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IPO NOTE | INITIATING COVERAGE (NSE EMERGE SME)

A J Packaging Limited

Sector: Metal Packaging (Printed Tin Containers) | Price Band: ₹ 175 – ₹ 180 per share

FINAL VIEW

1. MAY SUBSCRIBE FOR LONG TERM
2. MAY SUBSCRIBE LISTING GAINS
(For High-Risk Appetite Investors only)

FY26 REVENUE	FY26 PAT / NET MARGIN	INSTALLED CAPACITY
₹ 223.03 Cr	**₹ 7.91 Cr**	**15,000 MTPA**
Up from ₹ 193.46 Cr in FY25 | Q1FY27: ₹ 78.86 Cr	3.55% Net Margin | ROE: 17.79% | ROCE: 17.41%	4 Units (Hyderabad & Ghaziabad) | Q1FY27 Util: 66.7%

1. ISSUE STRUCTURE & BUSINESS PROFILE

IPO Key Parameters

Price Band	₹ 175 – ₹ 180 per share
Face Value	₹ 10 per share
Issue Period	Dec 01, 2026 – Dec 03, 2026
Anchor / Listing	Nov 30, 2026 / Dec 08, 2026 (Tentative)
Bid Lot (Min. Retail)	800 Sh. (Min 2 Lots: 1,600 Sh. / ₹ 2.88 L)
Total Issue Size	30.00 Lakh Shares (₹ 54.00 Cr at Cap)
Fresh Issue / OFS	27.50 L (₹ 49.50 Cr) / 2.50 L (₹ 4.50 Cr)
Market Maker Port.	1.504 Lakh Shares (₹ 2.71 Cr; 5.01%)
Pre / Post Issue	77.55 Lakh / 105.05 Lakh Shares
Implied Market Cap	₹ 189.09 Cr (at Upper Cap of ₹ 180)
Net Offer Allocation	QIB: ≤50% | NII: ≥15% | Retail: ≥35%
BRLM / Registrar	D & A Financial / MUFG Intime India
Market Maker:	R. K. Stockholding Pvt. Ltd

Company Profile & Business Verticals

A J Packaging Limited (est. 1995, Hyderabad) is a B2B manufacturer of 3-piece printed, lacquered, embossed, and customisable metal tin containers with a 31-year legacy. Operating 4 facilities across Hyderabad (incl. an EOU) and Ghaziabad (15,000 MTPA) plus 2 warehouses (Hyderabad & Khandala), It holds ISO 9001:2015 certification and One Star Export House status.

Objects of Fresh Issue (₹ 49.50 Cr): Working Capital: ₹ 29.30 Cr | Debt Repayment: ₹7.00 Cr |General Corporate Purposes (≤15%) & Issue Expenses. A portion of the Net Proceeds may be utilized for pre-payment of term loans availed by our Company.

Revenue Segment	FY26 Share	Key Products & End Applications
Metal Containers	**70.93%**	Round (welded/locking), oval, rectangular embossed tin cans (50g–4kg, 50ml–5L)
Printed / Lacq. Sheets	**12.04%**	Custom-coated & UV double-colour printed tinplate sheets
Other Oper. Sales	**8.88%**	Ancillary operational sales including tinplate & copper scrap
Trading Sales	**8.14%**	Commercial trading segment (expanded to 18.06% in Q1FY27)

2. RESTATED FINANCIAL PERFORMANCE & RATIONALE

Financial Parameter	FY24 (₹ Cr)	FY25 (₹ Cr)	FY26 (₹ Cr)	Q1FY27* (₹ Cr)	Analytical Commentary
Revenue from Operations	210.03	193.46	223.03	78.86	Rebounded +15.3% YoY in FY26; 5-yr CAGR 17.39% (FY21–FY26)
EBITDA (RHP KPI Basis)	18.69	21.47	26.63	8.66	Margins expanded from 8.88% (FY24) to 11.90% (FY26); Q1FY27: 10.93%
Profit After Tax (PAT)	3.78	5.12	7.91	3.49	44.6% PAT CAGR (FY24–FY26); net margin doubled from 1.80% to 3.55%
Net Worth (Total Equity)	26.70	37.33	44.46	47.95	Steady internal accruals + ₹ 5.75 Cr preferential issue in Jan 2025

Return on Equity (ROE)	14.18%	13.71%	17.79%	29.09%*	Superior capital efficiency vs larger peers; FY26 ROCE at 17.41%
Debt-to-Equity Ratio	2.63x	1.87x	1.69x	1.47x	Elevated debt (₹ 70.69 Cr Jun-26); expected to drop to ~0.65x post-IPO
Cash Flow from Ops (CFO)	16.17	13.03	15.75	2.23	Consistently positive operating cash flows despite high inventory base

**Note2: FY24 & FY25 are Restated Consolidated; FY26 & Q1FY27 (3M ended June 30, 2026) are Restated Standalone (RHP). Q1FY27 ROE (29.09%) and ROCE (24.16%) are annualized. EBITDA reflects RHP KPI definition (PBT + D&A + Finance Cost); excl. other income, FY26 EBITDA is ₹ 26.63 Cr (11.90% margin).*

