VIGOR PLAST

Initial Public Offering (IPO) Report — September 2025

DETAILS

IPO Open/Close Dates	September 4 - 9
Issue Size (₹ Cr)	₹25.10 crores
Price Band & Lot Size	₹77 to ₹81 per share (Lot size : 1600 shares per lot)

Total Issue Size: ₹25.10 crores (as per DRHP)
- Fresh Issue: ₹20.24 crores
- Offer for Sale: ₹4.86 crores

Promoter Dilution:

- of total issue size: 29.95%
- Promoter holding pre-issue: 70.05%

Objects of the Issue:

- Repayment of certain secured borrowings availed by the Company - ₹11.39crores
- Funding capital expenditure towards the development and construction of new warehouse in Ahmedabad, Gujarat - ₹3.80crores

INDUSTRY OVERVIEW

INDUSTRY SIZE, GROWTH TRENDS, AND PROJECTIONS

Global Plastics Industry

- Valued at **~USD 712 billion in 2023**, projected to reach **USD 1,050 billion by 2032** (CAGR ~4.9%).
- Growth supported by **packaging, automotive, construction, consumer goods, and healthcare** applications.

Indian Plastics Industry

- The Government of India intends to take the plastic industry from a current level of Rs. 3,00,000 crore (US$ 37.8billion) of economic activity to Rs. 10,00,000 crore (US$ 126billion) in four-five years.
- India is the **3rd largest consumer of plastics** globally.
- Strong demand from **packaging, infrastructure, automotive, and consumer durables**.

Pipes & Fittings Industry (India)

- According to **IMARC Group**, the **India pipes and fittings market** reached **USD 659.7 million in 2024** and is projected to reach **USD 906.2 million by 2033**, reflecting a **CAGR of ~3.59% during 2025–2033.**
- Market growth is being driven by rising demand for **PVC & CPVC pipes** in infrastructure projects and increasing adoption of **PEX and multilayer composite pipes** in residential and commercial plumbing.

KEY GROWTH DRIVERS & HEADWIND

Growth Drivers

- **Government Initiatives:** Jal Jeevan Mission, Smart Cities, AMRUT, and PMAY boosting water supply, housing, and infra pipe demand.
- **Urbanization & Real Estate:** Rising housing, plumbing, and sewage requirements driving pipes & fittings consumption.
- **Agriculture Demand:** Irrigation projects shifting to PVC/CPVC pipes due to durability and cost efficiency.
- **Shift from Metal to Plastic:** Lightweight, corrosion-resistant, and economical plastics replacing traditional metal pipes.

Headwinds

- **Raw Material Volatility:** Reliance on crude-linked polymers exposes industry to global price swings.
- **Import Dependence:** Specialty resins and advanced fittings partly imported, creating forex and supply risk.
- **Fragmented Competition:** Intense price-based competition in domestic pipes & fittings impacting profitability.
- **Sustainability Concerns:** Rising environmental regulations and recycling mandates affecting plastics outlook.

GOVERNMENT POLICIES/INCENTIVES

- **Jal Jeevan Mission (JJM)**: Target of providing functional household tap connections to all rural households, driving large demand for PVC/CPVC pipes and fittings.
- **AMRUT 2.0 & Smart Cities Mission**: Focus on urban water supply, sewage, and drainage infrastructure creating sustained demand for plastic pipes.
- **Pradhan Mantri Awas Yojana (PMAY)**: Affordable housing push adding to plumbing and fittings demand in residential projects.
- **PLI Scheme & "Make in India"**: Incentives for domestic manufacturing of petrochemicals and plastics to reduce import dependence and boost capacity.
- **Agriculture & Irrigation Schemes**: Subsidies and government projects for micro-irrigation (PMKSY, drip irrigation) supporting rural pipe demand.

