

IPO NOTE



MAMATA MACHINERY LIMITED

18.12.2024



Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank



- Mamta Machinery Limited, incorporated in 1979, manufacture and export plastic bags and pouch making machines, packaging machines and extrusion equipment. They provide end-to-end manufacturing solutions for the packaging industry. Products manufactured using their machines are used across several industries as packaging applications, such as the packing of food and FMCG products.
- They primarily sell their packaging machinery to direct consumer brands catering to the FMCG, Food, & Beverage Industry and bag and pouch making machines to convertors and service providers who, in turn, mainly catering the FMCG and consumer industry. Their machineries are also utilised in non-packaging applications, such as e-commerce bags and garment packaging bags.
- They consistently endeavour to expand their product offerings and solutions to their customers. Their customers include Balaji Wafers Private Limited, Dass Polymers Private Limited, Jflexy Packaging Private Limited, Euphoria Packaging Private Limited, Sunrise Packaging, Om Flex India, Chitale Foods, V3 Polyplast Private Limited, Dhalumal Packaging Industries LLC, Laxmi Snacks Private Limited, Ganges Jute Private Limited, Western India Cashew Company Private Limited and N. N. Print & Pack Private Limited, Gits Food Products Private Limited, Emirates National Factory for Plastic Ind LLC, Dhvani Polyprints Private Limited, Kamakshi Suedpack Private Limited, Bansal Industries and Hershey India Private Limited. Their Company also provides after-sales service to their customers.
- As part of their focus on innovation, they have launched new and advanced machines from time to time. In 1989, They started their commercial operation as a manufacturer of microprocessor-controlled bag-making machines. They evolved periodically by introducing various categories of packaging applications. In 1997, They entered the film extrusion machinery business. In 1998, They started exporting bag and pouch making machines to the European Union. To further expand their reach, they began their operations in the United States through their wholly-owned subsidiary, Mamata Enterprises Inc., in 2003. They derive their major portions of revenue and conduct business outside India through their wholly-owned subsidiary, Mamata Enterprises Inc. As of September 30, 2024, they have supplied their machines to over 75 countries. They provide end-to-end solutions for the entire ecosystem of plastic film-based flexible packaging, offering services from concept to commissioning throughout the complete 178 lifecycle of their machinery.
- They supply machinery and equipment through a global sales network, and, as of September 30, 2024, in addition to their sales and corporate office, they have two international offices located in Bradenton, Florida, USA and Montgomery, Illinois, USA, as well as sales agents in over 5 countries across continents, including regions such as Europe, South Africa and Asia.

Issue Details	
Price Band (in ₹ per share)	230-243
Issue size (in ₹ Crore)	169.79-179.39
Fresh Issue (in ₹ Crore)	NA
OFS (in ₹ Crore)	169.79-179.39
Issue open date	19.12.2024
Issue close date	23.12.2024
Tentative date of Allotment	24.12.2024
Tentative date of Listing	27.12.2024
Total number of shares (lakhs)	73.82
No. of shares for QIBs (50%) (lakhs)	36.74
No. of shares for NII (15%) (lakhs)	11.02
No. of shares for S-HNI (33%)(lakhs)	3.67
No. of shares for B-HNI (66%)(lakhs)	7.35
No. of shares for retail investors (35%) (lakhs)	25.72
No of shares for Employee Reservation (lakhs)	0.35
Minimum order quantity	61
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14030-14823
Maximum no. of shares for Retail investors at Lower Band	854 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	793 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	196420-192699
Minimum no. of shares for sHNI (2 Lakhs) at upper band	854 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	4087 (67 lots)
Minimum number of shares for bHNI at upper band	4148 (68 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- MAHENDRA PATEL
- CHANDRAKANT PATEL
- NAYANA PATEL
- BHAGVATI PATEL
- MAMATA GROUP CORPORATE SERVICES LLP AND MAMATA MANAGEMENT SERVICES LLP

Objects of the Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

- ◆ carry out the Offer for Sale of up to 7,382,340 Equity Shares by the Selling Shareholders
- ◆ achieve the benefits of listing the Equity Shares on the Stock Exchanges.



BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital^^	24.60	2.73	2.97	2.97
Net Worth	132.82	131.88	127.37	103.55
Revenue from Operations	27.62	236.61	200.86	192.24
EBITDA	(0.31)	47.17	23.74	29.93
EBITDA Margin (%)	(1.14)	19.94	11.82	15.57
Profit/(Loss) After Tax	0.21	36.12	22.50	21.69
EPS (in Rs.)	4.34	11.59	18.63	20.86
Net Asset Value (in Rs.)	0.09	14.65	8.41	8.11
Total borrowings	53.98	53.59	47.62	38.71
P/E [#]	675.00	16.59	NA	NA
P/B [#]	4.50	4.53	NA	NA

#Calculated at upper price band *Restated consolidated financials^^ Bonus issue in theratio of 8:1

Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	192.25	200.87	236.61
Other income	4.32	9.26	4.70
Total Income	196.57	210.13	241.31
YoY Growth (%)	-	4.48%	17.80%
Cost of Raw material	92.44	87.07	90.62
Cost of Raw material-% of Revenue	47.02%	41.43%	37.55%
Change in inventories	-7.14	4.82	9.62
Employee benefit expenses	36.78	39.91	43.80
Employee Expenses-% of Revenue	18.71%	18.99%	18.15%
Other expenses	40.23	45.32	45.39
EBIDTA	29.94	23.74	47.18
EBIDTA Margin (%)	15.23%	11.30%	19.55%
Depreciation and amortisation expense	3.59	3.43	3.41
EBIT	30.67	29.58	48.46
EBIT Margin (%)	15.60%	14.08%	20.08%
Finance cost	1.13	1.06	1.53
Profit before tax	29.54	28.52	46.93
Tax expenses			
Current tax	6.75	4.88	9.33
Earlier Year Tax adjustment	-	-	0.34
Deferred Tax	1.09	1.14	1.13
Total tax expenses	7.84	6.02	10.81
Profit for the year	21.70	22.51	36.13
PAT Margin (%)	11.04%	10.71%	14.97%
Earnings per share			
Basic earnings per share (₹)	8.11	8.41	14.65

Cashflow Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	46.49	21.38	26.99
Income tax paid (net of refunds)	-9.29	-4.21	-7.62
Net cash generated from operating activities	37.19	17.17	19.37
Net cash used in investing activities	-35.01	-9.68	12.43
Net cash used in financing activities	-3.33	-3.00	-36.27
Net increase/ (decrease) in cash and cash equivalents	-1.15	4.49	-4.46
Foregin Exchange Translation	-1.24	-2.58	-0.24
Cash and cash equivalent as at 1 April	4.42	2.03	3.93
Cash and cash equivalent as at year end	2.03	3.93	-0.76

