

## Introduction

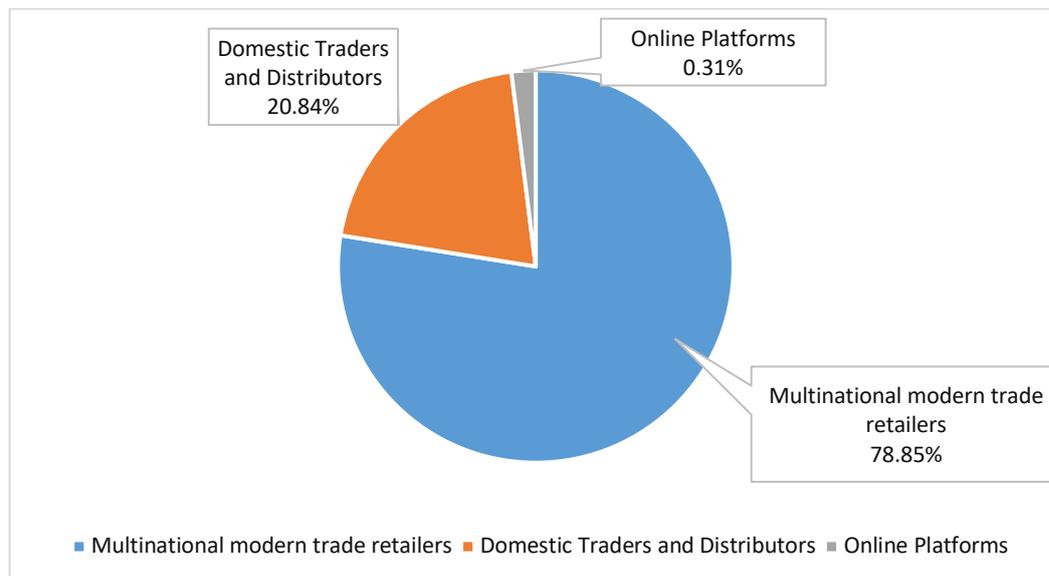
Essen Speciality Films Limited (ESFL) is a part of the Rajoo Group of companies and was incorporated in 2002. ESFL is a premier manufacturer and exporter of exquisitely crafted specialized plastic products and has established itself as a preferred supplier to renowned multinational modern trade retailers including **IKEA, Walmart, Kmart, The Home Depot, Bolia, Runsvan Gruppen and many more**. ESFL offers a diverse range of products including plastic films, shower curtains, coasters, desk mats, shelf liners, yoga mats, and personalized items. The company operates under three brands: **Draperi, Runner, and Paperi**. As of FY 2023, ESFL operates a state-of-the-art manufacturing plant in Veraval, Gujarat. This facility serves as the hub for dedicated team of 671 talented individuals.

## Key Business Strengths

**Essen's extensive range of products caters to a wide array of verticals, customers, and channels, showcasing their ability to serve diverse markets effectively.**

With their diverse product range, Essen serves a wide customer base spanning industries such as home furnishing, home decor, departmental stores, discount retailers, hypermarkets, hardware and home improvement, office supplies stores, agricultural and medical sectors, and international importers and wholesale distributors. They cater not only to multinational retailers but also supply products to local traders and distributors in India. In addition to physical retail channels, Essen has a strong online presence on platforms like **Amazon, Flipkart, Snapdeal, Meesho, IndiaMart, and JioMart**.

Sales Mix for FY 2023



## REVENUE ALLOCATION BY CUSTOMER TYPE

Particulars	FY 2023	FY 2022	FY 2021
Renowned multinational modern trade retailers	78.85%	85.17%	94.89%
Domestic traders and distributors	20.84%	14.41%	4.80%
Online platforms	0.31%	0.42%	0.31%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company

### 1) Cutting-Edge Technology for Revolutionary and High-Quality Solutions

Over time, the Company has consistently allocated resources towards enhancing their range of products and optimizing their manufacturing procedures through continuous investments in product and process development. They have established a dedicated Product and Process Development (PPD) Division and maintain an in-house laboratory, enabling them to serve as a comprehensive solution provider for all their clients' requirements. The company's investments in product and process development, design capabilities, and quality control certifications give it a competitive edge.

