

IPO Details		Company Background				
Opening Date	Sept 06, 2023	<ul style="list-style-type: none"> ○ Kahan Packaging Limited was incorporated in the year 2013 and has its registered office in Mumbai, Maharashtra. ○ The Company provides bulk packaging solutions to business-to-business (B2B) manufacturers catering to different industries. ○ The company manufactures and supplies Polypropylene (PP)/ High-Density Polyethylene (HDPE) Woven Fabric, PP Woven Bag, and others for flexible packaging. ○ As of 31st March 23, the Company has 8 employees on its payroll. 				
Closing Date	Sept 08, 2023					
Stock Exchange	BSE SME					
Lot Size	1600 Shares					
Issue Price	₹ 80 per share					
Issue Size	Aggregating up to 5.76 Cr.					
Fresh Issue	Aggregating up to 5.76 Cr.					
Offer for Sale	-					
Application Amount	₹ 1,28,000					
IPO Objective		Market Capitalization				
Working Capital Requirements		(In Cr.)				
General Corporate Purposes						
Pre-Issue Shareholding			Pre-Issue		Post-Issue	
Category	No. of Shares	% of Total Shares	₹ 16		₹ 22	
Promoter & Promoter Group	19,99,000	99.95 %				
Public	1,000	0.05 %				
Promoter of the Company			Financial Summary			
1	Prashant Jitendra Dholakia		(In Lacs)			
2	Rohit Jitendra Dholakia		For the Period Ended	Mar-21	Mar-22	Mar-23
Competitive Strengths			Total Assets	898.33	975.15	1,449.33
1	Wide range of products.		Net Assets	49.75	69.53	172.91
2	In-house manufacturing capabilities.		Total Borrowings	442.29	616.58	773.90
3	Strong relationships with customers and suppliers.		Total Revenue	1,212.81	1,590.63	1,755.93
4	Experienced management team with industry expertise and a successful track record.		Profit After Tax	1.57	19.77	103.38
			Tentative Timeline			
			Opening Date	Sept 06, 2023		
			Closing Date	Sept 08, 2023		
			Basis of Allotment	Sept 13, 2023		
			Initiation of Refunds	Sept 14, 2023		
			Credit of Shares to Demat	Sept 15, 2023		
			Listing Date	Sept 18, 2023		

Company Background and Analysis

The Company was originally incorporated on February 19, 2013. The company is engaged in the business of manufacturing and supplying Polypropylene (PP)/High-Density Polyethylene (HDPE) Woven Fabric-Laminated, HDPE/PP woven sacks, Woven Fabric- Unlaminated, PP Woven Bags, PP Woven Bags with Liner, Printed Laminates for Flexible Packaging, woven polymer-based products of different weight, sizes, and colours as per customer's specifications. The company offers customized bulk packaging solutions to business-to-business ("B2B") manufacturers catering to different industries such as Agro Pesticides Industry, Cement Industry, Chemical Industry, Fertilizer Industry, and Food Products Industry.

Presently, the company has installed Factory-I's production capacity for woven fabrics, which is 2,600 m.t. p.a. in Asangaon, Maharashtra. Over the years, the company have made investments, from time to time, in the manufacturing infrastructure to support the product portfolio requirements. Recently, the Company has expanded its business set up a new manufacturing unit and installed a Multicolour (up to 8 Colour) Roto-Gravure Printing Machine for a flexible packaging and printing process. The manufacturing unit which is located at Thane provides the company with strategic and operational advantages and has modern technology and testing equipment with a supporting environment and facilities, to ensure that the products conform to the pre-determined standards.