COMPETITIVE LANDSCAPE & POSITIONING

- The **Indian plastics and pipes & fittings industry** is **highly fragmented**, with presence of large organized players (Supreme Industries, Astral, Finolex, Prince Pipes, Ashirvad Pipes) as well as numerous unorganized regional manufacturers.
- **Organized players** dominate in CPVC, PEX, and multilayer composite pipes where branding, quality certification, and distribution strength matter.
- **Unorganized/regional players** are stronger in low-cost PVC pipes, catering to agriculture and rural demand through price competitiveness.
- Competitive intensity is **price-driven**, with margins impacted by raw material volatility and working capital cycles.
- **Vigor Plast India Limited** (per RHP) positions itself as a **mid-sized, quality-driven player** focusing on **pipes & fittings for irrigation, plumbing, and infrastructure**, with emphasis on cost efficiency, product quality, and regional distribution network.
- Unlike larger listed peers, the company operates in a **niche, region-focused space**, which helps maintain relationships with distributors and project contractors but also exposes it to higher competition from local players.

PEER COMPARISON TABLE (REVENUE, MARGINS, VALUATION MULTIPLES)

Company Name	EPS (Basic)	NAV (per share) (Rs)	P/E (x)	RoNW (%)	P/BV Ratio	ROCE (%)
Vigor Plast India Limited	6.57	16.3	12.35	59.39%	4.97	28.24%
Captain Pipes Ltd	0.59	2.97	59.3	13.5 %	5.52	17.0 %
Dutron Polymers Ltd.	4.54	48.58	34	9.68%	2.43	12.30%
Rex Pipes And Cables Industries Limited	5.42	38.64	29.3	15.2 %	4.15	16.1 %

Financial Analysis

RELATED PARTY TRANSACTIONS (RPTS) TREND IN THE YEAR BEFORE IPO

- **FY2023 → FY2024:** Transactions **increased slightly (₹1122.62 → ₹1191.42 lakhs)**, driven mainly by a **sharp rise in sales to related party (₹524.08 → ₹566.04 lakhs)**, while loan balances remained high.
- **FY2024 → FY2025:** Transactions **fell significantly (₹1191.42 → ₹746.40 lakhs)**. This was due to:
  - **Sales to related party dropping to NIL** in FY2025.
  - **Loan balances closed out (₹218.52 lakhs in FY24 → negligible in FY25)**, suggesting repayment/settlement.
  - Increase in **amount paid (₹60.30 → ₹340.26 lakhs)** in FY2025, possibly repayment of obligations.
- **Remuneration & Salary** has remained stable, reflecting continuity of promoter/management compensation.
- Overall, FY2025 reflects a **deleveraging/settlement phase**, with transactions shifting away from related-party sales/loan dependence toward more arm's-length operations.

DEBTORS' TURNOVER RATIO TREND ANALYSIS

- **FY2023 → FY2024**: Revenue increased by ~14%, but trade receivables also rose from ₹250.81 lakhs to ₹294.16 lakhs. This kept the receivables turnover ratio almost flat (15.52 → 15.59). Essentially, higher sales were accompanied by proportionally higher receivables, reflecting extended credit cycle.
- **FY2024 → FY2025**: Revenue further increased (~8%), while receivables reduced significantly from ₹294.16 lakhs to ₹192.87 lakhs. This sharp decline in receivables improved collection efficiency, driving a notable jump in turnover ratio (15.59 → 18.72).
- **Overall Trend**: The company has shown improved receivable management by FY2025, reducing dependence on credit sales. In an industry where 60–90 days collection cycles are common, maintaining receivables at ~4% of revenue in FY2025 is a strong positive indicator of liquidity and operational discipline.