Balance Sheet

Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
i) Property, Plant and Equipment	59.26	61.41	61.52
ii) Capital Work-in Progress	-	-	-
iii) Investment Property	0.07	0.05	0.05
iv) Right to Use Assets	1.95	1.12	1.66
v) Other Intangible Assets	0.02	0.014	0.121
vi) Intangible assets under developm	-	0.10	0.03
b) Financial Assets	0.00	0.00	0.00
i) Investments	0.17	0.25	0.40
ii) Otherfinancial assets	42.60	60.44	47.86
c) Deferred Tax Assets	6.66	5.86	4.70
Total non- current assets	110.72	129.23	116.33
Current assets			
a) Inventories	71.81	70.28	69.80
b) Financial Assets	0.00	0.00	0.00
(i)Current Investments	7.00	-	-
(ii)Trade Receivables	16.33	17.60	37.28
(iii)Cash& Cash Equivalents	2.47	5.17	2.01
(iv)Bank balancesother than cash and	-	-	1.96
(v) Loans	-	-	1.15
(vi)OtherFinancial Current Assets	0.42	0.62	2.19
c) OtherCurrent Assets	7.58	5.58	6.77
Total current Asset	105.61	99.24	121.16
Total assets	216.33	228.47	237.49
Equity and liabilities			
Equity			
Equity Share Capital	2.97	2.97	2.73
Other equity	101.08	124.90	129.65
Total equity	104.06	127.88	132.38
Liabilities			
Non-Current liabilities			
Financial Liabilities			
Borrowings	3.90	2.82	2.57
Lease liabilities	1.18	0.98	0.87
Provisions	0.21	0.21	0.55
Deferred Tax Liabilities	0.45	0.36	0.70
Total Non-Current liabilities	5.74	4.37	4.69
Current liabilities			
Financial liabilities			
Borrowings	16.96	15.82	9.02
Lease liabilities	0.76	0.30	1.01
Trade payables			
Due to other than MSME	5.38	4.19	3.94
Outstanding to Creditors	25.18	21.08	23.60
Other Current Liabilities	55.56	51.38	58.34
Provisions	2.15	2.23	1.69
Current Tax Liabilities	0.55	1.23	2.82
Total Current liabilities	106.53	96.22	100.42
Total liabilities	112.27	100.59	105.11
Total equity and liabilities	216.33	228.47	237.49