The company's product portfolio –

1. PP/HDPE Woven Fabric-Laminated – It is a type of packaging material that combines woven polypropylene (PP) or high-density polyethylene (HDPE) fabric with a lamination layer. These fabrics possess high tear resistance due to multiple layering onto one or both sides of the woven fabric using heat and pressure which makes them reliable packaging options for transporting commodities.
2. PP/HDPE Woven Fabric – Unlaminated - Unlike Laminated fabrics, these are made with a single-layered structure perfect for meeting the demands of packaging, Sheltering, and covering of Products. To meet clients' individual demands, it is available in different thicknesses and colours.
3. PP Woven Bag – The company has started production of PP (polypropylene) woven bags on a small scale. Woven Bags are produced by interweaving polypropylene tapes in two directions. These are used for packaging agricultural products like grains, pulses, seeds, and sugar, as well as products as diverse as sand, fodder, chemicals, cement, metal parts, etc.
4. PP Woven Bag with Liner - PP woven bags with coating and liners are ideal for packaging of products that are at risk of leaking, from fine granules like sugar or flour to more hazardous materials like fertilizers or chemicals. Liners help protect the integrity of the product by avoiding contamination from outside sources and reducing the release or absorption of humidity.
5. Printed Laminates for Flexible Packaging – The company has recently started the production of Flexible packaging. This type of packaging is typically made from materials such as plastic films, aluminium foil, paper, or a combination of these materials.

Product-wise revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Name of Products	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
PP Woven Fabric	1,117.35	92.21	1,483.92	93.45	1,699.45	97.01
PP Woven Bag	67.71	5.59	74.77	4.71	17.12	0.98
Scrap	16.98	1.40	23.40	1.47	21.47	1.23
Others	9.74	0.80	5.86	0.37	13.75	0.78
Total	1,211.78	100.00	1,587.95	100.00	1,751.79	100.00

To conclude, the company was originally incorporated in the year 2013. The company is engaged in the business of manufacturing and supplying Polypropylene (PP)/High-Density Polyethylene (HDPE) Woven Fabric- Laminated, HDPE/PP woven sacks, Woven Fabric- Unlaminated etc., for flexible packaging. The company derives most of its revenue from the state of Maharashtra. The revenue generated from Maharashtra contributed to 98.82%, 98.33%, and 93.00% for the fiscal year ended 2023, 2022, and 2021 respectively. The company is planning to raise total gross proceeds of Rs. 5.76 Cr.

Business Strategies

1. Expand the domestic presence in existing and new markets.

The company intends to aggressively penetrate the domestic markets by expanding the sales network. The company also intends to grow the business continuously by adding new customers. With the growth in industries such as Pesticides, Cement, Chemicals, and others, opportunities for growth are expected to increase through which the company aims to tap these markets for further marketing and supply.

2. Expand the existing product portfolio.

The company intends to diversify its product portfolio which could cater to customers across segments and sectors. In accordance with that, the company intends to further diversify into products with prospects for increased growth and profitability. The company believes that the emphasis on quality of manufacture and timely delivery of the offerings is a key factor in the ability to attract new customers and retain existing customers.

3. Focus on consistently meeting quality standards.

The company intends to focus on adhering to the quality standards of the products. The company believes that the continuous quality review of products and timely corrective measures in case of quality diversion are the keys to manufacturing quality standards of the products.

Competitive Scenario and Peer Mapping

Competition

The company competes with large-organized companies as well as smaller regionally-based competitors. The barrier to entry in such an industry sector is low. The bargaining power with the suppliers, and the customers are high in such industries. The company faces competition from Sah Polymers Limited, Rishi Tectex Limited, Uflex Limited etc.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	Kahan Packaging Limited	Sah Polymers Limited	Rishi Techtex Limited	Uflex Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	5.90%	3.95%	0.93%	3.28%
EBITDA Margin	11.74%	7.57%	5.61%	11.93%
Return on Capital Employed	29.06%	4.61%	10.00%	9.92%
Return on Equity	59.79%	4.45%	3.33%	6.41%
EPS (INR)	10.34	3.77	1.50	66.57

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below -

Particulars	Kahan Packaging Limited	Sah Polymers Limited	Rishi Techtex Limited	Uflex Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	1.25%	5.43%	0.99%	8.37%
EBITDA Margin	5.69%	8.95%	5.94%	16.54%
Return on Capital Employed	20.09%	9.01%	10.00%	15.77%
Return on Equity	28.43%	18.17%	3.45%	16.41%
EPS (INR)	1.98	2.69	1.79	152.09

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below -

Particulars	Kahan Packaging Limited	Sah Polymers Limited	Rishi Techtex Limited	Uflex Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.13%	2.31%	0.00%	9.49%
EBITDA Margin	6.38%	5.49%	6.17%	20.29%
Return on Capital Employed	16.14%	9.89%	8.11%	15.41%
Return on Equity	3.16%	6.33%	0.00%	15.19%
EPS (INR)	0.16	0.82	0.57	116.73

