



IPO Note

Aaradhya Disposal Industries Limited

Recommendation: **AVOID**

Business - Aaradhya Disposal Industries Limited manufactures eco-friendly disposable paper products like cups, glasses, and bowls. It caters mainly to the food and beverage industry with sustainable alternatives to plastic. The company operates from Madhya Pradesh with automated and semi-automated machinery. Its products are distributed to institutional and retail clients across states.

Objects of the Issue -

Particulars	Amount (in ₹ Lakhs)
Meet working capital requirement	2,000.00
To fund the expansion plan of the Company	1,585.76
Repayment of Loan	160.13
General Corporate Purposes	-

Promoters Name -

Mr. Sunil Maheshwari, Mr. Anil Maheshwari and Mrs. Shashi Maheshwari

Promoter Share Holding Pattern	
Pre Issue	Post Issue
97.36%	70.58%

Rationale for recommendation -

The company is into the manufacturing of disposable paper products which have most of its application in the food and beverage industry. The company has done well in the topline and the bottom-line as well, but sudden spikes in the margin raises question on its sustainability. The object of repaying just Rs. 160.13 lakhs through IPO proceeds could also have been avoided. The geographic concentration is high with a decreasing share in export market. The company seems to be a family run business with professional roles taken care by the Promoters itself. The future expansion plan may add up to the revenue and profitability, but a Post-IPO PE of 15.96 times looks on a higher side as of now. Current **valuation looks high** based on the company dynamics and so one should look for other opportunities and **AVOID** applying in this IPO and wait for further developments.

IPO Details

Opening Date	Aug 04, 2025
Closing Date	Aug 06, 2025
Allotment Date	Aug 07, 2025
Listing Date	Aug 11, 2025
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹110 - ₹116
Issue Size	₹45.10 Cr.
Fresh Issue	₹45.10 Cr.
Offer for Sale	-
Application Amt	₹ 2,78,400 (2,400 shares)

KPIs (In Lakhs)

KPI's	FY 23	FY 24	FY 25
Revenue	8,414.63	7,393.48	11,369.15
EBITDA	366.91	741.96	1,797.03
Net Profit	214.49	398.59	1,027.39
RoCE	7.47%	18.95%	36.79%
ROE	16.90%	23.89%	34.87%
P/E	53.95	29.07	11.44

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	10.14	7.27
BVPS	28.75	20.84
P/E	11.44	15.96
P/BV	4.04	5.57
Mkt Cap (In Cr)	118.90	164.00

Lead Managers -
Khambatta Securities Limited

Registrar -
Bigshare Services Private Limited

Industry Overview –

India's disposable paper products industry is gaining significant momentum, driven by rising environmental concerns, government bans on single-use plastics, and increased consumer preference for sustainable alternatives. Disposable paper items such as cups, plates, and packaging materials are increasingly being adopted in foodservice, retail, and institutional sectors.

Market Size –

As per industry estimates, the Indian paper industry is valued at over ₹80,000 crore, with the disposable paper segment witnessing a CAGR of 7–9%. Demand is primarily driven by the Quick Service Restaurant (QSR) sector, e-commerce packaging, and the rise of cloud kitchens and food delivery services. The growing middle-class population and increasing hygiene awareness post-COVID have further expanded market acceptance of paper-based disposables.

Government Initiatives –

The Government of India has implemented strict regulations against plastic usage, including the Plastic Waste Management (PWM) Rules and extended producer responsibility (EPR) guidelines. Supportive initiatives like Swachh Bharat Abhiyan, Startup India, and the Make in India programme encourage domestic eco-friendly product manufacturing. Incentives under MSME schemes have further strengthened the ecosystem for small and mid-sized paper manufacturers.

Outlook –

India's disposable paper products market is expected to continue its robust growth trajectory, supported by sustainability-focused policies, expanding foodservice chains, and consumer shifts toward biodegradable alternatives. Companies like Aaradhya Disposal Industries are well-positioned to benefit from this trend due to their focus on quality, scalability, and compliance with eco-regulatory norms. Organised players are likely to witness greater traction amid rising demand for hygienic, certified, and customizable solutions.