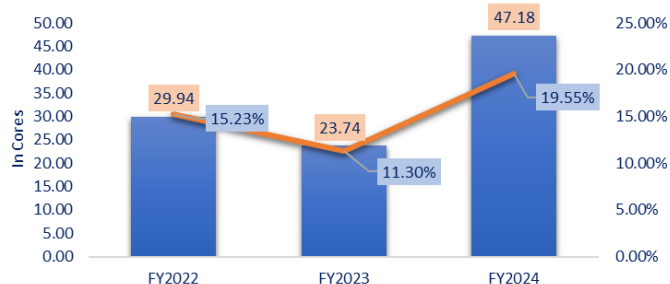


PERFORMANCE THROUGH CHARTS

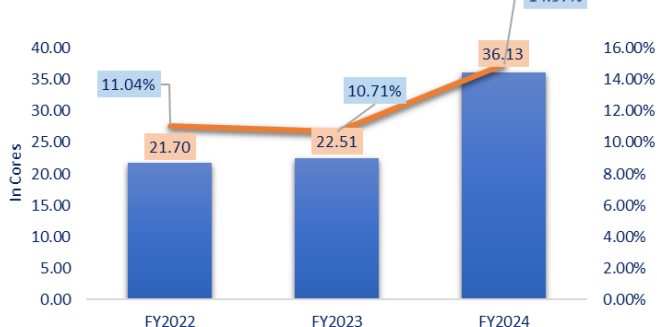
REVENUE HAS GROWN BY 11% CAGR 2 YR



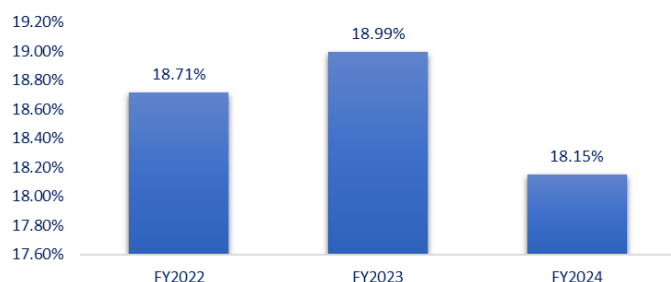
EBITDA HAS GROWN BY 26% CAGR 2 YR



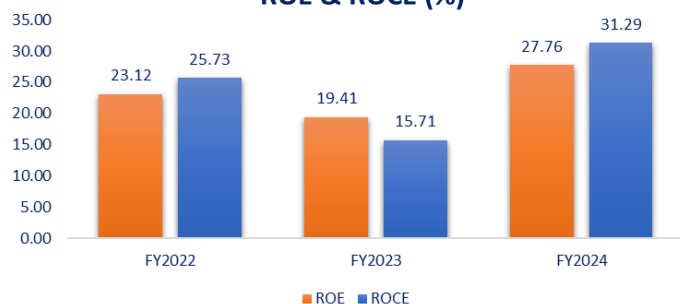
PAT HAS GROWN BY 29% CAGR 2 YR



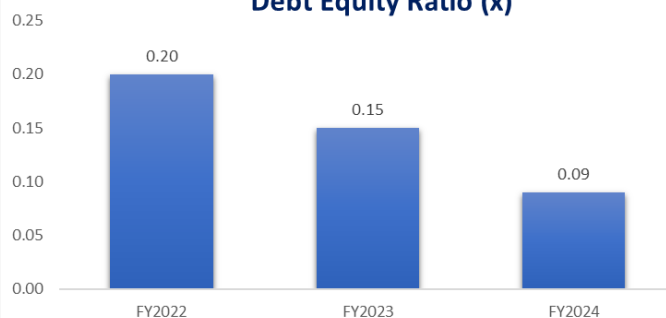
EMPLOYEE EXPENSE AS % TO REVENUE IS STEADY



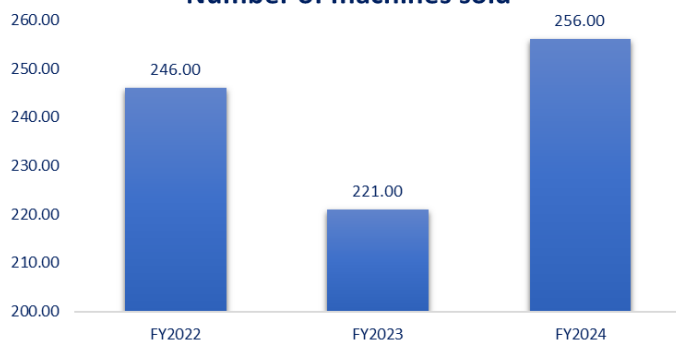
ROE & ROCE (%)



Debt Equity Ratio (x)



Number of machines sold



Top 5 and 10 Customer (%)



INDUSTRY REVIEW

Market Size Growth of Packaging Machinery Industry

- Packaging machinery market play a crucial role in ensuring product safety throughout the supply chain. It performs range of functions that include filling, and forming; bagging, packing, unpacking, bottling, sealing, and lidding; wrapping, shrink film, and heat sealing; inspection and check weighing; and labelling and encoding, amongst several others.
- The packaging industry has been witnessing increasing adoption globally in line with broader economic growth.
- The consumption of packaging machineries has observed growing application in a wide range of industries that include food & beverages, pharmaceutical, personal care product, and other consumer goods as well as wide range of industrial sectors.
- Rapid surge in the e-commerce sector too is fuelling the demand for various packaging machinery. Consistent consumption demand growth is driving the manufacturing activity in the above end user industries translating in deeper penetration of packaging machinery.
- Increase in consumer goods demand supported by income growth and rising spending on packaged foods & beverages, personal care products, pharmaceutical and other industrial sector are the key factors driving the packaging machinery demand globally.
- As per industry sources, the market size of global packaging machinery market was estimated to value at USD 46.8 Bn in 2022 which is slated to grow to USD 60.8 Bn by 2028, witnessing 4.5% CAGR increase between 2022- 28.

Indian Packaging Industry

- The packaging industry is one of the largest economic sectors in the country, and it is estimated that Indian packaging industry accounts for approximately 10 to 15% of the global packaging industry.
- The India Packaging Market, valued at USD 50.5 billion in 2019, is estimated to have reached USD 130.14 billion by 2023, experiencing a compounded annual growth rate of 26.7% from 2019 to 2023. This reflects the robust growth of the packaging sector in India, expanding at a rate of 23-28% annually and establishing itself as a preferred hub for the packaging industry.

