

ESSEN SPECIALITY FILMS LIMITED

Mcap: 220cr
P/E: 16.5x

IPO Issue

Initial Public Offer (IPO) Dates: June 23 to June 27, 2023

Anchor Allotment on: June 22, 2023

Price Band: ₹101 to ₹107 for per equity shares offered

IPO Size: ₹66.33 Crores

Lot Size: 1,200 Equity shares

Minimum Investment: ₹1,21,200 (Lower band) to ₹1,28,400 (Upper band)

About

Incorporated in 2002 and promoted by Mr.Pallav Doshi, Essen Speciality Films Ltd is a Rajkot, Gujarat based manufacturer and exporter of specialized plastic products. The Company is a part of the Rajoo Group. It has a diversified product portfolio which includes shower curtains and accessories, bathtub and shower mats, chopping boards, tablecloths, placemats, shelf liners, yoga mats, artificial plants, pond liners, and baby shower caps. They supply to branded retailers such as IKEA, Walmart, Kmart, Kroger, Kohl's, Rusta, and Runsven.

Present Offer	Equity Shares Offered	Amount in Crores (Upper Band)
Total Equity Shares Offered	61,99,200	66.33
The Offer Consists of :		
Fresh Issue	46,99,200	50.28
Offer for Sale	15,00,000	16.05
Offer Reserved for		
Market Maker	3,10,800	3.33
Net offer to the Public	58,88,400	63.01
Out of which		
Anchor Investor portion	17,65,200	18.89
Allocation to Mutual Funds	58,860	0.63
Allocation excluding to Mutual funds	11,18,340	11.97
Non-Institutional Portion	8,84,400	9.46
Retail Portion	20,61,600	22.06

