IPO Snapshot

September 28, 2011

Issue Snapshot:

Issue period September 29 – October 05, 2011 (For QIB bidders issues closes on October 04,2011)

Price Band: Rs. 145 – Rs. 155

Issue Size: Rs. 97.88 crs – 104.63 crs

Issue Size: 67,50,000 equity shares (incl fresh issue of 0.45 cr shares and offer for sale of 0.225 cr shares)

QIB	upto	33,75,000 eq sh
Retail	atleast	23,62,500 eq sh
Non Institutional	atleast	10,12,500 eq sh

Face Value: Rs 10

Consolidated Book value: Rs 94.67 (March 31, 2011)

Bid size: 40 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs	17.21 crs
Post issue Equity:	Rs.	21.71 crs

Listing: BSE & NSE

Lead Manager: Collins Stewart Inga Pvt Ltd.

Registrar to issue: Link Intime India Pvt Ltd

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue % *
Promoters & Promoters Group	32.75	25.97
Public (incl Employees & others)	67.25	74.03
Total	**100.0**	**100.0**

CARE IPO grading: 3/5 indicating average fundamentals

Highlights of the issue:

Incorporated in 1966 as Saurabh Potteries & Ceramics, Flexituff International Ltd (FIL) is in the business of manufacturing Flexible Intermediate Bulk Containers (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 (Uttrakhand). It also has a recycling and reprocessing plant, which is used for recovering polypropylene and making various compounds of plastics. Its step down subsidiary, Lakshmi Incorporated, U.S.A manufactures reclosable extruded zipper profile, which is used as a secondary closure for 5-50 kg bags. Further, it also has a Research and Development centre at Kashipur which is engaged in the research and development of various compounds for plastic products including engineering plastic, bio-degradable plastic and other new product developments.

Recently, FIL has manufactured Trap bags for AmeriGlobe USA, who was contracted by the City of Fargo to provide Trap bag Container Barrier System for flood protection in eight Fargo City locations. It has manufactured 35 miles of 100 feet long, 4 and 6 feet tall Trap bags chains, which has been air freighted to different flood locations at Fargo, North Dakota and Lafayette, Los Angeles for Red river and Mississippi river. As a business philosophy, it has fully integrated and self-sufficient manufacturing units and is one of the leading integrated manufacturers of FIBC having clean-room area at its SEZ unit. It is a major exporter of FIBC and woven products from India and has been receiving the Top Exporter Award from the PLEXCONCIL, Ministry of Commerce from 2005-06 to 2008-09 every year. It exports to around 30 countries across the globe and are present in 4 continents with major thrust of exports being to U.S.A and Europe. 76.1% of its sales in FY11 came from exports.

Objects of the Fresh Issue:

The objects of the Issue are:

- Expansion of manufacturing facilities at SEZ and DTA units at Pithampur.
- Setting up of Dripper Project at Kashipur.
- Working capital requirements.
- General corporate purposes.
- To meet Issue expenses.

For the year ended Mar 2011, it reported total Sales of Rs.577.94 cr and a PAT of Rs.30.97cr.

Means of Finance:

The fund requirement is proposed to be met through the Issue proceeds.

Cost of Project: **Rs. Crs**

S. No.	Particulars	Total Amount
1	Expansion of manufacturing facilities at SEZ and DTA units at Pithampur.	18.93
2	Setting up of Dripper Project at Kashipur	8.10
3	Working capital requirements	25.00
4	General corporate purposes	*
	Total	*

(Source: RHP)

FIL's strengths:

- Multi-Product Portfolio.
- Multi-Location Company.
- Multi-market company.

Please read important disclosures on the last page

- Fully Integrated, State-of-the-Art Manufacturing Facility.
- Brand Recognition.
- End-to-End Solutions.
- Proven Management Bandwidth.
- Research and Development Capability.

FIL's strategy:

- Focus on core competence.
- Adding products in the core competence area to increase value addition.
- Diversified applications for recycled polymer.
- In house Research & Development and product development centre.
- Connecting with the end customers.

Risks & Concerns:

- The purposes for which the proceeds of the Fresh Issue are to be utilized has not been appraised by any bank or financial institution. In the event of any upward revision in the estimates, FIL's proposed expenditure would increase which could adversely affect its results of operations, profitability and its ability to effectively implement its business plans.

- FIL has no track record or prior experience in the manufacture of injection moulded products and the success of the same cannot be assured.

- FIL's exports to US and Europe contributed 49.18%, 61.69 % and 78.49% of its total revenues for FY 2011, 2010 and 2009 respectively. Any change in the policies governing the packaging industry and /or an economic slowdown in these regions may affect its financial condition and business operations.

- Any inability on FIL's part to maintain quality standards or keep pace with the technological developments could adversely impact its business, results of operations and financial conditions.

- FIL is subject to foreign currency exchange rate fluctuations, which could have a material adverse effect on its financial conditions.

- Reduction or termination of tax incentives and benefits available to FIL's units/facilities established in Special Economic Zone and other tax-exempted areas would adversely impact its tax liabilities.

- FIL does not have long-term contracts with its customers and around 90% of its business on standalone basis comes from spot purchase orders and failure to procure such orders on a continuous basis could adversely impact its revenues and profitability.

- FIL has not entered into any supply agreement for the major raw materials required for manufacturing of its products and are exposed to risks relating to fluctuations in commodity prices and shortage of raw material.

- Introduction of alternative packaging materials caused by changes in technology or consumer preferences may affect demand for FIL's existing products, which may adversely affect its profitability and business prospects.

- The operations of FIL are subject to manufacturing risk and may be disrupted by failure in the facilities. These liabilities and costs could have a material adverse effect on its business, results of operations and financial condition.

- FIL may be held liable for claims of or from customers on account of any deficiency in the services or manufacturing defects in the products supplied to its customers including penalty for delay in implementation of purchase orders.

- Inability of FIL to fulfill its export obligations under the EPCG scheme and under the Advance License scheme could subject it to payment of customs duty together with interest and/or penalty, thereby adversely impacting its financial condition.

- Competition from other domestic producers and unorganized sector may adversely affect FIL's competitive position and its profitability.

- FIL operates in a labour intensive industry and any labour disruptions would significantly hamper its manufacturing operations, which would adversely affect its business operations.

- Increasing employee compensation in India may erode some of FIL's competitive advantage and may reduce its profit margins.

- FIL's assets have been charged in favour of its lenders. Any breach of terms and conditions of the loan agreements may result in alienation of such assets in favour of lenders.
- FIL may be subject to anti dumping duties, which may adversely impact its financial condition.
- There exists a potential conflict of interest between FIL and its Promoter, Sanovi Trading Private Limited and its Group Company, Pusti Trading Private Limited, which may adversely affect its business.

Extract from grading rationale by CARE:

"The grading derives strength from the experienced promoters and management, growing operations, increased product portfolio and application of its products in the various industries, established track record in the exports markets, increasing presence in the domestic markets, high capacity utilization and integrated manufacturing facilities.

However, the grading is constrained by the working-capital intensive nature of operations, homogenous nature of products with no visible differentiators, volatile raw material prices; dependence on a few suppliers for the raw material and off-take risk of the new products such as injection moulding products and polymer compounding. Besides, the grading is constrained by the moderate capital structure and delay in the project execution in the past resulting in poor liquidity ratios".

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