Indian Food & Beverage Industry

- According to All India Food Processors Association, the Indian food and beverage packaging industry that is growing by 14.8 % annually is expected to reach USD 86 billion in 2029.
- However, nearly 80% of the current packaged food market is concentrated in the urban areas. Additionally, at 24 kg/year, the per capita consumption of packaged food in India is also low.
- Thus, it could be commented that despite the rapid strides the country has made in packaged food & beverage industry, the growth potential is immense.
- Similarly, with the packaged food industry, the consumption of ready-to-eat, dairy products, canned food, and probiotic foods are witnessing rapid growth.
The usage of flexible packaging material is highest among these products.

Growing FMCG Sector

- The FMCG sector in India expanded primarily due to consumer-driven growth and increased product prices, particularly for essential goods. In the April-June 2023 quarter, India's FMCG sector witnessed a notable growth of 7.5% by volumes, marking the highest in the past eight quarters.
- This growth was propelled by a resurgence in rural India and increased expansion in modern trade. As India's fourth-largest sector, the FMCG industry has sustained a robust growth trajectory over the years, driven by factors such as rising disposable income, a growing youth population, and increased consumer brand awareness.
Accounting for 50% of FMCG sales in India, household and personal care contribute significantly to the country's GDP. As of December 2022, the FMCG market reached USD 56.8 billion, while the Indian food processing market size reached USD 307.2 trillion in 2022, projected to reach USD 547.3 trillion by 2028 with a CAGR of 9.5% during 2023-2028.



COMPETITIVE STRENGTHS OF THE COMPANY

Among the leading exporter of machinery and equipment for bag and pouch making machinery, packaging machinery and co-extrusion blown film machinery and attachment

- With over three decades of experience and a strong global presence, They have installed over 4,500 machines world-wide, making them a leading exporter of machinery and equipment for plastic bag and pouch production. Their comprehensive product portfolio includes co-extrusion blown film machinery, film converting machinery, and pouch and bag-making machines, along with HFFS, PFS, and VFFS multilayer sachet machines for smaller volume needs.
- They offer a wide range of solutions under the bag and pouch-making machinery segment, including side/bottom seal, universal, wicketer, stand-up zipper/spout, and side-seal pouch makers, as well as value-added attachments. For co-extrusion blown film machinery, they provide mono and multilayer (3/5/7-layer) barrier film lines with customizable specifications, catering to widths ranging from 900mm to 3,125mm.
- Their machines are sold under the renowned "Vega" and "Win" brands, with models such as Vega 610-Plus, Vega Plus 800-FCS, Win 1100-B, Win 1400-B, and others. As of September 30, 2024, they had delivered a wide range of solutions to the flexible packaging industry, offering end-to-end services from concept to commissioning.
- Their products serve diverse end-use industries, including FMCG, Food & Beverage, and specialty applications, delivering high-quality, flexible packaging solutions tailored to customer needs.

Advanced manufacturing infrastructure and material knowledge to customize systems and products based on customer specifications

- They operate manufacturing facilities in Sanand, Ahmedabad, Gujarat, spanning 20,662 square meters with a built-up area of over 9,235 square meters, and in Bradenton, Florida, USA. Their Gujarat facility is ISO 9001:2015 certified for the design, manufacture, installation, and servicing of plastic bag-making machines, pouch-making machines, and packaging machines, ensuring adherence to international quality standards.
- Their facilities include customer demonstration centers, design and development centers, and capabilities for electrical manufacturing, painting, assembly, and testing. Leveraging advanced technology and engineering expertise, they produce high-precision machines with exceptional accuracy, dimensional stability, and mechanical properties, meeting the demands of modern applications.
- Focusing on enhancing customer manufacturing efficiencies, they drive automation, reduce waste, and improve cost competitiveness. Embracing digital manufacturing technologies across operations, they deliver consistent high-quality products, earning accolades such as the *Best Plastics and Polymers Brands Award* by *The Economic Times* for five consecutive years (2019–2022).

