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IPO Report

18th Dec'24

Snapshot

Mamata Machinery Ltd manufacture and export plastic bags and pouch making machines, packaging machines and extrusion equipment. Company provide end-to-end manufacturing solutions for the packaging industry. Products manufactured using company's machines are used across several industries as packaging applications, such as the packing of food and FMCG products. Company primarily sell its- 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.

VALUATION

Company is bringing the issue at price band of Rs 230-243 per share at p/e multiple of 17x on FY24 PAT basis. Company is among the leading exporter of machinery and equipment for converting machinery, packaging machinery and co-extrusion blown film machinery and attachment. Company has advanced manufacturing infrastructure and material knowledge to customize systems and products based on customer specifications. Also, company has technology-driven operations with a strong focus on quality, innovation-led research and development, leading to products that cater to dynamic market requirements. Company has Customer--centric operations, with an extensive global sales and distribution network. Hence Looking after all above , we recommend "Subscribe" on issue.

Price Band (Rs./Share)	230-243
Opening date of the issue	19th Dec '2024
Closing Date of the issue	23rd Dec '2024
No of shares pre issue	2,46,07,800 Eq Shares
Issue Size	Rs 170-179 Cr
Offer For Sale	73,82,340 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	61
Employee Discount	Rs 12/share

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 36,73, 670 Eq Shares)
Non-Institutional	15% of the offer (Approx 11,02, 101 Eq Shares)
Retail	35% of the offer (Approx 25,71,569 Eq Shares)
Employee	35000 Eq Shares
Lead managers	Beeline Capital Advisors Pvt. Ltd
Registrar to the issue	Link Intime India Pvt. Ltd

WHAT WE LIKE

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 presence with strong customer connect and installations of over 4,500 machineries globally, company is one of the leading exporters of machinery and equipment used in the production of plastic bags and pouches. Company's comprehensive product offering covering polymer processing using co-extrusion blown films machineries and film converting machineries, pouch and bag making machineries and attachments.

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

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

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

Company own and operate a machine manufacturing facility in Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat, with a total area of about 20,662 square meters, and a total built up area of over 9,235 square meters, in addition to a manufacturing facility in Bradenton, Florida, USA. Company's manufacturing facility at Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat also certified for international quality management systems ISO 9001:2015 for design, manufacture, installation and service of (i) Plastic bag making machines & their attachments; (ii) Pouch making machines & their attachments; and (iii) packaging machines & their attachments, which ensures high quality standards are maintained.



COMPANY BACKGROUND

Company's machineries are also utilised in non-packaging applications, such as e-commerce bags and garment packaging bags. Company consistently endeavour to expand its product offerings and solutions to its customers. Company's 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.

Company also provides after-sales service to its customers. As part of its focus on innovation, company have launched new and advanced machines from time to time. In 1989, company started its commercial operation as a manufacturer of microprocessor-controlled bag-making machines. Company evolved periodically by introducing various categories of packaging applications. In 1997, company entered the film extrusion machinery business. In 1998, company started exporting bag and pouch making machines to the European Union. To further expand its reach, company began its operations in the United States through its wholly-owned subsidiary, Mamata Enterprises Inc., in 2003. Company derive its major portions of revenue and conduct business outside India through its wholly-owned subsidiary, Mamata Enterprises Inc. As of September 30, 2024, company have supplied its machines to over 75 countries. Company provide end-to-end solutions for the entire ecosystem of plastic film-based flexible packaging, offering services from concept to commissioning throughout the complete lifecycle of its machinery. Company supply machinery and equipment through a global sales network, and, as of September 30, 2024, in addition to its sales and corporate office, company 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.

Company offer comprehensive range of products serving the entire flexible packaging market value chain covering:

(a) bag and pouch making machines – which converts roll of plastic films into bags and pouches;

(b) packaging machines – which are used to fill the end products into pouches categorised as horizontal form fill and seal machines (“HFFS”), vertical form fill and seal machines (“VFFS”) and pick fill seal machines (“PFS”) for smaller volume requirements;

(c) co-extrusion blown film machines – which are used for processing various polymer granules into coextruded multilayer films. The films may have mono layer, three, five and seven layers. Company sell its machines under the brand name “Vega” and “Win”. As of September 30, 2024, company have installed over 4,500 machines in 75 countries around the world.

Company operate two machine manufacturing facilities, one in India and one in the USA. In India, its manufacturing facility is located on Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat, with a total area of about 20,662 square meters and an in-house electronic department, demo/exhibition centre and a fully equipped paint shop. Company's manufacturing facility in the USA is located in Bradenton, Florida, and it focuses on product applications, design and development of machines, and customisation of the machines sold in the USA. Company offer a complete range of multilayer blown film plants, from mono layer, three, five and seven layers.