3. SWOT MATRIX ANALYSIS [Strategic Evaluation]

● STRENGTHS

- **31-Year Legacy & Marquee Clients:** Serving Asian Paints, Haldiram's, Mrs. Bectors, CCL Products & Vayhan Coffee with 5–11 yr relationships.
- **Strong Margin & Profit Expansion:** EBITDA margin expanded 302 bps (8.88% to 11.90%) and PAT grew at 44.6% CAGR over FY24–FY26.
- **Ready Capacity & Certifications:** 15,000 MTPA capacity across 4 units (incl. EOU), ISO 9001:2015 certified, One Star Export House.

● WEAKNESSES

- **High Customer & Geographic Concentration:** Top 10 clients form 66.12% (FY26) / 77.21% (Q1FY27) of sales; 100% revenue from 3 states (Telangana 59.5%).
- **Elevated Leverage & Working Capital:** Total debt ₹ 70.69 Cr (D/E 1.47x) and inventory ₹ 86.66 Cr (49.5% of assets) as of June 30, 2026.
- **Supplier Dependence & Leased Units:** Top 5 suppliers form 66.92% of FY26 purchases (BIS limits imports); 5 of 6 facilities/warehouses are leased.

● OPPORTUNITIES

- **Capacity Utilisation Upside:** Unutilised headroom (~58.4% FY26; 66.7% Q1FY27) supports ~15% targeted annual revenue growth without fresh capex.
- **Eco-Friendly Packaging Shift:** 100% recyclable metal containers gaining traction across FMCG, processed foods, coffee, and gifting.
- **Deleveraging & Margin Leverage:** ₹ 36.30 Cr IPO allocation to working capital & debt repayment cuts interest burden and cash discounts.

● THREATS

- **Raw Material & Tariff Volatility:** Tinplate (~72% of costs) price swings, BIS supply curbs, and US tariff / global coffee shocks (hit FY25 sales).
- **Substitute Packaging Competition:** Competition from flexible plastics, aluminium, glass, paper, and low-cost unorganised tin manufacturers.
- **Compliance, Trademark & Legal Risks:** Historical ROC filing delays, objected logo trademark, GST disputes (₹ 1.10 Cr), and promoter legacy cases.

4. INVESTMENT DRIVERS & FUTURE TRIGGERS

What Investors Can Like

✔ **Blue-Chip B2B Stickiness:** Multi-year supply relationships (5–11 years) with TOP Brands create high switching costs.

✔ **Superior Peer Return Ratios:** FY26 ROE (17.79%) and ROCE (17.41%) sharply outperform larger listed tin-can peers Shetron (6.48% ROE) and Kaira Can (1.97% ROE).

✔ **91.7% Fresh Issue for Growth:** ₹ 49.50 Cr fresh capital directly funds working capital (₹ 29.30 Cr) and loan prepayment (₹ 7.00 Cr), cutting post-IPO D/E toward ~0.65x.

✔ **Clean Group Restructuring:** Acquired promoter entity A J Cans' machinery at fair value, leased Factory IV, and signed a Non-Compete Agreement (July 2026) to eliminate overlap.

Key Catalysts & What to Watch

➔ **Utilisation Ramp-Up:** Scaling utilisation from 58.4% (FY26) / 66.7% (Q1FY27) across Hyderabad & Ghaziabad units to drive management's ~15% FY27–28 growth target.

➔ **Working Capital Execution:** Extending customer credit (21 to 45 days) while cutting payables (107 to 60 days) to capture better supplier pricing and eliminate cash discounts.

➔ **Core Manufacturing vs. Trading Mix:** Tracking sustainability of core metal container growth after trading sales jumped to 18.06% of Q1FY27 revenue (vs 8.14% in FY26).

➔ **Deleveraging & Interest Savings:** Reduction in ₹ 70.69 Cr borrowings and ₹ 9.75 Cr annual finance cost (~47% of FY26 EBIT) to accelerate net profit conversion.

5. VALUATION & INVESTMENT RECOMMENDATION

At the upper price band of ₹ 180 per share, A J Packaging Limited commands an implied post-issue market capitalization of **₹ 189.09 Crore**. Based on restated FY26 PAT of ₹ 7.91 Cr on the expanded post-issue equity base of 1.05 Cr shares (post-issue FY26 diluted EPS of ₹ 7.53; pre-issue EPS ₹ 10.20), the issue is priced at **17.65x pre-issue and 23.90x post-issue FY26 P/E**. On annualized Q1FY27 earnings (PAT ₹ 3.49 Cr; annualized post-issue EPS ₹ 13.28), the implied post-issue multiple stands at **~13.56x P/E** (post-issue P/B ~1.94x; EV/FY26 EBITDA ~7.8x). This compares favourably against the RHP listed peer average P/E of **34.17x** (Shetron Ltd.: 26.13x; Kaira Can Co.: 69.80x; Rajeshwari Cans: 6.59x).

