B.N.RATHI SECURITIES LIMITED

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26th Nov 2026

IPO NOTE

COMPANY NAME: A J PACKAGING LTD

Hyderabad-based maker of printed tin cans for coffee, biscuit, ghee and paint brands — four plants, 15,000 tonnes a year of capacity, 30 years in business

DETAILS OF THE ISSUE

FRESH ISSUE + OFFER FOR SALE

₹49.5 cr into the company · ₹4.5 cr to promoter Ranjani Agarwal (at ₹180)

Platform / method	**NSE Emerge (SME) · book-built**
Price band (face ₹10)	**₹175 – ₹180**
Issue size	**₹54.0 cr · 30.0 lakh sh**
— Fresh issue	**₹49.5 cr (91.7%)**
— Offer for sale	**₹4.5 cr (8.3%)**
Lot · minimum application	**800 sh · 2 lots = ₹2,88,000**
Anchor bidding	**30-Nov-2026 · up to 8.4 lakh sh**
Issue opens → closes	**1-Dec → 3-Dec-2026**
Allotment · listing	**4-Dec · 8-Dec-2026 (tentative)**
Lead manager (BRLM)	**D & A Financial Services**
Registrar	**MUFG Intime India**
Market maker	**R.K. Stockholding (5.0%)**
Post-issue market cap	**₹189.1 cr at ₹180**
Our fair value	**₹143 (range ₹90–184)**
P/E · P/BV post-issue	**23.9x FY26 · 2.1x**

WHAT THE COMPANY ACTUALLY DOES — IN PLAIN WORDS

A J Packaging turns tinplate — thin steel sheet coated with tin — into printed metal containers: round, square, oval and embossed tins from 50 g to 5 kg. Brands use them for instant coffee, biscuits and cookies, ghee, coconut oil, mango pulp, cosmetics and paint. It prints the sheets itself, then cuts, shapes and seals them into cans in Hyderabad (three units, one export-oriented, plus a fourth taken over from a promoter company in Jul-2026) and Ghaziabad. Capacity is 15,000 tonnes a year; 58% was used in FY26 (75% in FY24).

It sells only to businesses — CCL Products, Haldiram, Mrs Bectors, Modigold, Vayhan Coffee and Asian Paints among them, several for 5–11 years. Buyers come for print quality, air-tight seals and many sizes at short notice. Promoters Ajay Agarwal (chairman) and Nitin Agarwal (MD) handle key customers themselves. In FY26, 59% of sales were billed in Telangana, 29% in Uttar Pradesh and 12% in Maharashtra; the export-oriented unit supplies coffee exporters, and the company holds One Star Export House status. It employs 109 staff plus 169 contract workers (30-Jun-2026).

PRODUCT PORTFOLIO (SHARE OF FY26 REVENUE OF ₹223.0 CR)

Metal containers
70.9%
₹158.2 cr in FY26 (FY24: ₹167.3 cr). The core business — and it has **shrunk** since FY24.

Printed sheets
12.0%
₹26.9 cr. Almost all sold to promoter firm AJ Cans, which made cans and **sold them back**. Ended Jul-2026.

Trading
8.1%
₹18.2 cr; nil in FY24–FY25; ₹14.2 cr (18%) in Apr–Jun FY27. Thin margin.

Scrap & other
8.9%
₹19.8 cr of tinplate and copper scrap left over from making cans.

The RHP gives no profit split by line. Of the four, only metal containers carry the business's value: trading is resale at a thin markup, scrap is a by-product, and the sheet sales were a round trip — in FY26 the company bought back ₹27.2 cr of cans from AJ Cans against ₹26.5 cr of sales to it.

THE ONE THING THAT EXPLAINS THIS COMPANY — A BANK-FUNDED TINPLATE STOCKPILE

What it is. On 31-Mar-2026 the company held ₹86.4 cr of stock (inventory) — **1.9 times its own net worth** of ₹44.5 cr and 141 days of sales (99 days in FY24). Tinplate is 84% of raw-material cost (FY26). Since a Bureau of Indian Standards (BIS) order in Apr-2021 shut out uncertified imports, most tinplate comes from just two domestic mills (Tata Steel and JSW) with long delivery times, so the company keeps a large safety stock in many thicknesses.

