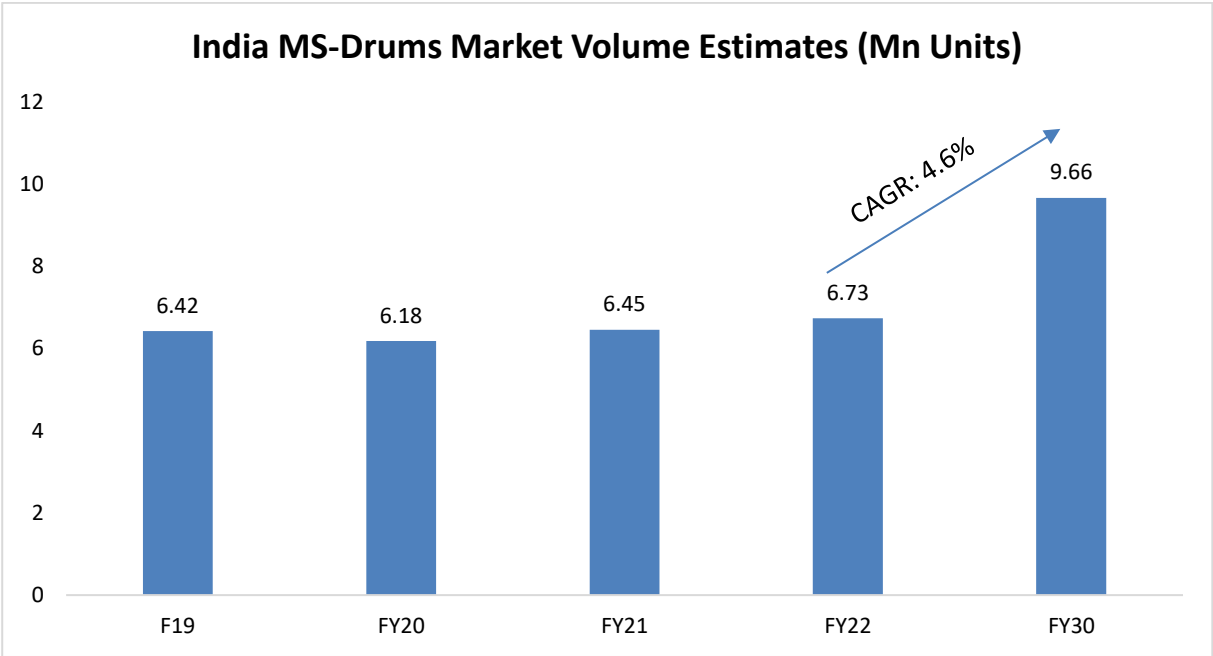
Source: RHP, SSL Research

India Polymer Drums Market Volume Estimates



Source: RHP, SSL Research

India MS-Drums Market Volume Estimates



Source: RHP, SSL Research

Financial Snapshot

Pyramid Technoplast Limited			
(Rs. Cr.)	Pre-Issue	Post Issue	
	FY22	FY23	
Particulars		Price Band	
	166.0	151.0	166.0
Net Sales	400.4	480.0	480.0
Total Income	402.6	482.0	482.0
EBIDTA	42.2	49.8	49.8
PAT	26.1	31.8	31.8
Equity Share Capital	3.9	36.8	36.8
No of Equity Shares	0.4	3.7	3.7
Face Value	10.0	10.0	10.0
EPS	66.9	8.6	8.6
CMP	166.0	151.0	166.0
Cash and Bank	3.5	88.8	97.1
Debt	64.8	55.3	55.3
Market Cap	64.9	555.5	610.6
BV per share (Rs)	192.3	51.7	54.0
PE(x)	2.5	17.5	19.2
P/BV (x)	0.9	2.9	3.1
Enterprise Value	126.2	522.0	568.9
Mcap/Sales (x)	0.2	1.2	1.3
EV/Sales (x)	0.3	1.1	1.2
EV/EBIDTA (x)	3.0	10.5	11.4
EBITDA Margins (%)	10.5	10.4	10.4
Net Margins (%)	6.5	6.6	6.6
ROE (%)	42.2	23.9	23.2
ROCE (%)	33.3	24.3	23.8
Debt/Equity	0.9	0.3	0.3
Net worth	75.2	190.3	198.6

Source: RHP, SSL Research (Post Issue)

Year	FY20	FY21	FY22
Net Sales	313.5	400.4	480.03
EBITDA	29.8	42.2	49.8
Net Profit	17.0	26.1	31.76
EBITDA Margin (%)	9.5	10.5	10.4
Net Profit Margin (%)	5.4	6.5	6.6

Source: RHP, SSL Research

Peer Comparison

	Pyramid Technoplast Ltd	Time Technoplast Ltd	TPL Plastech Ltd	Mold-Tek Packaging Ltd
CMP (Rs)	166.0	132.0	41.2	940.0
Sales (Rs cr)	480.0	4,289.0	271.0	730.0
EBITDA (Rs cr)	49.8	577.0	30.0	135.0
Net Profit (Rs cr)	31.8	224.0	16.0	80.0
M.Cap (Rs Cr)	610.6	2,992.0	321.0	3,117.0
EBITDA Margin (%)	10.4	13.5	11.1	18.5
PE(x)	19.2	13.0	19.7	40.2
RoE (%)	23.2	10.1	14.7	16.1
RoCE (%)	23.8	13.4	18.1	19.6

(Source: RHP, SSL Research)

CMP as of 14th August'23

For Pyramid Technoplast Ltd, the data is based on FY23 financial numbers. The valuations are based on upper price band on Post issue equity capital

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