

## Flexituff International Limited : Good Issue

### IPO Note: Market Leader in FIBC Segment

Concerns: High debt of Rs.289 Cr., Promoters Stake will come down to 25.97% after Issue

**Rating: \*\*\***

#### Issue details

Price band (Rs)	Rs.145-155
IPO Opening Date	29/09/11
IPO Closing Date	05/10/11
Issue Size	Rs.97.88-104.63Crore

#### Valuations & Recommendation

The company has been engaged in the manufacturing of FIBC and recently extended the product lines, diversifying the product portfolio. The company is having an established track record. However, the Company requires significant amount of capital for growth of business.

FIL has recorded impressive growth in the past. The company's consolidated net sales for FY 2011 have increased by 80% to Rs 577.94 crore . Sales from exports were Rs 440.36 crore (76% of total net sales) and from domestic market was Rs 137.58 crore (24% of total net sales). The operating profit margin has gone up by just 20 bps to 13%. Net profit was up by 574% to Rs 30.97 crore due to topline growth. At a price band of Rs 145 to Rs 155 per equity share, the P/E at the lower band works out to 10.3 times and at upper band it works out to be 11.1 times the EPS of Rs 14 for FY 2011 (on post-IPO equity). Other stocks such as Jumbo Bag and Emmbi Polyarns are trading at a PE of 21.8 and 9.1 times. FIL is a market leader in the FIBC segment in India and second largest in international market. We recommend to invest for long term(Only for high risk aptitude Investor) Aggressive investor can take exposure in this issue for listing gain.

## Highlights

- ◆ Flexituff International Limited is having experienced promoters who have been involved in the business for over 15 years.
- ◆ CARE has assigned an IPO Grade 3 to Flexituff International IPO.
- ◆ FIL achieved a consolidated turnover of Rs 578Cr and Rs 321Cr for the years 2011 and 2010.
- ◆ Company plans to be one-stop shop to all its customers for all packaging woven products.
- ◆ It has earmarked a separate area admeasuring about 15000 sq.ft. dedicated to research and development activities.
- ◆ It has a debt of Rs.289.14 crore (FY2011)
- ◆ Promoters stake will come down to 25.97% after the Issue.

## Company Introduction Company Profile and Business

Flexituff International is one of the very few fully integrated plants in the world currently manufacturing FIBC, Geo-Textile Fabric and Ground Cover, Reverse Printed BOPP Woven Bags, Special PP Bags including Leno Bags. These products are manufactured at its three manufacturing units located in Pithampur (M.P.) and Kashipur (Uttarakhand).

The company has manufactured 35 miles of 100 feet long, 4 and 6 feet tall Trap bags chains, which have been air freighted to different flood locations at Fargo, North Dakota and Lafayette, Los Angeles for Red river and Mississippi river.

**Multi-Product Portfolio and Multi-market company:** The company has been expanding and broad-basing its product portfolio. It has currently produced FIBCs (500 kg and



[www.flexituff.com](http://www.flexituff.com)

### Financial Summary

Particulars	1103(12)	1003(12)	0903(12)
<b>INCOME</b>	763.9	759.4	296.8
<b>PAT</b>	577.94	321.10	261.41
<b>OPM %</b>	13.0	12.8	13.5
<b>EPS (Rs.)#</b>	14.0	1.8	3.7

\* on post-issue diluted equity of Rs 4136.6265 crore.

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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above), Special PP Bags and Reverse Printed BOPP Woven Bags (5 to 50 kg), Leno Bags for Agri-products packing, Woven Geo125 Textile Bags and Fabric for prevention of land-slides, control for soil erosion, river bank protection, underlay of roads etc. It also manufactures reclosable extruded zipper profile which is used as a secondary closure for 5-50 kg bags. Thus, the company has a multi-product portfolio and the ability to adjust to needs of the customers. Further, the company has exported around 9.3 million FIBC bags during FY 2011 from its SEZ Unit.

**Multi-Location Company:** The company is present at 3 different locations in India and has 4 separate completely integrated facilities which gives it an edge in terms of better management and control, regional advantages, ability to manage labour, proximity to local markets. Over and above this, it mitigates the risk of any calamity, catastrophe at any single location.

**Research and Development Capability:** The company's endeavour is to focus and invest substantially in Research & Development activities. It has earmarked a separate area admeasuring about 15000 sq.ft. dedicated to research and development activities and employ 34 people exclusively for such activities. The Company has spent Rs 245.47 million on research and development for the period April 1, 2007 till June 30, 2011. It has developed in-house technology for coating silver onto yarn to make a conductive bag without depending on any external material.

### Concern

The major revenue of the Company is generated from exports to US and Europe. Any change in the policies governing the packaging industry and /or an economic slowdown in these regions could negatively affect Company's business.

The Company does not have long term binding contracts with its customers and substantial portion of its business comes from spot purchase orders.