Industry Overview

Exhibit 1: Quarterly estimates of GVA at current prices (US\$ billion)

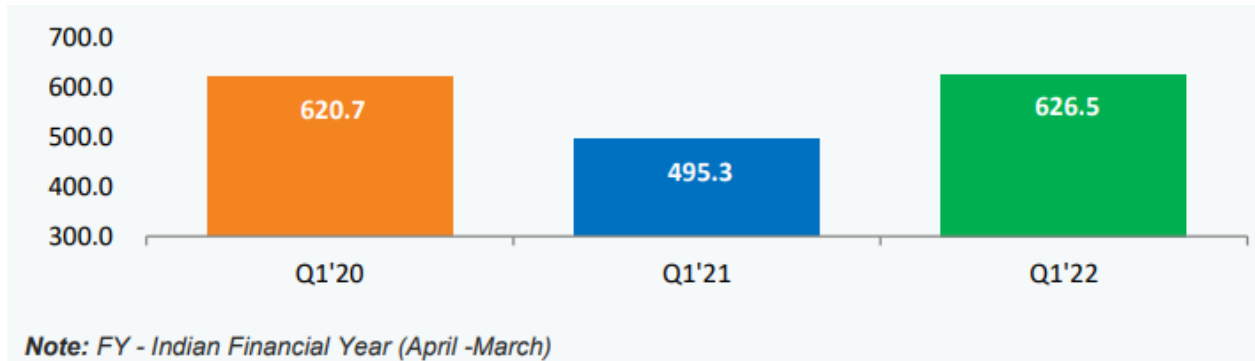
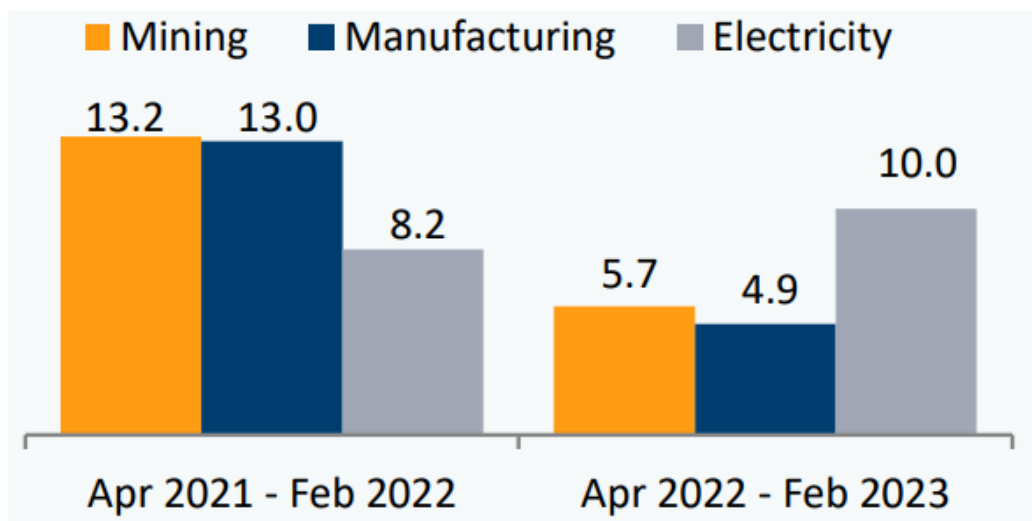


Exhibit 2: Annual Growth Rates of IIP (%) at Sectoral level.



(Source: ibef.com)

Indian Manufacturing Sector-

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest-growing sectors.

Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

India's manufacturing exports for FY22 reached an unprecedented US\$ 418 billion, an overall growth of more than 40% compared to the US\$ 290 billion from the previous year. By 2030, the Indian middle class is expected to have the second-largest share in global consumption at 17%

Indian Packaging Sector -

"In coming years, the Indian packaging industry will see substantial growth. The increasing awareness regarding clean water, safe food, and pharmaceuticals along with the adoption of next-gen digital technologies will aggressively penetrate and drive the Indian packaging industry" - Thomas Schneider, President of the World Packaging Organization (WPO). Globally, the packaging industry sector has positioned itself as one of the fastest-growing industries across all countries.