PROFITABILITY TREND AND REASONING FOR INCREASE IN YEAR BEFORE IPO

Fiscal Year	Revenue (₹ in lakhs)	PAT (₹ in lakhs)	PAT Margin (% of Revenue)
FY2023	3,738.65	29.87	0.80%
FY2024	4,251.80	292.91	6.89%
FY2025	4,601.81	515.06	11.20%

- **FY2023:** PAT stood at ₹29.87 lakhs, reflecting a net margin of just **0.80%**, impacted by high raw material cost (80.40% of income) and low capacity utilization (~45%).
- **FY2024:** PAT rose sharply to ₹292.91 lakhs (**6.89% margin**), driven by

  (i) reduction in raw material cost as % of income **(68.68% vs 80.40%),**

  (ii) **better cost control**, and

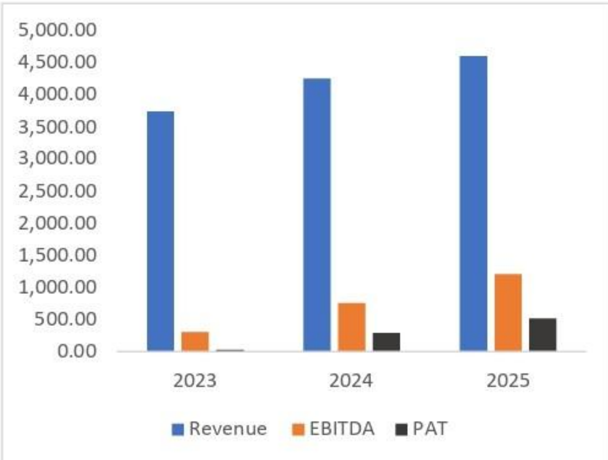
  (iii) introduction of **PVC pipes, a higher-margin product.**

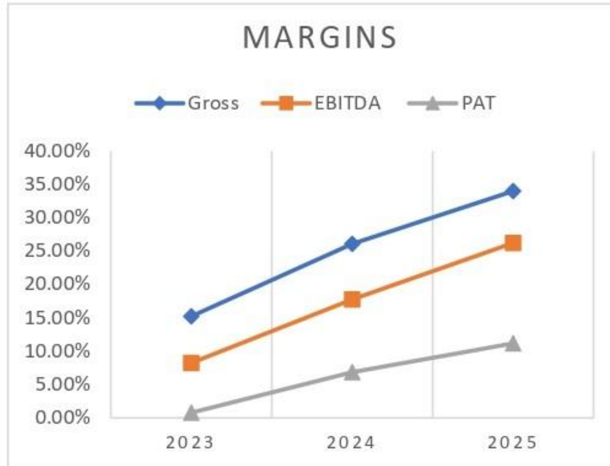
- **FY2025 (Pre-IPO year):** PAT further improved to ₹515.06 lakhs (**11.20% margin**), supported by scale-up in operations with capacity utilization rising to ~69.5%, higher sales volumes, and sustained cost efficiencies.