Pre and Post-Offer Equity Shares

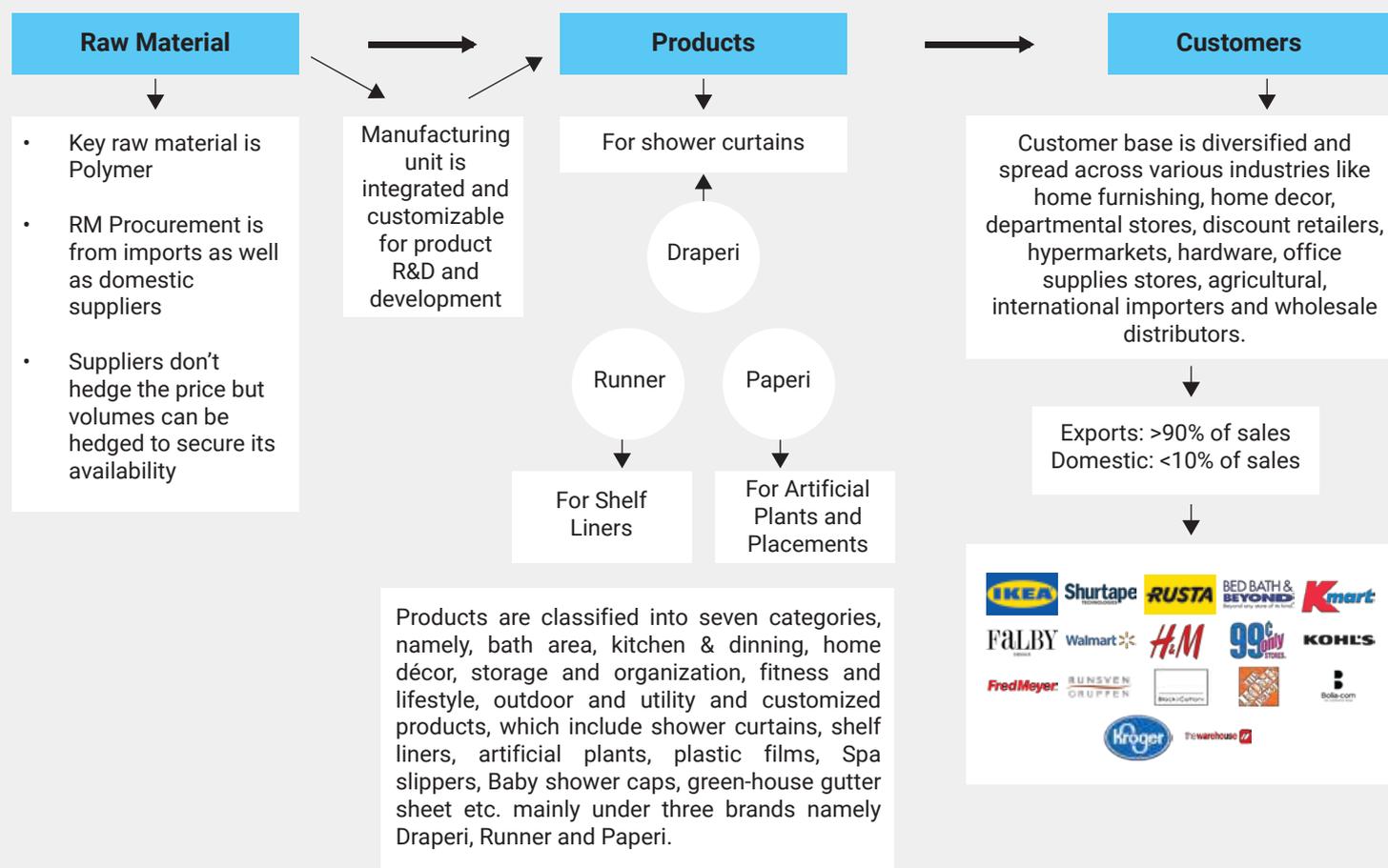
Outstanding prior to the Offer

1,60,00,000 Equity Shares of face value of ₹10 each

Outstanding after the Offer

Up to 2,06,99,200 Equity Shares of face value ₹10 each

Business Model



Management

Pallav Kishorbhai Doshi, aged 34 years, is the Chairman of the Board, Managing Director and Promoter of the Company. He holds bachelor's degree in engineering in electronic engineering with nano technology from University of York. He has experience of more than a decade in the specialised plastics industry. He has been associated with the Company since 2011 and heads the production and the product development departments.

Kruti Rajeshbhai Doshi, aged 34 years, is an Executive Director of the Company. She holds bachelor's degree in arts (interior design) from Saurashtra University. She has experience of more than a decade in the home improvement and home furnishing industry and heads the Quality Division of the Company.

Karishma Rajesh Doshi, aged 31 years, is an Executive Director and one of the Promoters of the Company. She holds bachelor's degree in design from National Institute of Fashion Technology. She has three years of experience in home improvement and home furnishing industry and heads the human resource department of the Company.

Growth Drivers

Customer Diversification

- Earlier IKEA was the only company to which Essen used to supply but now IKEA constitutes 50% of revenues and rest 50% comes from diversified client base such as H&M, Kmart and others
- Through better product development and more customization, they are focusing more on customer expansion domestically as well as internationally

Product Expansion

- Currently they have +425 SKUs and every year they come up with new +20 products
- Shower Curtains and Shelf Liners account for ~60% of sales
- They will be aggressive on artificial plants category now given the huge demand across all markets

Step towards Environment Friendly

- 12-13% of their raw material is specialized and recycled materials and also this contribution is highly dependent on customer requirements

End User Growth

- The global decorative plastics industry is estimated to grow from \$641 bn in 2020 to \$839 bn in 2027
- The industry demand in India grew at a CAGR of 8.5% during 2015-2019 and is expected to achieve a healthy growth rate in 2022-2030
- On the global front, the sector is estimated to witness robust demand driven by online sales projected to grow at an annualized rate of 9% over the 2021-2025 period
- 95% of the companies in the sector belong to the MSME space

- Huge demand for products is expected in areas like Kitchen and Dining, plants and placements, bath and shower, home décor, etc

Geography Expansion

- Currently company is more export-oriented comprising >90% of sales as exports
- They supply their products to 24 countries, including China, Saudi Arabia, United States of America, Qatar, United Kingdom, Germany, Italy, Canada, Romania, Denmark, Poland, New Zealand, United Arab Emirates, Spain, Austria, France, Australia, Kuwait, Belgium, Austria, Sweden and Mexico
- It expects to cater to the domestic market at mass level given that its main customers IKEA is planning to open 9 more stores coupled with its growing online presence
- They are available on online platforms like Meesho, Amazon, Flipkart, Snapdeal, etc