The industry is worth over \$ 917 billion (in 2019), growing at a CAGR of 2.8% to reach \$ 1.05 trillion by 2024. Packaging is an emerging science, an emerging engineering discipline, and a successful contributor to major industries such as pharmaceutical, FMCG and electronics. Packaging is the world's third largest industry following the food industry (1st) and energy (2nd) and the only industry that has to do with every single product produced in an economy. In India's case, packaging is the fifth largest sector in its economy and is one of the highest growth sectors in the country.

According to the Packaging Industry Association of India (PIAI), the sector is growing at CAGR 22% to 25%. Over the last few years, the packaging industry has been an important sector driving technology and innovation growth in the country and adding value to the various manufacturing sectors including agriculture and FMCG segments. According to the Indian Institute of Packaging (IIP), packaging consumption in India has increased 200% in the past decade, rising from 4.3 kg per person per annum (pppa) to 8.6 kg pppa as of FY20.

(Source: prospectus)

Key Managerial Personnel

Prashant Jitendra Dholakia, aged 51, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his Bachelor of Commerce. He has work experience of more than 25 years in the field of Manufacturing and Packaging Industry. He looks after the core management of the company. He is primarily responsible for the performance, overall business development, Production Department, customer support etc. of the Company, including but not limited to developing strategic plans, promotion of production and growth of the Company.

Rohit Jitendra Dholakia, aged 55, is one of the Promoters, and Whole-Time Director of the company. He has completed his Bachelor of Commerce. He has work experience of over 33 years in the manufacturing & packaging industry. He is responsible for the expansion and overall management of the business of the company.

Purvi Prashant Dholakia, aged 48, is the Whole Time Director, and CFO of the Company. She has completed her Bachelor of Commerce. She has work experience of 10 years in the field of manufacturing and packaging industry. She is responsible for handling the financial activities of the company including finance, and statutory compliance.

Jagruti Rohit Dholakia, aged 55, is the Non-Executive Director of the Company. She has completed her Bachelor of Commerce. She has work experience of 10 years in the field of manufacturing and packaging industry.

Naman Hareesh Patel, aged 21, is the Independent Director of the company. He has completed his Bachelor of Commerce. He has a post-graduate work experience of around 2 years in the field of marketing industry.

Tushar Rameshchandra Shah, aged 55, is the Independent Director of the company. He has completed his Bachelor of commerce. He holds a post-qualification work experience of around 30 years in the field of hardware manufacturing and product development.

To conclude, the company has 2 promoters, and have good experience in the industry in which the company operates. The remaining directors have decent experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	1,211.78	1,587.95	1,751.79
Other Income	1.02	2.68	4.14
Total Income	1,212.80	1,590.63	1,755.93
Expenses			
Cost of Material Consumed	993.83	1,263.08	1,493.16
Changes in inventories of finished goods	-3.92	8.56	-190.73
Employee benefits expense	29.04	29.62	26.26
Finance costs	49.92	48.83	56.54
Depreciation and Amortization expense	21.03	19.63	22.60
Other expenses	115.54	196.37	217.42
Total Expenses	1,205.44	1,566.09	1,625.25
Earnings Before Interest, Taxes, Depreciation & Amortization	77.29	90.32	205.68
EBITDA Margin	6%	6%	12%
Profit before exceptional and extraordinary items and tax	7.36	24.54	130.68
Exceptional items	0	0	0
Profit/(Loss) before tax	7.36	24.54	130.68
Tax Expense			
Current Tax	-	-	22.01
Short/(Excess) Provision of Earlier Year	-	-	
Deferred tax (net)	5.79	4.77	5.29
Total Tax Expense	5.79	4.77	27.30
Profit/(Loss) for the year	1.57	19.77	103.38
Net Profit Margin	0.13%	1.24%	5.89%