(source : RHP)

Business Overview -

Established in the year 2014, the company specialises in the manufacturing of paper products that cater to a wide range of industries, both domestically and internationally. The company offers a diversified range of eco-friendly paper-based products primarily used in food packaging and service applications. Its core offerings include paper cup blanks with specialized coatings such as PE (Polyethylene), PLA (Polylactic Acid), and barrier coatings, which enhance durability, liquid resistance, and compostability, making them ideal for hot and cold beverage cups. Additionally, the company manufactures a broad spectrum of food-grade papers like greaseproof variants, including standard, 4K, and slip-easy types, designed to resist oil and moisture, suitable for wrapping bakery and fast-food items. It also produces wet strength greaseproof papers and OGR (Oil and Grease Resistant) papers, ensuring structural integrity for moist or greasy foods. Vegetable parchment paper offers a natural, non-stick solution for baking and cooking, while TDL (Titanium Dioxide) poster paper is used in high-quality printing applications due to its opacity and brightness. Collectively, these products cater to the growing demand for hygienic, sustainable, and functional packaging solutions in the foodservice and retail sectors.

The product wise revenue bifurcation for FY 25 of the company is given below –

Product	Category	Quantity (KG)	Revenue (₹ Lakhs)	% of Revenue
Paper Sheet /Board/ Reel (Uncoated)	Food Grade Paper	52,71,021	4,519.20	39.75%
Paper Reel /Bobbin / Sheet (Coated)	Food Grade Paper	34,67,171	3,004.87	26.43%
Paper Cup Blank	Paper Cup Blanks	18,57,433	1,658.78	14.59%
Paper Cup Blank/Roll Barrier Coated (Export)	Paper Cup Blanks	5,13,321	805.34	7.08%
Paper Reel/Sheet/Plate/Roll Coated (Export)	Food Grade Paper	5,53,822	475.31	4.18%
OGR Paper	Food Grade Paper	2,35,029	427.75	3.76%
Paper MTR /OTR	Food Grade Paper	1,35,158	285.18	2.51%
Paper Cup Bottom Barrier Coated (Export)	Paper Cup Bottom	87,602	102.91	0.91%
Paper Roll Kraft	-	59,480	20.76	0.18%
Other Material (Export)	-	6,250.00	1.52	0.01%
Paper Cup / Straw / Lead	-	-	1.48	0.01%

The company has been generating most of its revenue from Food Grade papers which accounts for more than 76% of its revenue followed by paper-cup related products which accounts for around 22%.

The company sells its products both domestically and internationally. In domestic market majority of the revenue comes from Madhya Pradesh and Gujarat and in international market majority of revenue comes from the Middle East. The revenue from export has also come down from 24% in FY 23 to 11% in FY 25.

The geography wise revenue breakup for FY 25 for domestic and international market is given in the table below –

Name of State/ Country	Amount (Rs. in Lakhs)	% of Revenue from Operations
Madhya Pradesh	6,986.28	61.45%
Gujarat	2,383.97	20.97%
Maharashtra	155.89	1.37%
Delhi	155.48	1.37%
Punjab	155.09	1.36%
Uttar Pradesh	80.93	0.71%
Bihar	10.97	0.10%
Chhattisgarh	8.64	0.08%
Total	10,015.02	88.09%

Location	Amount (₹ in Lakhs)	% of Total Exports
United Arab Emirates	1,067.97	78.86%
Karbala (Iraq)	286.15	21.14%
Total	1,354.12	100%

The company has two manufacturing units situated in Madhya Pradesh. The capacity and capacity utilisation of the company is as below –

Particulars	FY25	FY24	FY23
Installed Capacity (in MT)	15,000	12,000	9,000
Actual Production (in MT)	12,626.35	9,621.55	7,946.79
Utilization (%)	84.17%	80.18%	88.30%

To summarise the business overview, the company operates from its two manufacturing units situated in Madhya Pradesh, the company has under a capital expenditure in the FY 24 and is also looking for further expansion. The product profile of the company is mainly into the food and beverage industry with sales being dominated in the regions of Madhya Pradesh and Gujarat with a few sales to the export market which has seen a reduction over three years. The market of the product is very competitive.

Business Strategies -

- The company aims to expand its geographical footprint to enhance market reach.
- It plans to strengthen its product portfolio to cater to a broader customer base.
- Aaradhya intends to maintain a strong focus on quality to ensure customer satisfaction.
- The company seeks to enhance operational efficiencies to improve profit margins.
- It plans to leverage its industry experience and existing customer relationships for future growth.