Technology-driven operations with a strong focus on quality, innovation-led research and development, leading to products that cater to dynamic market requirements

- They are a technology-driven company focused on quality, innovation, and new product development to meet evolving market demands. With in-house capabilities in design, software development, and electronics, they invest heavily in R&D to drive innovation and digitization. Their manufacturing facility in Sanand, Gujarat, is equipped with modern testing infrastructure and supports Industry 4.0-certified machines, enabling remote control, diagnosis, and servicing through advanced software.
- Their innovations are protected by patents under Indian and international intellectual property laws, providing a competitive edge. Key patents include a machine for manufacturing flat-bottom pouches and a method for producing plastic bags. They've also developed recyclable plastic film-compatible machinery, addressing advanced technology needs under India's Solid Waste Management Rules, 2018.
- As of September 30, 2024, they had a team of 87 engineers and experts specializing in electronics, mechanics, software, and design. Their commitment to innovation and technology ensures high-quality, cost-effective machines and strengthens their global market position.

Customer-centric operations, with an extensive global sales and distribution network

- As of September 30, 2024, they have a customer base in over 75 countries comprising both end customer brands and conversion players. They sell their products in India and overseas through their sales team as well as selling agents.
- Their network in these locations allows them to service and grow in these markets efficiently. In addition to their domestic sales, since their first export in 1992, They have significantly increased their geographical footprint by focusing on certain emerging markets such as Asia Pacific, USA, European Union amongst others.

RISK FACTORS

Significant price fluctuations, shortages, or supply delays of primary materials could adversely impact their costs, timelines, and overall financial performance.

- Their operations rely on efficient supply chain management for sourcing materials, parts, and components required for manufacturing bag and pouch-making machines. Key materials include metals, electrical components, and specialized parts like extrusion dies, pumps, screws, gearboxes, and electric motors. Approximately 92% of their material costs in recent years have been for externally sourced components, amounting to ₹270.04 million for Q1 FY24 and ₹920.62 million in FY24.
- They have faced cost fluctuations in raw materials due to market volatility and supply chain disruptions. While They have generally managed to pass on these cost increases to customers through price adjustments, there is no guarantee They can continue to do so. Failure to manage these fluctuations could impact their financial performance and cash flows.

Any slowdown in the FMCG, Food & Beverage, and Consumer industries could negatively impact their business and financial performance.

- They operate workshops in Montgomery, Illinois, and Bradenton, Florida, USA, dedicated to pre-sales and after-sales services for their bag and pouch-making machines. Their revenue generation is driven by customer inquiries, followed by machine installation at customer facilities, and ongoing after-sales support, which includes maintenance and service requests.
- The demand for their machinery is closely tied to the performance of industries such as FMCG, Food & Beverage, and Consumer Goods, where their products are used for both packaging and non-packaging applications. Their machines are widely used in packaging for e-commerce bags, garment packaging, and other flexible packaging solutions. As a result, the production and sales of FMCG and Food & Beverage products, in particular, have a direct impact on the demand for their machinery.
- These industries are subject to economic conditions, industry cycles, regulatory changes, and government initiatives, both in India and globally. Their major products, including plastic bag and pouch-making machines and co-extrusion blown film machinery, represent a significant share of their revenue—38.45%, 67.73%, 70.86%, and 74.21% of their total revenue in the three-month period ended June 30, 2024, and in fiscal years 2024, 2023, and 2022, respectively. These machines are primarily used in FMCG and Food & Beverage activities, which are highly sensitive to macroeconomic trends.
While strong economic conditions tend to drive higher demand for their machines, weak economic conditions and market downturns can result in lower demand, affecting their sales volumes and profitability. Moreover, if They are unable to keep pace with global industry trends or if there is a decrease in demand for their products—either in India or abroad—it could significantly impact their business operations, financial condition, cash flows, and future growth prospects.

Failure to maintain optimal inventory levels could increase costs or lead to unfulfilled orders, impacting their business.

