ArihantCapital
Generating Wealth

Pre –IPO
05th Dec 2025

VERDANT STATIONERY

Premiumising Stationery Globally

Funds to be raised: INR 300 Mn	
Shareholding Pattern (Promotors)	
Dinakar Thyagaraj	90%
Swetha Thyagaraj	10%

Verdant a second-generation entity from a 1973 printing legacy, ranks among India's largest private paper-stationery manufacturers, producing ~60-70% of ITC's Classmate notebooks on job-work (ITC supplies paper). The company has 4,500-5,000 MT/month capacity (~1Mn books/day) The company operates three factories in Vijayawada, covering 450,000 SFT of manufacturing space. It posted strong revenue growth, anchored by Samagra Shiksha-AP and ITC, with high margins driven by operational efficiencies. However, customer/geographic concentration persists alongside an export push via the Dinakar Process subsidiary. VPPL is diversifying into premium stationery, bags, and the "August Blanks" brand for US/UK/Europe/Africa, The company has confirmed B2G orders and spare capacity for scalable growth.

Investment Rationale:

Unmatched Production Scale and Market Leadership: The company identifies itself as the nation's largest integrated stationery producer. The company boasts a significant operational capacity of 5,000 metric tons per month, which translates to manufacturing approximately 1 million books per day. They are the single largest private manufacturer of paper stationery in India, making them one of the top 10 or 15 in Asia. This massive scale provides a competitive edge necessary for securing large-volume contracts like the Samagra Siksha programs.

Strong, Long-Term Strategic Partnerships: Verdant maintains a highly critical and strong 17-year partnership with ITC, manufacturing 70% of India's Classmate notebooks. This partnership is strengthened by logistical efficiencies, including having ITC godowns on Verdant premises and proximity to the ITC paper mill. Furthermore, Verdant has robust B2G relationships, holding multi-year government contracts with states like Andhra Pradesh and Assam.

Outlook:

Verdant Paper Products is poised for strong growth backed by dominant production scale, long-standing ITC and B2G contracts, and expanding export opportunities. Margin trajectory remains robust with PAT margin expected to stabilize at ~13% as volumes ramp up and premium product lines gain traction. Diversification into high-value stationery and non-paper categories, along with a new premium facility in Hyderabad, positions the company for structural margin expansion. With a disciplined working-capital cycle and clear IPO roadmap.

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Diversification into High-Margin Segments: The company is expanding strategically into high-value B2C, premium, and luxury stationery, extending beyond traditional paper stationery. They have launched their premium brand, August Blanks, registering it in the US for exports. A new facility focused purely on premium and luxury customized stationery is being established in Hyderabad near the airport for easy airlifting of products. They are also entering non-paper stationery products such as uniforms, bags, shoes, and art stationery, which are expected to yield higher margins.

Significant Profit Margin Expansion: The company has seen a substantial increase in PAT margins, jumping from 2% to 12%. This rise is primarily attributed to the turnover surpassing the break-even point, which is around INR 65 to 70 crores. The company projects net margins to grow further to around 13% as turnover continues to increase to INR 350 crores this FY26E. Operational diligence ensures the working capital cycle remains generally less than 60 days, even with extended government receivable times.

Operational Efficiency and Logistical Superiority: Verdant's manufacturing facilities feature a high level of automation, utilizing seven automated lines to convert raw paper rolls into finished books. The three existing factories are strategically located in Vijayawada, which serves as a crucial junction connecting North and South India via rail and road. This location is logistically well-connected to major ports (Machilipatnam, Krishna, Visakhapatnam, Chennai), significantly enhancing export feasibility. The company is also leveraging automation and financial diligence to support high growth with minimal need for continuous capacity expansion.

Pre-IPO Valuation, Fundraise Plan & IPO Roadmap: The company is currently seeking a pre-IPO valuation of around INR 300 crores, which implies a PE multiple of approximately 7.5 based on the projected PAT of 40–42 crores for FY26, and is raising INR 30–35 crores in this round by diluting 10% equity. It is targeting a mainboard IPO by December next financial year. During the IPO, the company plans to raise over INR 200 crores, with about 60% allocated towards capex and related loan repayment, 10–15% towards OFS, and the balance for working capital and IPO-related expenses, while the pre-IPO funds are being deployed mainly for working capital to execute orders and for the capex of the premium stationery facility in Hyderabad.

Revenue (INR Cr)	**FY24**	**FY26**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Revenue from operation	85.89	165.76	370.00	535.00	619.00	715.25	785.25
EBITDA Margin %	*13.0%*	*19.8%*	*20.0%*	*18.5%*	*20.8%*	*20.8%*	*20.4%*
PAT Margin %	*1.9%*	*11.0%*	*12.2%*	*12.1%*	*14.0%*	*14.2%*	*14.0%*
ROCE	24.8%	58.2%	48.4%	21.1%	22.9%	22.5%	20.6%
ROE	7.1%	48.0%	41.8%	15.3%	17.0%	16.7%	15.3%

Source : Company Update & Arihant Research

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Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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