Company also manufactures Packaging Machinery which includes (i) HFFS Pouch Machines - The usage of these machines is to cater the need of FMCG in the food/pet and home/personal care markets. These machines also cover large and heavy pouches (club pack sizes); (ii) Pick-Fill-Seal (PFS) Machines - The Main purpose these machines serves are for Pre-made pouch application in FMCG sector. It has various size formats also including large size pouches; (iii) Multi-Lane Sachet Packaging Machine - The various applications to fill products in sachets include, free flow powders (like Sugar, Concentrated Drink Powder, Energy drink powder, pharmaceutical powder, Pesticides etc.), Liquid (like shampoo, edible oil, ketch up, Tomato puree, cough syrup, sugar syrup etc.) and other products like granulated coffee and tea etc; (iv) Vertical Form Fill Seal (VFFS) Machines - The applications of VFFS machines extend to packaging a diverse range of products, including bulk goods, spanning from nuts and cookies to bolts and screws, Powders like ground coffee and dehydrated milk, grains or granules, and liquids.



INVESTMENT RATIONALE

<p><i>Technology-driven operations with a strong focus on quality, innovation-led research and development, leading to products that cater to dynamic market requirements</i></p>	<p>Company leverage technology to drive its business operations. Company is a technology-driven company with a strong focus on quality, product designing and new product development that has allowed company to develop products suited to ever-changing market requirements. Company have developed in-house capabilities to deliver evolving technologies, and continue to invest in design and development. Its in-house development focusses on innovation and meeting emerging customer needs and company continuously aim to develop and improve digitisation of its machinery with Industrial Excellence. Electronic systems used for manufacturing its machines are designed and validated in its in-house electronics lab located in Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat. Software and coding required for controlling the machines are developed in-house at company's manufacturing facility. Company's manufacturing facility is equipped with modern testing infrastructure and software to support development efforts. With a strong focus on quality, innovation-led research and development, company is able to offer industry 4.0 certified machines category recognised for significant advancements in machine learning.</p>
<p><i>Advanced manufacturing infrastructure and material knowledge to customize systems and products based on customer specifications</i></p>	<p>Company own and operate a machine manufacturing facility in Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat, with a total area of about 20,662 square meters, and a total built up area of over 9,235 square meters, in addition to a manufacturing facility in Bradenton, Florida, USA. Company's manufacturing facilities include customer demonstration centres, design and development centres, electrical manufacturing capabilities, painting, assembly and testing capabilities. Company's manufacturing facility at Sarkhej - Bavla Highway, Sanand, Ahmedabad, Gujarat also certified for international quality management systems ISO 9001:2015 for design, manufacture, installation and service of (i) Plastic bag making machines & their attachments; (ii) Pouch making machines & their attachments; and (iii) packaging machines & their attachments, which ensures high quality standards are maintained. Leveraging advanced machines and technologies, company is a prominent player in the industries in which it operate, with intricate engineering capabilities and production of quality of machines that meet the exacting demands of modern applications. The seamless integration of technology and human expertise allows company to achieve exceptional accuracy, dimensional stability, and mechanical properties in its machines.</p>
<p><i>Skilled and experienced management team with committed employee base</i></p>	<p>Company possess a qualified senior management team with considerable industry experience. Company's Chairman and Managing Director, Mahendra Patel, holds a Master of Science degree in industrial engineering and administration from Cranfield Institute of Technology and has over 44 years of experience in the machine building industry. Company's Joint Managing Director, Chandrakant Patel, holds a Bachelor of Engineering degree from L.D College of Engineering and has more than 37 years of experience in the field of technology and manufacturing. Company's Key Managerial Personnel have significant expertise in areas of finance, manufacturing and sales, which positions it well to capitalize on future growth opportunities. The heads of functional groups, such as operations, finance, manufacturing and sales, enhance the quality of company's management with their specific and extensive industry experience. Further, company's Chief Executive Officer, Apurva Kane, has been critical in exploring growth opportunities and enabling the expansion of company's operations. He is a commerce graduate from University of Delhi and has over 40 years of experience in manufacturing. As on September 30, 2024, company had 197 employees. The current average employee tenure with company is over 12 years. Company's attrition rate (calculated as a percentage of total manpower strength) was 9.60 %, 4.48 %, 10.11 % and 1.02 % respectively, in 2022, 2023, 2024 and September 30, 2024, respectively</p>



OBJECTS OF OFFER

The objects of the Offer are to

- (i) to carry out the Offer for Sale of up to 7,382,340 Equity Shares by the Selling Shareholders; and
- (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges.