What it costs, in rupees. The stock is paid for mainly with bank cash-credit lines that the banks can recall at any time — short-term borrowings of ₹58.8 cr (31-Mar-2026), total debt ₹75.0 cr. Interest cost was ₹9.75 cr in FY26, equal to **88% of pre-tax profit** (₹11.05 cr). In FY24 interest (₹9.74 cr) was almost double pre-tax profit (₹5.19 cr).

What the three-year trend really says. Stock rose 52% (₹56.7 cr FY24 → ₹86.4 cr FY26) while output fell 16% (10,436 → 8,766 tonnes). Money coming in from operations stayed positive (₹15.8 cr FY26) only because customers pay within about three weeks — helped by early-payment discounts and advances that, the RHP says, weaken its pricing — while suppliers wait about three and a half months (107 days).

The catch. The IPO does not shrink the stockpile. ₹29.3 cr is earmarked to give customers 45 days to pay (from 21) and to pay suppliers in 60 days (from 107); the company's own plan keeps stock at 124 days and bank working-capital borrowing flat at ₹48.5 cr in FY27–FY28. Only ₹7 cr repays debt, so the interest bill of about ₹9 cr barely falls. On 30-Jun-2026 the DBS cash-credit line was overdrawn (₹20.8 cr against a ₹19.5 cr limit). The stock also carries price risk: if tinplate prices fell 5%, an ₹86 cr stockpile would lose about ₹4 cr of value — half of FY26 profit (illustrative; the RHP does not split stock by type).

What would break it. A sharp fall in tinplate prices, a bank cutting its on-demand limit, or a supply problem at one of the two domestic tinplate mills.

PROS & CONS OF THIS ISSUE

Key Positives	Key Concerns
Long-standing blue-chip customer base. Supplies CCL Products, Haldiram, Mrs Bectors, Asian Paints and Vayhan Coffee (relationships of 5–11 years); 30 years in tin cans.	**High customer and supplier concentration.** Top 10 customers were 66.1% of FY26 revenue, rising to 77.2% in Apr–Jun FY27; top 5 suppliers were 66.9% of FY26 purchases; 59% of FY26 sales billed in Telangana.
Steady improvement in profitability. EBITDA (profit before interest, tax and depreciation) margin rose from 8.7% (FY24) to 11.6% (FY26); profit doubled from ₹3.8 cr to ₹7.9 cr; Apr–Jun FY27 profit of ₹3.5 cr is already 44% of FY26.	**Core can volumes have not grown.** Output fell from 10,436 tonnes (FY24) to 8,766 (FY26), plants 58% used; container sales slipped from ₹167.3 cr to ₹158.2 cr. FY26 growth came partly from new trading sales (₹18.2 cr) and scrap.
Positive operating cash flow every year. ₹16.2 cr, ₹13.0 cr and ₹15.8 cr in FY24, FY25 and FY26, with a dividend each year; promoters fund part of the business through ₹1.8 cr of their own loans (Jun-2026).	**Heavy inventory and debt load.** Stock of ₹86.4 cr (1.9x net worth) and debt of ₹75.0 cr on 31-Mar-2026; interest took 88% of FY26 pre-tax profit; only ₹7 cr of the issue repays debt.
Lower leverage and spare capacity after the issue. Debt-to-equity falls from 1.69x (FY26) to about 0.7x on our FY27E estimate; with 42% of capacity idle, growth needs no new plant.	**Large related-party trade with a promoter company.** FY26 sales of ₹26.5 cr to, and purchases of ₹27.2 cr from, promoter AJ Cans Pvt Ltd; it ended in Jul-2026 when the company bought AJ Cans' machinery for cash — at a price the RHP does not disclose.
Promoters retain control; no pledge. Promoter group holds 66.1% after the issue; the sale by promoters is small (2.5 lakh shares, 8.3% of the issue); 22 lakh promoter shares are locked for three years.	**IPO price well above recent transactions and listed peers.** ₹180 is 57% above the Jan-2025 private placement at ₹115; post-issue P/E 23.9x on FY26 profit against 9.6x for Hindustan Tin Works, a larger listed tin-can maker (as on 20-Nov-2026).
Growing end-markets. Indian metal packaging is forecast to grow about 5.7% a year (2026–2031, Mordor Intelligence), with coffee, packaged food and paint as the main users.	**Weak lead-manager record and compliance lapses.** The BRLM's only listing in the RHP's track-record table (Alpine Texworld, Jul-2026) was down 58% after 90 days; the RHP also discloses delayed statutory dues, a pending compounding application and untraceable old ROC filings.

