

FLEXITUFF INTERNATIONAL

Issue Details

Issue Price	: Rs. 145 – 155
No. of Shares	: 6.75 million shares (includes offer for sale)
Issue Size	: Rs. 979 – Rs. 1046 million
Issue Opens – Closes	: 29th Sept – 05th Oct, 2011
Listing	: BSE & NSE
Market Cap	: Rs. 3,600 – 3,720 million

Background

- Madhya Pradesh based Flexituff International Ltd (FIL) operates in the packaging industry and is engaged in the manufacture of Flexible Intermediate Bulk Carriers (FIBCs), geo-textile fabrics and ground cover (used for prevention of landslides, soil erosion and river bank protection), reverse printed BOPP woven bags, special PP bags including Leno bags which find application across industries. It also has two step down subsidiaries located in USA and UK.
- It has three manufacturing facilities located in Pithampur (M.P.) and Kashipur (Uttarakhand). It also has a re-processing and re-cycling plant at Kandla. The company also has an R&D centre at Kashipur which is engaged in the research and development of various compounds for plastic products.
- The manufacturing capacity for all three units together which manufacture FIBC, Geo-textile fabric & Ground Cover, BOPP Bags, Leno bags and recycled granules and agglomerates stood at 48,500 metric tonnes (MT) for period ended FY2011.
- Notably, Clearwater Capital Partners (Cyprus) Ltd. one of the shareholders is offloading 2.25 million shares which constitutes about 33 per cent of the total issue size. Post the stake sale its shareholding will come down to 10.30 per cent against 26 per cent pre-issue. Thus, funds raised from this offer for sale (Rs. 348 million) will not be available to the company for its expansion purposes.
- Currently, the company has a manufacturing capacity of 5,109 transformers per annum as on 31st March, 2011. MBSL is also engaged in setting up a power project to generate 2MWp through Solar PV Cells.

Why is the company making the IPO?

- ❑ Set up a new 4MWp solar photovoltaic power plant at Gagorni village in Madhya Pradesh
- ❑ Expansion of manufacturing facilities at SEZ and DTA units at Pithampur
- ❑ Setting up Dripper Project at Kashipur
- ❑ Working Capital Requirements (Rs. 250 million) which is 36% of the fresh issue capital
- ❑ General corporate purposes & to meet issue expenses
- ❑ Listing Shares on NSE and BSE

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- ❑ In the FIBC segment which is its core product the company has been operating at an average capacity of 86% from FY 2007 – 11, while for FY 11 it operated at 97% capacity.
- ❑ The company generated nearly 68 per cent of the revenues from sales of FIBC / Jumbo Bags for period ended 31st March, 2011.
- ❑ FIL's manufacturing capacity in Pithampur SEZ is amongst the few in the world to have compliance with the AIB, BRC requirement of having clean room facilities and has also have received a certification of being food grade facility for manufacturing FIBC.
- ❑ As its facility is located in the SEZ region, the company enjoys a tax holiday for a period of 10 year from the date of commencement of its operations, though from 2013 the same will no longer be available and could have a significant impact on its operations. Also with MAT being made mandatory for SEZ units from FY 2012 the operational performance could be impacted to that extent.
- ❑ Notably the company exports over 75 per cent of its products to countries like USA and UK as per its consolidated financial for the period ended 31st March, 2011.
- ❑ The Debt to Equity ratio of the company stands at 1.86 as on 31st March, 2011.
- ❑ As proposed, FIL intends to utilize the IPO proceeds (Rs. 81 million) to set up a manufacturing facility for moulded drip injection irrigation systems whose prospects are fair. However, its promoter's do not have any experience in the same.
- ❑ The company does not have any long term contracts with its customers as 90% of the business on a standalone basis is on spot purchase basis.