### 2) Reputable Brand Backed by Robust Parent Company

ESFL possesses a robust reputation for trustworthiness and is backed by a reputable parent company, Rajoo Engineers Limited (REL). This is demonstrated by their extensive tenure as a producer and exporter of specialized plastic products. The Company's customers place great confidence in their brand, which can be attributed to the combination of their own strong brand image and the well-established reputation of their parent company, REL.

### 3) Socially responsible, ethically sound, and environmentally conscious

ESFL is required to follow a set of rules that focus on the environment, society, ethics, and welfare in order to supply their products to international customers. Their clients regularly inspect their operations, either with prior notice or without, to ensure that Essen is following these rules. So far, Essen has always complied with the

rules set by their clients and any other third-party inspection agencies. They have never had any significant instances of not following or adhering to these rules.

4) **An all-inclusive manufacturer of personalized, sustainable niche products.**

Essen handles everything from start to finish when it comes to creating **specialized products** that are customized and **environmentally friendly**. They have a division called PPD (Product and Process Development) that takes care of all the steps involved in developing and designing these products in-house. This means they can come up with unique and creative uses for their products while ensuring that they are manufactured in a sustainable way.

5) **Extensive market footprint, domestically and internationally.**

The Company distributes its products to a diverse array of international markets, spanning **twenty-four countries** worldwide. These countries include, but are not limited to, China, Saudi Arabia, the United States of America, Qatar, the United Kingdom, Germany, Italy, Canada, Romania, Denmark, Poland, New Zealand, the United Arab Emirates, Spain, Austria, France, Australia, Kuwait, Belgium, Sweden, and Mexico.

6) **Experienced management team**

ESFL is led by a team of individuals who possess a robust background and vast expertise in the specialized plastics sector. Company has a proven track record in project management and implementation, showcasing their skills and abilities.

## **Innovative and Promising Business Strategies**

### **• Expand the clientele**

ESFL is strategically committed to harnessing its robust sales and marketing network, diverse product portfolio, and esteemed position within the industry to foster meaningful connections with prospective multinational, regional, and local customers. This approach aims to facilitate the expansion of Essen's customer base, thereby fortifying its market presence and driving sustained growth.

• **Diversifying the offerings**

Company's plans for starting new variants in different product categories:

**a) Kitchen and Dining:**

Surface printed placemats: These placemats will be designed with surface printing technology, allowing the Company to supply products with low minimum order quantity at an affordable price. This will make the placemats accessible to a wider range of customers.

Tablecloth with polyester non-woven backing: To cater to the growing demand in the North American market, the Company plans to introduce tablecloths with a polyester non-woven backing. This backing will enhance the durability and functionality of the tablecloth, making it suitable for various dining settings.

**b) Storage and Organisation:**

Collapsible storage boxes: The Company will introduce collapsible storage boxes that offer convenience and space-saving solutions for organizing various items. These boxes can be easily folded and stored when not in use, providing a practical storage solution for customers.

Printed adhesive shelf-liners: To enhance the aesthetics and functionality of shelves, the Company plans to offer printed adhesive shelf-liners. These liners will not only protect the surfaces of shelves but also add a decorative element to storage spaces.

**c) Fitness and Lifestyle:**

Puzzle mat: The Company aims to become a first mover in manufacturing and exporting affordable total volatile organic compounds (VOCs) safe mats in the home improvement and home furnishing industry. They plan to introduce puzzle mats that can be used as children's play floor mats. These mats will prioritize safety and low VOC emissions, ensuring a healthy environment for children.

Exercise/gym mat: To cater to the growing demand in the domestic and international market, the Company will introduce exercise/gym mats. These mats will be designed for various fitness and lifestyle activities, providing comfort, support, and durability.

By introducing these new variants in different product categories, the Company aims to expand its product offerings, cater to specific market demands, and provide affordable and high-quality solutions for customers.

## . Strengthen the Marketing Network

ESFL is planning to boost their marketing team by hiring skilled and knowledgeable professionals. These individuals will enhance the company's current marketing strategies both in the local and global markets.

## . Expanding worldwide

ESFL is set to expand operations in key markets including Russia, the **Middle East, South America, Southern Europe, and the United Kingdom**. This strategic move will enhance the company's presence and capitalize on growth opportunities in these regions.