FINANCIAL SNAPSHOT

Particulars	FY 23	FY 24	FY 25	Particulars	FY 23	FY 24	FY 25
P&L Statement				Per Share Data			
Total Income	8,651.05	7,591.26	11,595.63	Diluted EPS	2.15	3.99	10.14
Total Expenses	8,391.51	6,969.86	10,106.52	BV per share*	25.44	33.43	28.75
EBITDA	366.91	741.96	1,797.03	Operating Ratios			
EBIT	218.69	603.07	1551.13	EBITDA Margins	4.36%	10.04%	15.81%
PBT	259.54	621.40	1,489.11	PAT Margins	2.55%	5.39%	9.04%
Tax Expenses	45.05	222.81	461.72	Inventory days	78.06	74.94	73.62
Net Profit	214.49	398.59	1,027.39	Debtor days	69.95	76.77	73.51
Balance Sheet				Creditor days	30.87	36.69	29.23
Total Equity	1,269.52	1,668.10	2,946.59	Return Ratios			
Assets				RoCE	7.47%	18.95%	36.79%
Non-Current Assets	2,497.79	2,897.58	2,650.31	RoE	16.90%	23.89%	34.87%
Current Assets	3,756.36	4,223.66	5,657.93	Valuation Ratios (x)			
Total Assets	6,254.15	7,121.24	8,308.24	EV/EBITDA	14.29	8.28	3.84
Liabilities				Market Cap / Sales	0.69	0.78	1.05
Non-Current Liabilities	1,656.86	1,513.82	1,269.84	P/E	53.95	29.07	11.44
Current Liabilities	3,327.78	3,939.33	4,091.81	Price to Book Value	4.56	3.47	4.04
Total Liabilities	4,984.64	5,453.15	5,361.65	Solvency Ratios			
Cash Flow Statement				Debt / Equity	3.13	2.71	1.35
CFO	115.50	250.71	547.86	Current Ratio	1.13	1.07	1.38
CFI	-1,136.67	-576.18	4.74	Quick Ratio	0.59	0.69	0.82
CFF	1,014.52	365.59	-591.17	Asset Turnover	1.35	1.04	1.37
				Interest Coverage Ratio	1.12	3.36	5.38

Financial Analysis –

- **Total Income** – The company's total income grew from ₹8,651.05 lakhs in FY23 to ₹11,595.63 lakhs in FY25, registering a CAGR of 15.22%, indicating steady business expansion despite a dip in FY24.
- **EBITDA and PAT Margins** – EBITDA margin improved significantly from 4.36% in FY23 to 15.81% in FY25, while PAT margin increased from 2.55% to 9.04%, reflecting strong operational efficiency and profitability enhancement.
- **RoCE and RoE** – Return on capital employed rose from 7.47% to 36.79%, and return on equity increased from 16.90% to 34.87%, indicating superior capital productivity and enhanced shareholder value creation.
- **Operating Cash Flow** – Operating cash flow strengthened from ₹115.50 lakhs in FY23 to ₹547.86 lakhs in FY25, showing improving internal accruals and better working capital management.
- **D/E Ratio and Interest Coverage** – The debt-to-equity ratio improved from 3.13 in FY23 to 1.35 in FY25, while interest coverage ratio rose from 1.12x to 5.38x, signalling improved solvency, reduced financial risk, and better credit health.

Outlook – Aaradhya Disposal has delivered robust growth in earnings and returns, backed by margin expansion and deleveraging. However, working capital intensity remains, with inventory and debtor days staying elevated, necessitating tighter control to sustain cash flow momentum.

Lead Manager –

The lead manager of the issue is Khambatta Securities Limited. This is the 3rd mandate handled by them in this year where one closed at discount on the listing day and one at premium.

Risk Factors -

- The total cumulative amount involved in litigations by and against the Company, its Promoters and Directors, Group Entities and Key Managerial Personnel is Rs. 87.40 Lakhs.
- More than 80% of the revenue comes from Madhya Pradesh and Gujarat.
- The company is highly susceptible to paper prices.
- The company has contingent liabilities amounting to Rs. 1,865.58 Lakhs.
- The company operates in a highly competitive industry, exposing it to pricing risks.

Key Management

- Mr. Sunil Maheshwari is the Managing Director of the company. He has more than decade experience in manufacturing of paper-related products.
- Mr. Anil Maheshwari is the Director and Chief Financial Officer of the company. He brings over a decade experience of spanning sales, technical accounting, financial advisory and business development.
- Mrs. Shashi Maheshwari is the Executive Director of the company.
- The Independent Directors have considerable experience in their respective fields.
- The Company Secretary and Compliance Officer has more than 7 years of experience.

Outlook – The overall management of the company is considered moderate.

Peer Analysis

As per the RHP there are no listed peers.

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