- They face inventory risks stemming from rapid changes in consumer preferences, uncertainties in product developments and launches, manufacturer back orders, and broader economic conditions in India. The unpredictability of these factors makes it challenging to accurately forecast demand and avoid over-stocking or under-stocking. Their inventory is primarily based on confirmed orders through direct contractual arrangements, as well as demand forecasts, which can shift significantly between when the orders are placed and when products are ready for delivery.
- If they overestimate customer demand, it could lead to surplus inventory, potentially resulting in product waste or write-downs. Conversely, if they underestimate demand, or if suppliers fail to deliver products on time, they may experience inventory shortages, which could result in unfulfilled customer orders and damage their customer relationships. Although They haven't faced such issues in the past, failing to maintain optimal inventory levels could significantly impact their business operations, financial condition, results, and prospects.
- As of June 30, 2024, their inventory levels were high at 880 days, compared to lower levels in the previous three fiscal years. This is due to their company generating a significant portion of its revenue in the second half of the fiscal year, requiring higher inventory levels in the first quarter.

PEER COMPARISON

Name of the company	Total Income (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
Mamata Machinery	241.30	10.00	14.65	53.59	27.39	16.59	4.53
Rajoo Engineers	201.28	1.00	3.41	20.59	16.59	72.18	11.95
Windsor Machines	356.91	2.00	(1.19)	41.07	(2.89)	NA	9.98
Kabra Extrusion	614.65	5.00	9.80	134.52	7.48	51.51	3.75

*P/E & P/B ratio based on closing market price as of November 13th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.

KEY BUSINESS INSIGHTS

- It manufactures multi-layered plastic sheets according to industry requirements and specializes in manufacturing packaging machines and holds patents for its products. The necessity of patents creates high entry barriers, allowing the company to achieve higher margins in the industry. 65% of the company's operations are export-based. It serves renowned FMCG customers.
- It operates two manufacturing plants—one in Ahmedabad, India, and another in Florida, USA. It's machines are sold under the brand names Vega and Win.
- It offers three co-extrusion product lines: converting polymer into rolls of film, converting rolls of film into small plastic pouches, and providing customized products by sealing customer-specific items into the film.
- It has a geographically diversified revenue base across various global markets.
- It focuses on selling solutions to clients rather than just products and owns intellectual property over its technology, which helps reduce manufacturing costs.
- There is one peer in the co-extrusion product line, but no competitor offers the complete range of products the company manufactures.
- For FY23-24, It has an EBITDA margin of 19%, a PAT margin of 15%, a return on equity (ROE) of 27%, and a return on capital employed (ROCE) of 31%. Packaging revenue grew from ₹27 crore in FY2022 to ₹41 crore in FY2023, and the company plans to expand into the Middle East and Africa for further growth. Gross margins range from 42% to 58%, with pricing higher in international markets compared to India.
- According to the management, annualizing performance on the basis of Q1 number will mislead, as its historical data shows around 30-35% of annual performance is achieved in first half and second half always remains good. Based on encouraging trends, the management is confident of maintaining the steady growth in its annual performances going forward.
- The company faces competitive pressure from global players in Germany, Italy, and the USA, competing on technology, productivity, and cost competitiveness.
- The company does not focus on the AMC business but uses its technology to remotely diagnose machines globally and determine when they need to be replaced.
- The company expects to maintain sustainable margins in the 17-20% range going forward.

OUR VIEW

Mamta Machinery is a high-potential player in the packaging industry with a strong technological edge, robust financials, and significant global presence. The company's patents and export-oriented operations provide it with a competitive advantage, ensuring high margins and sustainable growth.

However, challenges such as seasonality, stiff global competition, and reliance on non-recyclable polymers could pose risks to its growth. The company's strategic focus on recyclable packaging and geographic expansion into the Middle East and Africa indicates proactive efforts to overcome these challenges. In terms of valuation, they are available at P/E of 16.59x as of FY2024 which appears fairly valued as compared to peers whereas annualized FY2025 P/E stands at 675x, appears to be elevated as the first two quarters account for not even 15% of the revenue, contrary to the given numbers of 30-40% revenue contribution. This needs to be monitored in near future.

Hence, we recommend the issue to **SUBSCRIBE** for long term gains.

Sources: Company website and red herring prospectus



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A route to making money online



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Analyst Certification

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