## Geographic Revenue Distribution

(in Lakhs)

Particular	Fiscal 2023	Fiscal 2022	Fiscal 2021
Domestic	2880.67	1921.43	669.92
Exports	8833.73	9465.40	8865.57
<b>TOTAL</b>	<b>11714.40</b>	<b>11386.83</b>	<b>9535.49</b>

Source: company

## Key Risks

The success of the Company is heavily reliant on a small number of key customers, who contribute a substantial portion of their overall revenue. Consequently, any decline in sales or revenue from any of these pivotal customers could have a detrimental impact on the Company's operations and overall business.

Essen's financial reports for fiscal years 2023, 2022, and 2021 indicate that 72.82%, 78.72%, and 91.73% of the company's revenues were generated by their top five customers, respectively. Losing any of these customers could have a negative impact on sales and overall business performance. Essen does not have long-term agreements with its customers, emphasizing the importance of maintaining strong customer relationships for sustained success. The company cannot pass on higher raw material costs to their customers, it could impact their profitability. They lack agreements or understanding with their customers to share any increase in raw material expenses. This means they might

struggle to transfer the higher costs to their customers in the future, which could affect their overall profitability.

### Key financial of ESFL

Particulars	FY 2023	FY 2022	₹ Lakhs FY 2021
Share Capital	1,600.00	1,600.00	100.00
Net Worth	8,561.89	7224.65	6707.76
Revenue from operations	11,861.18	11,743.58	9,577.70
Profit after Tax	1,337.23	516.90	913.73
Earnings per Share	8.36	3.23	5.71
Net Asset Value per equity share	53.51	45.15	670.78
Total borrowings	657.40	2,583.00	1,541.36

**Source: Company**

ESFL has consistently delivered healthy financial performance. Sales, PAT, and cash PAT grew at a CAGR of 18%, 18%, and 14% respectively over the FY 2020-23 period. Free cash flow grew at a robust rate of 73% during the same period. ESFL's profitability levels, measured by ROE, have remained healthy, except for a slight dip in FY 2022.

### Industry Overview :

The industry's demand in India witnessed a Compound Annual Growth Rate (CAGR) of 8.5% during the period 2015-2019. It is expected to maintain a healthy growth rate from 2022 to 2030.

**MSME Dominance:** Approximately 95% of the companies operating in the Indian plastics industry belong to the Micro, Small, and Medium Enterprises (MSME) sector.

**Global Plastics Industry:**

**Online Sales Demand:** The global plastics industry is projected to experience robust demand driven by the growth of online sales. It is estimated that online sales in the industry will grow at an annualized rate of 9% between 2021 and 2025.

**Decorative Plastics Market:** The global decorative plastics industry is expected to grow significantly, with the market size increasing from US\$ 641 billion in 2020 to US\$ 839 billion in 2027.

## IPO Details and Utilization of Proceeds:

The IPO consists of a Fresh Issue of up to 46,99,200 Equity Shares, aggregating to a range of ₹47.46 - 50.28 Cr. Additionally, there is an Offer for Sale of up to 15,00,000 Equity Shares, aggregating to a range of ₹15.15 - 16.05 Cr. The total offer size at the upper end of the price band is ₹66.30 Cr. The price band for the IPO is set at ₹101-107 per share.

### Details of the Utilization of Proceeds

Details	Estimated amount (in ₹ lakhs)
Prepayment/repayment of all or a portion of certain outstanding borrowings availed	Up to 353.91
Funding the working capital requirements	Up to 2,900.00
General corporate purposes	To be Decided
<b>Total</b>	<b>To be Decided</b>

Source: Company

## Managerial Specifics

**Pallav Kishorbhai Doshi**, 34, serves as the Chairman, Managing Director, and Promoter of the Company. He obtained his bachelor's degree in electronic engineering with a focus on nano technology from the **University of York**. With over ten years of expertise in the specialized plastics industry, he has been with the Company since 2011, leading the production and product **development divisions**.