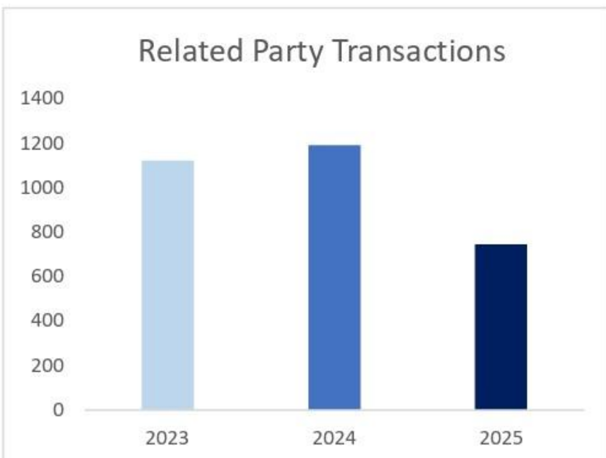
Summary

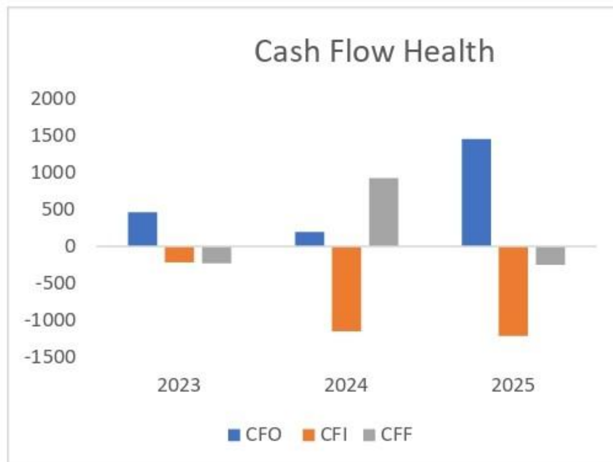
The company's profitability has shown a **structural improvement ahead of IPO**, with PAT margins expanding from **0.8% in FY2023 to 11.2% in FY2025.** This was enabled by product mix shift (PVC pipes), raw material cost optimization, and improved capacity utilization, placing the company in line with or above industry margin benchmarks in the plastics & pipes sector.

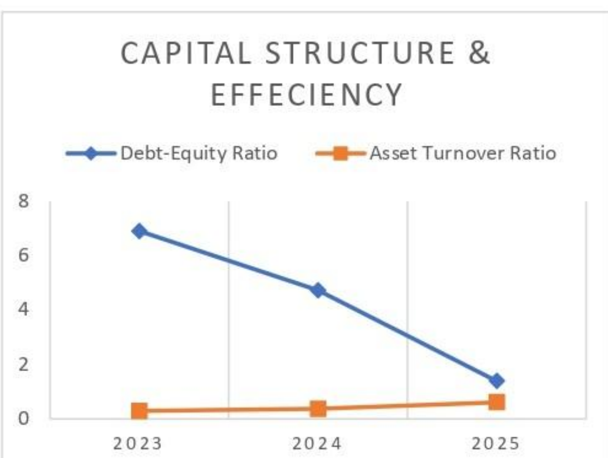
Summary of Financials and Ratios

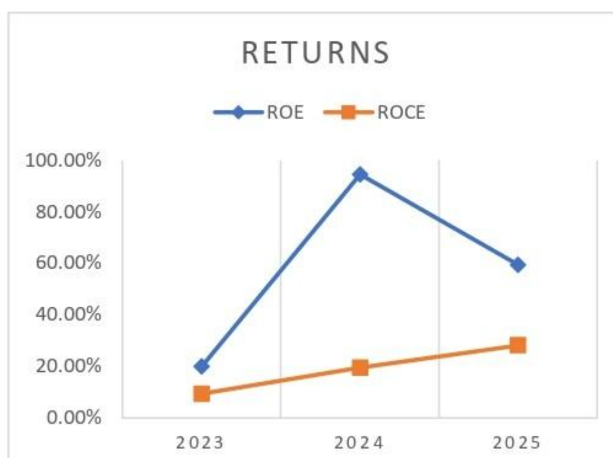












CASH FLOW HEALTH

Operating Activities (CFO):

- Strong improvement in cash flow from operations: ₹1,457.13 lakhs in FY2025 vs ₹196.50 lakhs in FY2024 and ₹464.79 lakhs in FY2023.
- This reflects higher profitability, improved working capital management, and sustained non-cash adjustments (depreciation & finance costs).
- Positive operating cash flows for three consecutive years indicate a healthy core business model with better cash conversion in the pre-IPO year.