WHERE YOUR MONEY ACTUALLY GOES — THE OBJECTS OF THE ISSUE

Use of money	₹ cr	% of issue	Our read — does this help you as a future shareholder?
Working capital (FY27)	29.30	54.3%	Mainly lets customers pay later (21 → 45 days) and suppliers be paid sooner (107 → 60 days); does not cut the ₹86 cr stockpile.
Repay / prepay borrowings	7.00	13.0%	Small: 9% of ₹75.0 cr debt (FY26); saves ~₹0.7 cr of interest a year.
General purposes + issue expenses	13.20	24.4%	Not fixed in the RHP; general purposes capped at ₹7.4 cr (15% of gross) and left to management.
Offer for sale — to Ranjani Agarwal	4.50	8.3%	None of this reaches the company. Her average cost is ₹10.08 a share against ₹180.
Total issue at ₹180	**54.00**	**100%**	**₹49.5 cr (91.7%) reaches the company**; about ₹36 cr of it is committed to specific uses.

FINANCIALS & OUR INDEPENDENT FORECAST (₹ CR UNLESS STATED)

Year	FY24	FY25	FY26	FY27E*	FY28E*
Revenue from operations	210.0	193.5	223.0	244.0	260.0
Revenue growth	—	–7.9%	15.3%	9.4%	6.6%
EBITDA (ex other income)	18.3	21.0	26.0	28.0	31.2
EBITDA margin	8.7%	10.9%	11.6%	11.5%	12.0%
Net profit (PAT)	3.78	5.12	7.91	9.6	11.9
PAT margin	1.8%	2.6%	3.5%	3.9%	4.6%
EPS, post-issue shares (₹)	3.60	4.87	7.53	9.14	11.33
RoNW (profit ÷ year-end equity)	14.2%	13.7%	17.8%	9.8%	10.9%
Debt-to-equity	2.63x	1.87x	1.69x	~0.68x	~0.59x
Operating cash flow	16.2	13.0	15.8	~0	~+18
Receivable days	16	25	21	35	40
Inventory days	99	124	141	130	125
Payable days	76	98	107	75	70

Source: restated financials in the RHP (₹ lakh converted to ₹ cr); FY24–FY25 consolidated (a small associate), FY26 standalone. Apr–Jun FY27 (3M): revenue ₹78.9 cr, EBITDA ₹8.3 cr, PAT ₹3.5 cr. Working-capital days as certified in the RHP. EPS on 1,05,05,245 post-issue shares. *E = our independent estimate, not company guidance; FY27E–FY28E equity includes ~₹44 cr of net fresh-issue money.

PEER COMPARISON

No listed peer is a close match. Hindustan Tin Works makes the same three-piece tinplate cans and sheets and is the best comparison; Shetron and Kaira Can are of similar revenue but earn far less on equity; Rajeswari Cans is a micro-cap.

As on 13–20-Nov-2026	Mcap	P/E	P/BV	Revenue	RoNW
A J Packaging (at ₹180)	₹189 cr	23.9x FY26	2.1x	₹223 cr	17.8%
Hindustan Tin Works	₹130 cr	9.6x TTM	0.56x	~₹420 cr	~5.9%
Shetron	₹104 cr	26.1x	1.69x	₹247 cr	6.5%
Kaira Can	₹125 cr	69.8x	1.38x	₹246 cr	2.0%
Rajeswari Cans	₹15 cr	6.6x	0.52x	₹43 cr	15.7%

Shetron, Kaira Can, Rajeswari: RHP, FY26, prices 13–17-Nov-2026. Hindustan Tin Works (not in the RHP's peer set): Upstox/Groww, 20-Nov-2026; revenue TTM Jun-2026 (Value Research). A J's P/BV on our post-issue book estimate (₹87.5).