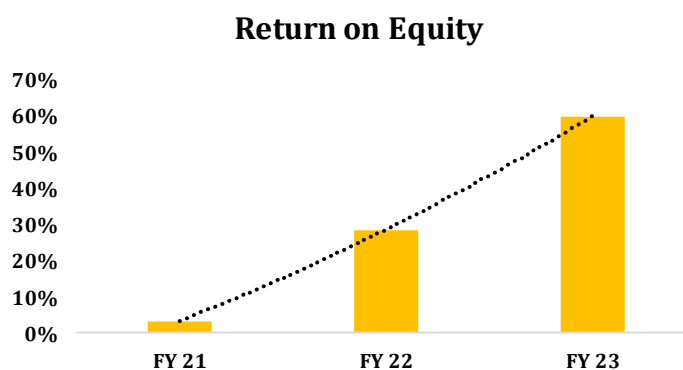
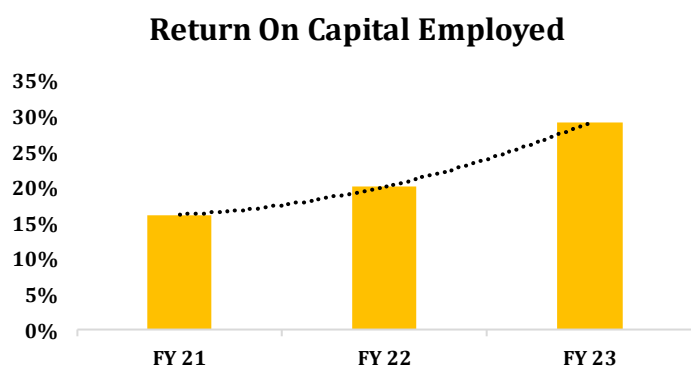
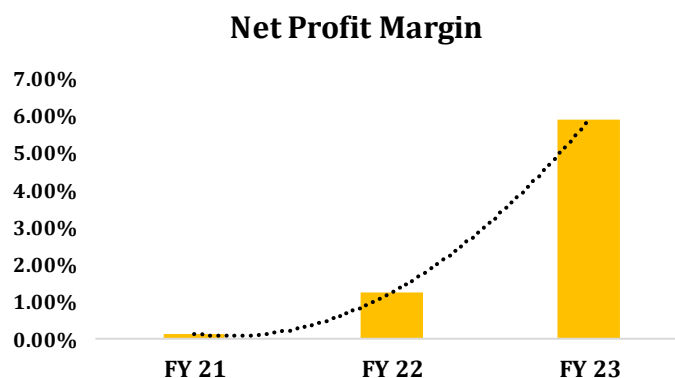
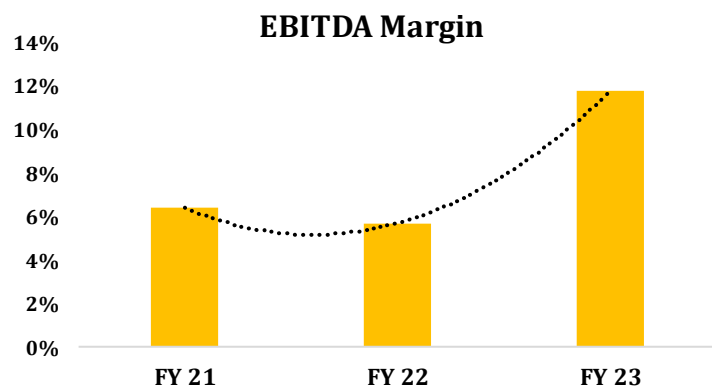
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	397.94	379.33	480.51
Capital Work-in-progress	-	-	-
Non-current Investments	14.49	15.23	31.71
Deferred tax assets (Net)			-
Long-term loans and advances	10.45	11.28	27.48
Other Non-Current Assets			
Total Non-Current assets	422.88	405.84	539.70
Current Assets			
Inventories	243.36	263.88	531.80
Trade Receivables	235.17	297.09	333.62
Cash and Cash Equivalents	5.67	4.51	4.10
Short-Term Loans and Advances	-8.75	3.84	34.48
Other current assets	-	-	5.63
Total Current assets	475.45	569.32	909.63
Total Assets	898.33	975.16	1,449.33
EQUITY AND LIABILITIES			
Equity			
Share Capital	50.00	50.00	100.00
Reserves and Surplus	-0.25	19.53	72.91
Total Equity	49.75	69.53	172.91
Liabilities			
Non-current liabilities			
Borrowings	278.82	256.80	425.96
Deferred Tax Liabilities (Net)	17.92	22.69	27.99

Balance Sheet			(In Lacs)
Long term provisions	2.11	2.90	3.05
Total Non-current liabilities	298.85	282.39	457.00
Current liabilities			
(i) Short Term Borrowings	163.47	359.78	347.94
(ii) Trade Payables			
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	384.85	260.93	445.14
Other Current Liabilities	0.03	1.19	2.48
Short-Term Provisions	1.39	1.33	23.87
Total Current liabilities	549.74	623.23	819.43
Total Liabilities	848.59	905.62	1,276.43
Total Equity and Liabilities	898.34	975.15	1,449.34