**Kruti Rajeshbhai Doshi**, 34, is an Executive Director at the Company. She has a bachelor's degree in **interior design** from Saurashtra University and over 10 years of experience in the home improvement and **home furnishing industry**. She currently leads the **Quality Division** of the Company.

**Karishma Rajesh Doshi**, 31 years old, is an Executive Director and a Promoter of the Company. She graduated from the **National Institute of Fashion Technology** with a bachelor's degree in design. With three years of experience in the home improvement and home furnishing industry, she currently leads the **human resource** department of the Company.



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**Shital Bhartkumar Badshah**, 43 years old, serves as the Independent Director of the Company. He obtained a bachelor's degree in engineering from Gujarat University. With over seven years of experience in the education sector, he has worked at **Indus Institute of Technology and Engineering** and Ganpat University. Previously, he was affiliated with Asea Brown Boveri Limited, Masibus Process Instruments Private Limited, and Centre for Monitoring Indian Economy Private Limited.

**Kirit Ratanashi Vachhani**, 67, is an Independent Director with a bachelor's degree in commerce from Saurashtra University. He has 8 years of experience in the plastics industry.

**Pratik Rajendrabhai Kothari**, 35 years old, is an Independent Director of the Company. He holds a bachelor's degree in commerce from Saurashtra University. He is the owner of M/s. Prateek Multichem India and serves as a director on the board of Prateek Multitrade Private Limited.

**Balance Sheet**

Particulars			₹ Lakhs
I. EQUITY AND LIABILITIES	FY 2023	FY 2022	FY 2021
<b>(1) Shareholders' funds</b>			
(a) Share Capital	1,600.00	1,600.00	100.00
(b) Reserves and Surplus	6,961.89	5,624.66	6,607.76
Total	8,561.89	7,224.66	6,707.76
<b>(2) Non-current liabilities</b>			
(a) Long-term Borrowings	324.42	353.91	-
(b) Deferred Tax Liabilities (net)	218.41	475.78	484.01
Total	542.83	829.69	484.01
<b>(3) Current liabilities</b>			
(a) Short-term Borrowings	332.98	2,229.09	1,541.36
(b) Trade Payables			
- Due to Micro and Small Enterprises	129.24	58.92	24.26
- Due to Others	906.84	1,196.35	1,243.73
(c) Other Current Liabilities	250.42	209.74	255.38
(d) Short-term Provisions	246.62	110.83	183.75
Total	1,866.10	3,804.93	3,248.48
<b>Total Equity and Liabilities</b>	<b>10,970.82</b>	<b>11,859.28</b>	<b>10,440.25</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	4,345.31	4,437.94	4,090.44
(ii) Intangible Assets	0.87	0.87	0.87
(iii) Capital Work-in-progress	41.35	21.75	-
(b) Non-current Investments	2.93	2.93	2.93
(c) Long term Loans and Advances	114.82	114.82	114.85
(d) Other Non-current Assets	3.68	3.73	6.18
Total	4,508.96	4,582.04	4,215.26
<b>(2) Current assets</b>			
(a) Inventories	3,012.56	3,211.51	1,606.27
(b) Trade Receivables	1,690.15	1,440.44	1,424.03
(c) Cash and Cash Equivalents	535.25	405.60	1,056.58
(d) Short-term Loans and Advances	1,010.57	1,852.89	2,089.94
(e) Other Current Assets	213.34	366.80	48.16
Total	6,461.86	7,277.23	6,224.98
<b>Total Assets</b>	<b>10,970.82</b>	<b>11,859.28</b>	<b>10,440.24</b>