FORECAST RATIONALE — HOW WE GOT TO FY27E AND FY28E

1. The starting point is not clean. FY26 revenue was ₹223.0 cr, EBITDA ₹26.0 cr (11.6%) and profit ₹7.9 cr. But ₹26.5 cr of that revenue was printed sheets sold to promoter company AJ Cans, which turned them into cans and sold them back (₹27.2 cr). That round trip ended on 10-Jul-2026, when the company bought AJ Cans' machinery and took over its factory. Revenue from outside customers in FY26 was therefore ₹196.5 cr.

2. Apr–Jun FY27, as reported. Revenue was ₹78.9 cr (₹69.3 cr from outside customers, including ₹14.2 cr of trading). We count it as reported but do not multiply it by four: trading is lumpy and the RHP gives no quarterly history.

3. Growth from idle capacity. For Jul–Mar we take FY26's outside-customer sales for nine months (₹147.4 cr) and add 12%, giving ₹165.1 cr — supported by plant use rising to 66.7% in Apr–Jun FY27 from 58.4% in FY26. That makes FY27E outside revenue ₹234 cr; adding ~₹10 cr of AJ Cans sales before July gives **₹244 cr reported (+9%), +19% like-for-like**. For FY28E we add 11% to ₹260 cr — about 76% of capacity, so no new plant. Ending the round trip removes ~₹26 cr a year of low-profit revenue, so reported growth understates real growth (company estimate: ~15% a year).

4. Profitability. We hold the EBITDA margin at 11.5% in FY27E (more trading, a new factory lease) and 12.0% in FY28E (the round-trip revenue is gone) Interest stays high at ₹9.0 cr and ₹8.6 cr, because only ₹7 cr of debt is repaid. Depreciation ₹6.3 cr and ₹6.7 cr, including the machinery bought from AJ Cans; tax 27.5%. Result: profit ₹9.6 cr (FY27E) and ₹11.9 cr (FY28E); EPS ₹9.14 and ₹11.33.

5. Left out, and how conservative. We do not annualise Apr–Jun FY27 (that would imply ₹14.0 cr of yearly profit), add no new customers or better buying prices. Our FY27E profit is ~30% below the Q1 run-rate. **What would break it:** losing a top-5 customer (53% of FY26 sales), a fall in tinplate prices, or a repeat of FY25, when high coffee prices and US tariff fears cut output by 17%.

6. How we get to fair value ₹143. Listed tin-can makers trade at 6.6x–26x earnings (Hindustan Tin Works 9.6x, Shetron 26.1x; Kaira Can's 69.8x is excluded as its profit is depressed). We apply **16x to FY27E EPS ₹9.14 = ₹146** — above Hindustan Tin Works for two-to-three-times higher RoE, below Shetron for SME illiquidity and concentration. Cross-checks: 8x FY27E EBITDA of ₹28.0 cr = ₹224 cr, less ₹61 cr net debt after the issue = ₹155 a share; 1.3x post-issue book value of ₹87.5 = ₹114. Weighted 40/40/20, fair value is ₹143. Bear ₹90 (12x FY26 EPS ₹7.53); bull ₹184 (18x the average of FY27E–FY28E EPS). A strict book test (RoE 10.9% ÷ 14% cost of equity ≈ 0.8x book, ₹68) shows the enlarged equity earns below what SME investors demand, so the 2.1x book asked rests on growth. No DCF: working-capital swings dominate cash flow.

PROMOTER HOLDING & SHAREHOLDING AFTER THE IPO

Shareholding	Pre-issue	Post-issue
Promoter & promoter group	92.72%	**66.07%**
Public — pre-IPO investors	7.28%	5.38%
Public — new IPO investors (incl. anchors)	—	28.56%
Total shares outstanding	77.55 lakh	105.05 lakh
Dilution from the fresh issue	—	26.2%
Promoter shares pledged	Nil	Nil
Free float tradable on listing day	—	~20.6%

Listing-day float = IPO shares less up to 8.4 lakh locked anchor shares; the market maker holds 1.50 lakh of them.