Margin Expansion

- It expects to boost margins by having a better product mix with taking artificial plants and placements products as focus area
- This has huge potential due to booming demand and is also a margin accretive product

Decline in Input Costs

- Polymers prices touched all the time but now have drastically declined. It also affected the company's margins last year and now they are normalized
- Also, the freight cost, which zoomed by 1000% last year, is now on declining trend and this should aid margins

Key Risk

Polymer Price Volatility

Raw material is volatile in nature and industry suppliers do not work on price hedging and any inability to pass on increased price of the raw material, used for manufacturing their products may affect their profitability.

Outlook

Essen is a fully integrated company with sustainable and technologically advanced manufacturing unit with total installed capacity of 9450 (MTPA). The company expects to grow by 15-18% CAGR over the next 2-3 years. Polymer prices and freight cost have corrected drastically aiding margins. IKEA opening 9 new stores in India with growing its online channel. EU and USA demand is back. They are currently more into shower curtains and liners and from now they are aggressive on artificial plants which is high margin business. Currently they are at 50% of capacity utilization and don't need much further capex to drive volumes given the high demand for products. They want to acquire new clients as well for which they are in talks with companies like Dmart and Reliance.

Financials

Particulars (₹ in lakhs)	FY21	FY22	FY23
Revenue			
Domestic Sales	712.13	2,278.18	3,027.51
Export Sales	8,865.57	9,465.40	8,833.67
Other Income	103.08	113.59	186.91
Gross Income	9,680.78	11,857.17	12,048.09
Expenses			
Total Consumption	5,657.06	7,962.03	7,344.46
Employee Benefit	966.38	1,308.46	1,273.08
Finance Cost	89.71	271.02	261.52
Depreciation/Amortization and Depletion	625.07	394.69	374.32
Other Expenses	1,106.97	01,234.04	1,362.89
Total Expenses	8,445.19	11,170.24	10,616.28
Profit			
Profit before Tax	1,235.59	686.93	1,431.81
Tax Expenses	321.87	170.04	94.58
Profit after Tax	913.72	516.89	1,337.23

Particulars (₹ in lakhs)	FY21	FY22	FY23
Liabilities			
Short-term borrowings from banks	1,541.36	2,229.10	332.98
Sundry creditors	715.94	659.50	1,026.01
Average creditors	398.57	687.72	842.75
Short-term borrowings from others	1,459.93	1,340.99	1,128.54
Other current liabilities	247.19	234.85	404.58
Total current liabilities	3,248.48	3,804.93	1,866.10
Total term liabilities	484.01	829.69	542.83
Total outside liabilities	3,732.49	4,634.62	2,408.93
Total liabilities	10,440.25	11,859.27	10,970.82
Assets			
Cash, bank & investments	1,056.58	405.60	535.25
Receivables-other than export	245.37	233.46	245.13
Receivables-export	1,178.66	1,206.98	1,445.02
Total Receivables	1,424.03	1,440.44	1,690.15
Average receivables	1,094.51	1,432.23	1,565.29
Inventory	1,606.27	3,211.51	3,012.55
Other current assets	2,138.11	2,219.69	1,223.91
Total current assets	6,224.99	7,277.24	6,461.86
Fixed assets			
Gross block	6,990.95	7,748.36	7,938.06
Depreciation upto date	2,900.51	3,288.66	3,592.75
Net block	4,090.44	4,459.70	4,345.31
Total other non-current assets	123.96	121.48	162.78
Intangible Assets	0.86	0.86	0.86
Total assets	10,440.25	11,859.27	10,970.82
Total Tangible Assets	10,439.39	11,858.42	10,969.95
Net worth	6,707.76	7,224.66	8,561.89
Tangible net worth	6,706.90	7,223.80	8,561.03
Net working capital	2,976.51	3,472.31	4,595.76

Shareholding of Promoters

Pre Issue Share Holding: 100%

Post Issue Share Holding: 70%

Ratios

D/E: 0.06x

ROCE: 12.19%

To start investing, or for more details, please mail at: nileshshinde@plindia.com