Given AJPL's 31-year industry pedigree, marquee B2B customer stickiness, consistent margin expansion (EBITDA margin up from 8.88% to 11.90%), superior ROE/ROCE (17.79% / 17.41% in FY26), ready capacity headroom, and meaningful post-IPO balance-sheet deleveraging (pro-forma D/E ~0.65x),we recommend **"MAY SUBSCRIBE *(For High-Risk Appetite Investors only)*" for long-term investors** and **"MAY SUBSCRIBE *(For High-Risk Appetite Investors only)*" for listing gains** (supported by positive early grey-market sentiment, though investors should factor in SME liquidity risk, ₹ 2.88 Lakh minimum retail ticket size, customer concentration, and historical compliance/litigation disclosures).

6. Positive Rationale

✔ **Consistent Profit & Margin Expansion:** PAT more than doubled from ₹ 3.78 Cr (FY24) to ₹ 7.91 Cr (FY26) (44.6% CAGR), with EBITDA margin expanding to 11.90% and PAT margin to 3.55%.

✔ **Strong Q1FY27 Momentum:** Recorded ₹ 78.86 Cr revenue and ₹ 3.49 Cr PAT (4.42% net margin) in 3M ended June 30, 2026, with annualized ROE of 29.09% and ROCE of 24.16%.

✔ **31-Year Track Record & Marquee Clients:** Operating since 1995 with 5–11 year relationships across Asian Paints, Haldiram's, Mrs. Bectors, CCL Products, Indus Coffee, and Vayhan Coffee.

✔ **Substantial Capacity Headroom:** Invested ₹ 57.98 Cr capex over FY21–FY26 to build 15,000 MTPA capacity across 4 units; 58.4% FY26 utilisation leaves ample room for growth without immediate capex.

✔ **Balance-Sheet Deleveraging via Fresh Issue:** 91.7% of the ₹ 54.00 Cr IPO is a Fresh Issue (₹ 49.50 Cr), allocating ₹ 29.30 Cr to working capital and ₹ 7.00 Cr to loan repayment, lowering D/E toward ~0.65x.

✔ **Superior Return Ratios & Attractive Peer Pricing:** FY26 ROE (17.79%) and ROCE (17.41%) outshine listed peers Shetron & Kaira Can, while valuation (~23.9x FY26 post-issue / ~13.6x ann. Q1FY27) sits below peer avg (34.17x).

✔ **Conflict Resolution & Promoter Alignment:** Acquired promoter entity A J Cans' machinery at fair value and signed a Non-Compete Agreement (July 2026); promoters retain a committed 66.07% post-issue stake.

7. Negative Rationale

❌ **High Customer & Geographic Concentration:** Top 10 customers accounted for 66.12% (FY26) and 77.21% (Q1FY27) of revenue without binding long-term contracts; 100% revenue comes from Telangana, UP, and Maharashtra.

❌ **High Leverage & On-Demand Unsecured Loans:** Total debt stood at ₹ 70.69 Cr (D/E 1.47x as of June 2026), including ₹ 12.34 Cr unsecured loans repayable on demand and borrowings backed by promoter personal guarantees.

❌ **Working-Capital & Inventory Intensity:** Inventories reached ₹ 86.66 Cr (49.5% of assets; 141 inventory days in FY26) while free cash (excl. margin money) was just ₹ 0.20 Cr as of June 30, 2026.

❌ **Raw Material & Supplier Concentration:** Top 5 suppliers formed 66.92% of FY26 purchases (69.19% in Q1FY27); BIS tinplate import restrictions limit sourcing primarily to two domestic mills (Tata Steel, JSW Steel).

❌ **Spike in Low-Visibility Trading Sales:** Trading sales surged from Nil (FY25) to 8.14% (FY26) and 18.06% (Q1FY27); extrapolating Q1FY27 annualized earnings carries normalisation risk.

❌ **Compliance Lapses, Trademark & Litigation Overhang:** Discloses extensive historical ROC filing delays, untraceable 1996–97 records, GST delays (1–21 days), objected logo trademark, ₹ 2.13 Cr claims on company, and ₹ 3.29 Cr legacy guarantor decree against Promoter Ajay Agarwal.

❌ **SME Liquidity, Ticket Size & Valuation Jump:** NSE Emerge listing entails higher volatility and ₹ 2.88 Lakh minimum retail ticket; ₹ 180 cap is a 56.5% premium to the ₹ 115 private placement/secondary price (Jan 2025–Jan 2026).

❌ **Conflict of interest :** Promoter AJ Cans Private Limited, is engaged in similar line of business activity in which our Company is engaged which may create a conflict of interest.

❌ **Disruption in such arrangements** : A significant portion of our manufacturing and warehousing facilities are operated from leased or licensed premises, including certain premises leased from our Promoter Group entity, and any disruption in such arrangements could adversely affect our business.

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