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	93.70	-124.86	54.42
Net Cash Flow from Investing Activities	-12.83	-1.77	-155.61
Net Cash Flow from Financing Activities	-98.56	125.47	100.78

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	0.16	1.98	10.34
BV per share	1.83	2.56	6.36
Operating Ratios (%)			
EBITDA Margins	6%	6%	12%
PAT Margins	0%	1%	6%
Inventory days	73.30	60.65	110.80
Debtor days	70.84	68.29	69.51
Creditor days	140.36	73.71	103.47
Return Ratios (%)			
RoCE	16%	20%	29%
RoE	3%	28%	60%
Valuation Ratios (x)			
EV/EBITDA	6.29	7.55	4.58
Market Cap / Sales	1.80	1.37	1.24
P/E	500.00	40.40	7.74
Price to Book Value	43.74	31.30	12.58
Solvency Ratios			
Debt / Equity	8.89	8.87	4.48
Current Ratio	0.86	0.91	1.11
Quick Ratio	0.42	0.49	0.46
Asset Turnover	1.35	1.63	1.21
Interest Coverage Ratio	1.13	1.45	3.24

Financial Charts



Key Risk Factors

1. The company derive a significant portion of the revenue from a limited number of customers, the loss of one or more such customers, the deterioration of their financial position or prospects, or a reduction in their demand for the products could adversely affect the business, financial position, and prospects of the Company. The top 5 customers contributed to 91.36%, and 93.0%, 97.0% of the revenues for the period ended March 2021, 2022, and 2023 respectively.
2. The company is primarily dependent upon a few key suppliers for the procurement of raw materials. Any disruption in the supply of raw materials or fluctuations in their prices could have a material adverse effect on the business operations and financial conditions. The purchase of raw materials from the top 10 suppliers contributed to 84.23%, and 74.11%, 72.12% of the total raw materials purchased for the period ended March 2021, 2022, and 2023 respectively.
3. The company, Promoters and Directors are parties to certain legal proceedings. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition. 1 case involving tax liabilities filed by the company amounting to Rs. 0.27 lakhs, 1 Criminal case and 1 other pending litigation against the promoters and directors amounting to Rs. 10.29 lakhs, and Rs. 41.48 lakhs respectively.
4. The company have experienced negative operating cash flows in the past. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions. The company had negative operating cash flow for the fiscal year 2022.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Hemant Surgical Industries Limited	24.84	90.00	June 05, 2023	232.0
2.	Vasa Denticity Limited	54.07	128.00	June 02, 2023	493.55
3.	Labelkraft Technologies Limited	4.75	55.00	March 23, 2023	80.0
4.	Systango Technologies Limited	34.82	90.00	March 15, 2023	283.90
5.	Macfos Limited	23.74	102.00	March 01, 2023	374.55
6.	Earthstahl & Alloys Limited	12.96	40.00	February 08, 2023	71.05
7.	Chaman Metallics Limited	24.21	38.00	January 16, 2023	76.10
8.	Baheti Recycling Industries Limited	12.42	45.00	December 08, 2022	145.0
9.	Vedant Asset Limited	3.00	40.00	October 12, 2022	42.20
10.	Lloyds Luxuries Limited	24.00	40.00	October 11, 2022	113.0

*CMP for all the above-mentioned companies is taken as of 1st September 2023.

As per the offer document, Hem Securities Limited has had 23 mandates in the last three fiscal years. For Hem Securities Limited out of the 10 mentioned above, all the mandates opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2013 and has good experience in the industry. The company has seen consistent growth in its top-line financials. The profitability margins have seen a sudden surge over the years which might not be sustainable.

The PE on an annualised and post-IPO basis is around 21.05 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a competitive segment. The management outlook of the company is good with the top management having vast experience in the industry in which the company operates. The company has seen a sudden increase in the margins and the company's Debt/Equity ratio is very high and has reduced for FY 23 but is still very high. The recommendation is for a long-term perspective. Thus, **Risk Averse Investors should wait, and Risk Seekers should apply.**

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