Investing Activities (CFI):

- Consistently negative cash flows **(₹–1,211.21 lakhs in FY2025; ₹–1,148.64 lakhs in FY2024; ₹–215.92 lakhs in FY2023).**
- This is driven by significant capital expenditure in **property, plant, and equipment, reflecting capacity expansion and future growth investment.**
- Though cash outflows are high**, they are strategic in nature and aligned with scaling operations.**

Financing Activities (CFF):

- FY2025 saw net outflows (**₹-245.57 lakhs**) due to repayment of borrowings and interest payments, indicating a deleverage trend.
- FY2024 showed heavy inflows (**₹929.27 lakhs**) as the company raised fresh debt to support expansion.
- FY2023 had outflows **(₹–226.51 lakhs**) on account of repayment of borrowings and interest.
- The shift from inflows in FY2024 to outflows in FY2025 signals reduced dependence on external borrowings.

Net Cash Position:

- Ending cash balances are modest (₹1.05 lakhs in FY2025 vs ₹0.70 lakhs in FY2024 and ₹23.57 lakhs in FY2023).
- Despite high capex, operating inflows and prudent debt repayment kept liquidity stable, though cash reserves remain thin.

Summary View

The company demonstrates strong operational cash generation in the latest year, improved working capital discipline, and deliberate investments into capacity expansion. While cash balances are low, deleveraging and consistent operating cash flows provide comfort. Overall, the business shows a healthy but capex-intensive cash flow profile, typical of a growth-oriented manufacturing company preparing for IPO.

AUDITORS' REMARKS

The statutory auditor has issued an unqualified opinion on the company's restated financial statements for FY22, FY23, and FY24, indicating that the financial statements present a true and fair view of the company's financial position and performance.

No material qualifications or adverse remarks have been reported by the auditors during the review of financials included in the DRHP/RHP.

This clean opinion provides assurance on the fair presentation and reliability of the company's operating results, cash flows, and balance sheet metrics disclosed in the DRHP.

RISK FACTORS

BUSINESS RISKS

- **High Dependence:** PVC resin is the core raw material for manufacturing pipes and fittings. Global crude oil fluctuations, import dependency, and supply chain bottlenecks may lead to sharp price swings. The company may not always be able to pass on cost increases to customers immediately, which could compress margins.

- **Geography Concentration Risk:** The company's manufacturing unit is in Dared, Gujarat, and distribution is heavily dependent on Gujarat and neighboring states. Any regional slowdown, natural calamity, or policy disruption in this geography may disproportionately affect operations.

- **Execution Risk in CapEx (New Warehouse):** Part of IPO proceeds will go into setting up a new warehouse in Ahmedabad (₹3.8 Cr). Risks include delays, cost overruns, or under-utilization, which may impact ROI from this expansion.

- **Customer and Dealer Dependency:** The company's sales model relies heavily on its 387–440 dealers. If a significant portion of dealers stop stocking Vigor products, or if larger competitors attract them with better incentives, revenues could be impacted.

FINANCIAL RISKS

- **Debt Servicing & Leverage:** Though the IPO aims to reduce borrowings (₹11.4 Cr repayment planned), the company has historically carried high leverage (D/E was 6.9× in FY23). Failure to maintain a healthy debt profile in future expansion phases could affect creditworthiness.

COMPETITIVE & PRICING PRESSURES

- **Intense Rivalry:** The pipes industry is highly fragmented, with large established brands (Astral, Finolex, Supreme Industries) and numerous SME players having stronger dealer networks and higher marketing budgets.

REGULATORY AND COMPLIANCE RISKS

- **Import Dependency:** India imports a major portion of its PVC resin requirements. Currency fluctuations, trade policy changes, or global shortages could directly affect raw material costs and supply continuity.

- **Certification and Standard Issues:** Any failure to maintain certification or violation of environmental/safety norms could disrupt production and affect brand trust. All the products must comply with BIS standards and quality certifications.

- **Legal Overhang:** There are references to legal charges which may introduce compliance or reputational risks.

GMP ANALYSIS

Grey Market Premium (GMP) is the unofficial market price at which IPO shares are traded before listing. It indicates market sentiment and potential listing gain expectations but is not regulated by SEBI.