Source: Company

**Profit & Loss**

			₹ Lakhs
Particulars	FY 2023	FY 2022	FY 2021
Revenue from Operations	11,861.18	11,743.58	9,577.70
Other Income	186.91	113.59	103.08
<b>Total Income</b>	<b>12,048.09</b>	<b>11,857.17</b>	<b>9,680.78</b>
Expenses			
Cost of Material Consumed	8,225.50	8,555.72	5,883.01
Purchases of Stock in Trade	-	0.23	4.69
Change in Inventories of work in progress and finished goods	(881.03)	(593.93)	(230.64)
Employee Benefit Expenses	1,273.08	1,308.46	966.38
Finance Costs	261.52	284.28	100.64
Depreciation and Amortization Expenses	374.32	394.69	625.07
Other Expenses	1,362.89	1,220.78	1,096.04
<b>Total expenses</b>	<b>10,616.28</b>	<b>11,170.23</b>	<b>8,445.18</b>
<b>Profit/(Loss) before Exceptional and Extraordinary Item and Tax</b>	<b>1,431.81</b>	<b>686.94</b>	<b>1,235.60</b>
Exceptional Item	-	-	-
Profit/(Loss) before Extraordinary Item and Tax	1,431.81	686.94	1,235.60
Extraordinary Item	-	-	-
Profit/(Loss) before Tax	1,431.81	686.94	1,235.60
Tax Expenses			
- Current Tax	351.95	178.27	398.72
- Deferred Tax	(257.37)	(8.23)	(76.85)
<b>Profit/(Loss) after Tax</b>	<b>1,337.23</b>	<b>516.90</b>	<b>913.73</b>
Earnings Per Share (Face Value per Share Rs.10 each)			
-Basic	8.36	3.23	5.71
-Diluted	8.36	3.23	5.71

*Source: Company*

**Cash Flow Statement**

(₹ Lakhs)

Particulars	FY 2023	FY 2022	FY 2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit after tax	1,337.23	516.90	913.72
Depreciation and Amortisation Expense	374.32	394.69	625.07
Provision for tax	94.58	170.03	321.88
Effect of Exchange Rate Change	(82.38)	(66.02)	(12.00)
Loss/(Gain) on Sale / Discard of Assets (Net)	(63.14)	(7.11)	(0.88)
Bad debts written off	-	-	1.25
Non-cash expense	-	-	0.02
Interest Income	(18.67)	(19.62)	(16.32)
Finance Costs	261.52	284.28	100.64
Operating Profit before working capital changes	1,903.46	1,273.16	1,933.38
Adjustment for:			
Inventories	198.96	(1,605.24)	(714.58)
Trade Receivables	(135.61)	(27.74)	(663.98)
Other Current Assets	986.78	(110.80)	(457.13)
Trade Payables	(251.01)	79.95	1,001.36
Other Current Liabilities	40.77	(57.83)	113.36
Short-term Provisions	109.75	(15.75)	37.13
Cash generated from Operations	2,853.10	(464.25)	1,249.54
Tax paid (Net)	325.90	225.94	397.29
<b>Net Cash from Operating Activities</b>	<b>2,527.20</b>	<b>(690.18)</b>	<b>852.25</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	(349.32)	(738.12)	(842.93)
Sale of Property, Plant and Equipment	117.18	7.80	0.63
Loans and Advances given/(taken) [Net]	3.06	(7.47)	(5.97)
Investment in and Maturity of Term Deposits [Net]	(98.61)	450.13	(757.62)
Interest received	18.67	19.62	16.32
<b>Net Cash (Used in) Investing Activities</b>	<b>(309.03)</b>	<b>(268.05)</b>	<b>(1,589.56)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Long Term Borrowings	(29.49)	353.91	-
Proceeds from and Repayment of Short-Term Borrowings [Net]	(1,896.11)	687.73	1,098.13
Dividends Paid (including Dividend Distribution Tax)	-	-	(200.00)
Interest Paid	(261.52)	(284.28)	(100.64)
<b>Net Cash (Used in) / Generated from Financing Activities</b>	<b>(2,187.13)</b>	<b>757.37</b>	<b>797.49</b>
Net (Decrease) in Cash and Cash Equivalents	31.04	(200.86)	60.17
Opening Balance of Cash and Cash Equivalents	19.19	220.05	159.87
Closing Balance of Cash and Cash Equivalents	50.23	19.19	220.04

Source: Company

## **Valuation Analysis**

ESFL, despite being financially strong with low debt and good performance, has a lower valuation compared to its competitors in the industry. ESFL's solid financial position and consistent profitability should provide reassurance about its ability to meet its financial obligations.

## **Conclusion and Recommendation:**

ESFL has demonstrated positive factors such as robust sector growth, a reputable brand, strong manufacturing capabilities, and a promising financial history. The company's future outlook looks optimistic, with plans to enhance customer relationships, expand marketing efforts, and increase its customer base and global presence.

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