RISKS

Significant increases or fluctuations in prices of, or shortages of, or delay or disruption in supply of primary materials could affect company's estimated costs, expenditures and timelines which may have a material adverse effect on company's business, financial condition, results of operations and cash flows.

Source:RHP

INDUSTRY OVERVIEW

Food Packaging: Food packaging serves a dual purpose of preserving the freshness and quality of edibles while also acting as a marketing tool. The utilization of vacuum packaging modified atmosphere packaging (MAP), and barrier coatings helps in extending the shelf life of perishable items. Labels and graphics on packages not only provide essential information like nutritional details but also contribute to brand recognition, making packaging a pivotal aspect of consumer trust and satisfaction.

Healthcare Packaging: Healthcare packaging is all about ensuring the safety and efficacy of pharmaceuticals and medical devices. Tamper-evident seals, sterile packaging, and child-resistant closures are critical features. Compliance with regulatory standards is a non-negotiable aspect, and packaging plays a pivotal role in meeting these requirements. It goes beyond containment, becoming an essential component in patient safety and well-being.

Beverage Packaging: The beverage industry relies on packaging for practicality and branding. PET bottles, cans, glass containers, and cartons are designed for convenience and visual appeal. The packaging not only protects the liquid contents but also acts as a medium for brand messaging and differentiation. Ergonomic designs, tamper-evident seals, and ecofriendly materials are key considerations in beverage packaging.

Personal Care Product Packaging: Packaging for personal care products goes beyond functionality to encompass aesthetics. Bottles, tubes, and jars are designed for ease of use and often feature innovative dispensing mechanisms. Premium materials, unique shapes, and visually appealing designs contribute to the product's perceived value. Packaging in this sector is a crucial element in establishing brand identity and attracting consumers in a competitive market.

Industrial Packaging: Industrial packaging is focused on the logistics of transporting and storing bulk materials, machinery, and components. Robust materials like corrugated boxes, steel containers, and specialized crates are chosen based on the durability required. The packaging ensures that industrial products reach their destination without damage, contributing to supply chain efficiency and overall cost-effectiveness.

Indian Flexible Packaging Industry Flexible packaging involves packaging products using non-rigid materials, providing more cost-effective and customizable options. This approach utilizes a range of flexible materials such as foil, plastic, and paper to craft pliable containers like pouches and bags. Film, plastic, paper, foil, and other materials can be employed to create flexible packaging solutions.

Flexible packaging stands out as one of the rapidly growing sectors within the packaging industry, bringing added value and marketability to both food and non-food products. It combines the desirable features of plastic, film, paper, and aluminum foil to offer a wide array of protective properties while minimizing material usage. The industry is continuously progressing at an unprecedented pace, with innovation and technological advancements leading to the creation of lighter weight packaging that enhances shelf appeal, strength, product protection, and seal ability. Various instances of innovation in flexible packaging stem from the idea of prolonging the freshness of food item, reducing shipping costs, and ensuring safer consumption of medicines. With its adaptability, customizable attributes, resource efficiency, and sustainability, now is an opportune time to consider transitioning to flexible packaging



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	Q1 FY 2025
Total Revenue (A)	1922.47	2008.65	2366.11	276.20
Total Expenditure (B)	1623.09	1771.21	1894.33	279.36
EBIDTA	299.38	237.44	471.78	-3.16
EBIDTA Margin	15.57	11.82	19.94	-1.14
Other Income	43.21	92.64	46.97	15.73
Depreciation	35.94	34.26	34.13	7.50
EBIT	306.65	295.82	484.62	5.07
Interest	11.27	44.86	15.29	1.84
PBT	295.38	250.96	469.33	3.23
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	295.38	250.96	469.33	3.23
Exceptional	0.00	0.00	0.00	0.00
PBT	295.38	250.96	469.33	3.23
Tax	78.40	60.16	108.08	1.05
PAT	216.98	190.80	361.25	2.18
NPM	11.29	9.50	15.27	0.79
ROE%	20.95	17.67	27.39	0.16
EPS	8.11	8.41	14.65	0.09
Eq Cap	29.72	29.72	27.34	246.08
Net Worth	1,040.56	1,342.28	1,538.85	1,718.18

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Mamata Machinery Limited</i>	<i>10.00</i>	<i>14.65</i>	<i>--</i>	<i>27.39</i>	<i>53.59</i>
Peers					
Rajoo Engineers Limited	1.00	3.421	57.16	16.59	20.59
Windsor Machines Limited	2.00	-1.19	--	-2.89	41.07
Kabra Extrusion Technik Limited	5.00	9.80	30.64	7.48	134.52

(Source: RHP)



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