LATEST GMP TRENDS (VIGORPLAST)

Below is a day-by-day snapshot of the grey market premium for MANGAL ELECTRICALS, based on data from leading unofficial trading trackers:

Date (2025)	GMP (₹ per share)
September 4	0
September 5	0
September 6	0
September 7	0

- Vigorplast IPO's GMP analysis shows no premium, with early subscriptions and financials indicating moderate market confidence. Listing is likely to be at issue price unless sentiment changes near closing.

INTERPRETATION & IMPLICATIONS

- For all reported days up to September 7, 2025, the GMP was consistently ₹0, meaning shares were trading in the grey market at the offer price of ₹81, with no upside.
- For the first two days of IPO subscription, bids were moderate: 0.33x on day one and 0.71x on day two, with QIB and NII portions seeing slightly higher interest than retail.
- A GMP of ₹0 signals subdued speculative or informal market interest, despite the company's expanding production and wide distributor network.
- GMP trends are typically watched for listing-day sentiment; in this case, the absence of GMP suggests a likely flat listing barring late demand.

LONG TERM OUTLOOK

SHORT- TERM & LONG- TERM OUTLOOK

- Proceeds will be used for debt reduction (~₹11.39 crore), setting up a modern warehouse in Ahmedabad (~₹3.80 crore), and general corporate expenses.
- The new warehouse is expected to streamline logistics, shorten delivery times across India, and expand the distributor network beyond 440 dealers in 25 states.
- Early post-listing period may benefit from strong sector momentum, healthy subscription levels, and Vigor Plast's robust financial performance (PAT up 76% YoY; EBITDA margins improved to 27.5% in FY25).

Long-Term Outlook:

- The Indian plastic pipe and fittings market is forecasted to grow steadily, supported by infrastructure spending, urbanization, smart city projects, and rising demand for water management solutions.
- The **Make in India** campaign encourages local production with incentives for domestic manufacturers, facilitating expansion and exports.
- The **Smart Cities Mission** and flagship urban development schemes involve upgrading city infrastructure, water supply, sewerage, and housing—areas that require robust piping networks.
- Post-listing, trading might be volatile; but long-term fundamentals appear promising for steady value creation.

KEY POSITIVES

- Debt-to-equity reduced from 4.7 in FY24 to 1.3 in FY25 with return on capital employed (ROCE) at 28.2% and ROE at 40.3% for FY25.
- Robust growth in FY25 with revenue rising 8% year-on-year and net profit (PAT) surging by 76%.
- Clear growth roadmap articulated by management, combining innovation, product diversification, and geographic expansion.
- Focus on operational efficiency, prudent capital allocation, and sustainable growth.

KEY RED FLAGS

- Vigor Plast is a relatively small player focused on the SME segment, which tends to be more volatile and less liquid compared to large-cap companies.
- SME IPOs generally exhibit higher price volatility with lower liquidity, potentially impacting investor exit options.
- The plastic pipes industry is intensely competitive with strong players such as Astral, Supreme, and Finolex holding significant market share.
- While government initiatives are positive, changes in budget allocations, delays in project execution, or policy shifts could adversely affect demand for plastic piping products.
- Though the company has pan-India distribution, revenue concentration in specific states or regions may expose it to localized economic or regulatory risks.
- Despite recent reduction, the company's debt-to-equity ratio remains moderately high (1.3), which could impede financial flexibility if operating cash flows weaken.

TARGET LISTING GAIN (SPECULATIVE ESTIMATE):

- **₹3 - 5/share** expected GMP
- Implies **~5 - 9%** listing gain (if sentiment holds)

LONG-TERM FAIR VALUE ESTIMATE:

- No broker consensus available yet.
- Rough valuation: if the company achieves ₹100-120 Cr revenue in the next 3 years sustaining a net profit margin of ~9%, fair market cap could range ₹200-260 Cr.

Thank you for reading our detailed analysis on Vigor Plast Ltd. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape. Stay connected with us for more such deep dives and market insights:

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