- **Control does not change.** The Agarwal family — Ajay, Nitin and Ranjani Agarwal and their company AJ Cans Pvt Ltd — falls from 92.72% to 66.07% (promoters alone 63.68%) after the fresh issue and Ranjani Agarwal's sale of 2.5 lakh shares. The RHP states no promoter shares are pledged.
- **What the promoters paid versus ₹180.** Average cost per share: AJ Cans ₹2.91, Ajay ₹5.06, Nitin ₹5.87, Ranjani ₹10.08. A 1-for-2 bonus on 30-Dec-2024 was followed by 5 lakh shares placed with eight investors at ₹115 on 20-Jan-2025; ₹180 is 57% higher, 22 months later.
- **When locked shares can be sold** (on the tentative 4-Dec-2026 allotment): anchors — half on 3-Jan-2027, rest on 4-Mar-2027; all other pre-IPO holders (promoter group and public) and half of promoters' surplus shares (22.4 lakh) on 4-Dec-2027; the other half on 4-Dec-2028; the 22 lakh minimum-contribution shares (20.94%) on 4-Dec-2029.
- **Anchor investors** bid on 30-Nov-2026 for up to 8.4 lakh shares (28% of the issue); names and price were not available as on 26-Nov-2026. Mutual-fund or insurer participation would be the first independent test of the price.

INDUSTRY — HOW IT IS EXPECTED TO PERFORM

SIZE (INDIA METAL PACKAGING)
US$10.2 bn
2025; cans 41% of it (Mordor Intelligence)

GROWTH
~5.7% a year
2026 → 2031; steel-based formats ~7.3% (Mordor)

STRUCTURE
Fragmented
aluminium 62% of value; tinplate from two BIS-licensed mills (RHP)

Outlook. Demand for tins comes from coffee, biscuits and confectionery, ghee and edible oil, and paint — all growing with packaged-food consumption and housing. But tins lose ground to aluminium, plastic and pouches, and forecasts differ: IMARC estimates only US$5.6 bn (2025) growing ~2.3% a year. For A J, filling its idle 42% of capacity matters more than market growth; the 17% output drop in FY25 shows how fast demand from a few coffee and confectionery exporters can swing.

Who it competes with. Listed Hindustan Tin Works (about twice A J's revenue), Shetron, Kaira Can and Rajeswari Cans; private makers such as Deccan Cans & Printers and Zenith Tins; and many small regional can shops. A J sits between two powerful tinplate mills and large brand customers, with little pricing power on either side — hence a 3.5% profit margin even in a good year (FY26).

Investors may consider subscribing if

Long-term investment horizon. Suitable for investors willing to hold for two to three years who accept SME trading liquidity (minimum two lots, 1,600 shares = ₹2.88 lakh at ₹180) and that ten customers supplied 66% of FY26 revenue.

Confidence in growth from idle capacity. Plants ran at 58% in FY26 and 67% in Apr–Jun FY27. If volumes recover past FY24's 10,400 tonnes, profit can rise without new investment — this is what our bull case of ₹184 assumes, and it is the only case that supports the offer price.

Acceptance of a full price for a cleaner balance sheet. Investors who accept paying close to our bull-case value in return for debt-to-equity falling from 1.69x (FY26) to about 0.7x (FY27E) and the end of the AJ Cans related-party trade.

Investors may consider avoiding if

Seeking a discount to fair value. At ₹180, the issue is priced about 26% above our fair value of ₹143 (range ₹90–184); post-issue P/E is 23.9x on FY26 profit against 9.6x for Hindustan Tin Works.

Applying only for listing-day gains. The price leaves no valuation cushion, so any listing-day gain depends entirely on demand during 1–3-Dec-2026 (no subscription data as on 26-Nov-2026); about 20.6% of shares will trade on day one, and the BRLM's last SME listing opened at its issue price and fell 58% in 90 days. Any listing gain is a short-term trade, not an investment.

Governance and balance-sheet quality are priorities. A ₹27 cr two-way trade with a promoter company until Jul-2026, an undisclosed price for machinery bought from it, stock worth 1.9x net worth, delayed statutory dues and missing old ROC filings.

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MOST IMPORTANT TERMS AND CONDITIONS (MITC)

[Forming part of the Terms and Conditions for providing research services]

1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).

   Note:
   - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
   - 2.2. The fee limit does not include statutory charges.
   - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgment and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,

    Step 1: the client should first contact the RA using the details on its website or following contact details: (RA to provide details as per 'Grievance Redressal / Escalation Matrix')

    Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in

    Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at https://smartodr.in
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.

RESEARCH ANALYST: **SATISH KUMAR AVUSULA**