



IPO Note

Mamata Machinery Limited

Recommendation: **APPLY!**

Company Background –

- **Incorporation:** Mamata Machinery Limited was originally incorporated as “Patel Machinery Private Limited” on April 17, 1979. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company is engaged in the manufacturing and exporting plastic bags and pouch making machines, packaging machines and extrusion equipment.
- **Revenue Stream:** The major revenue stream for the company is from bag and pouch making machines.
- **Human Resource:** The company had 197 permanent employees and 139 contract labourers as of Sep 30, 2024.

Objects of the Issue –

Since the company has no fresh issue the entire proceeds from the offer will be received by the promoter.

Promoters Name –

Mahendra Patel, Chandrakant Patel, Nayana Patel, Bhagvati Patel, Mamata Group Corporate Services LLP and Mamata Management Services LLP

Rationale for recommendation –

- ✓ The PE ratio is 14.95 times post issue annualized basis which makes it fairly priced.
- ✓ The top line of the company has increased over the years.
- ✓ The bottom line and profitability margins have remained slight dip in FY2023 which should not be a major concern.
- ✓ The RoCE and RoE are higher compared to its peers.
- ✓ The company does not have concentration in customers and suppliers.
- ✓ The company has vast experience in the industry.
- ✓ The management of the company is satisfactory.

IPO Details

Opening Date	Dec 19, 2024
Closing Date	Dec 23, 2024
Allotment Date	Dec 24, 2024
Listing Date	Dec 27, 2024
Stock Exchange	BSE, NSE
Lot Size	61 Shares
Issue Price Per Share	₹230 to ₹243
Issue Size	179.39 Cr.
Fresh Issue	-
Offer for Sale	179.39 Cr.
	₹ 14,823 –
Application Amt	₹ 1,92,699 (61 to 793 shares)

INDUSTRY – Packaging Machinery (Flexible) Avg. PE ratio as per RHP – 43.90

	KPIs (In Crores)			
KPI's	FY 22	FY 23	FY 24	Jun-24
Revenue	192.25	200.87	236.61	27.62
EBITDA	29.94	23.74	47.18	-0.31
Net Profit	21.70	22.51	36.13	0.22
RoCE	23.99%	15.36%	31.93%	-2.84%
ROE	20.85%	17.60%	27.29%	0.17%
P/E	29.96	28.89	16.59	14.95*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
92.45%	62.45%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	14.65	0.37
BVPS	484.17	54.46
P/E	16.59	14.95**
P/BV	0.50	4.46
Mkt Cap (In Cr)	597.97	597.97

*Annualized

**The PE ratio has been calculated based on revenue projected using CAGR for the last 3 years.

Lead Managers –

Beeline Capital Advisors Private Limited

Registrar –

Link Intime India Private Limited

Business Overview –

Mamata Machinery Limited is engaged in the business of manufacturing and exporting plastic bags and pouch making machines, packaging machines and extrusion equipment. As of Sep 30, 2024, they have installed over 4,500 machines in 75 countries. They primarily sell their machineries to consumer brands catering to FMCG. The sell machines under the brand name “**Vega**” and “**Win**”. The company has two international offices located in the US. The company derives majority of its revenue from outside India (USA, Canada, Mexico, Portugal etc. contributing the most) which accounted for 66.13%, 71.52% and 65.28% in FY22, FY23 and FY24 respectively and remaining from India.






Customers: The customer base includes 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.








Subsidiary:

Mamata Enterprises Inc – It is a wholly owned foreign subsidiary incorporated on April 24, 2003 in the US. It is engaged in the business of plastic bag manufacturing.

Manufacturing Unit: The company has two manufacturing facilities, one in Gujarat, India and the other one in Florida, US for the design, manufacture, installation and service of (i) Plastic bag-making machines & their attachments; (ii) Pouch making machines & their attachments; and (iii) Sachet packaging machines & their attachments.

Product Portfolio:

Product	Key Applications
I. Bag and Pouch Making Machines:	
Side and Bottom seal bag makers 	The main function of this machine is to make handle bags which includes soft loop, patch, Garment bags, String zip or flange zippers lock shut very tightly, which retains the barriers and keep the contents in the zip bag fresh for a long period of time.
Universal Machines 	
Servo Wicketers 	Wicketers are designed to make Bread bags as well as zipper poly bags, which are very convenient to use and store things, Square/ Round Boom bags, String zipper, Diaper Bags, Hygiene bags, bags for Fresh Produce, etc.
Centre seal and three side seal pouch makers 	The main function of these machines is to make Center Fin (This sealing method creates a tight bond along the back of the package, ensuring product freshness, containment, and shelf stability)/ Overlap Seal Pouches with or without side gussets (for flexible packaging operations), three side seal and offset Fin seal.
In-line spout makers & In-line spout makers 	The main function of these machines is for the production of Three side seal, five side seal, stand up zipper and stand-up pouches in 2 up and Center seal.

Vega Plus and flat bottom pouch making system 	<p>The usage of these machines is specifically for the production of Flat bottom pouches, Retort pouches with notch less rounded, Zipper and Stand-up pouches, Side gusseted quad seal or lap seal, etc.</p>
II. Packaging Machinery	
HFFS Pouch Machines 	<p>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).</p>
Pick-Fill-Seal (PFS) Machines 	<p>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.</p>
Multi-Lane Sachet Packaging Machine 	<p>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.</p>
Vertical Form Fill Seal (VFFS) Machines 	<p>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.</p>
III. Co-Extrusion Blown Film Machinery and Attachments	
Mono and 3-layer film lines 	<p>The major usage of these machineries is for Lamination films, Surface printed film, shrink films, Industry liners, Stretch cling and non-printed films.</p>
5- and 7-layer lines 	<p>They also manufacture machines for niche applications like hot glue, patch handle bags, diaper bags used for manufacturing of making hygiene and diaper bags, security envelops and courier/ shipping bags.</p>

Revenue Bifurcation Product-wise:

(Amt in Cr.)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Bag and Pouch making machines	128.46	66.82	121.53	60.50	150.05	63.41
Co-Extrusion Blown Film Machinery	14.21	7.39	20.79	10.35	10.20	4.31
Packaging Machinery	21.41	11.14	24.45	12.17	34.95	14.77
Attachment and Spares	21.74	11.31	27.64	13.76	31.57	13.34
After Sales	3.48	1.81	3.84	1.91	7.56	3.20
Others	2.94	1.53	2.60	1.30	2.28	0.96
Total	192.25	100.00	200.87	100.00	236.61	100.00

Competition -

- 1. Market Competition:** The industry is highly competitive and the key factors of competition are innovation, new technologies, price, quality etc.
- 2. Geographic Competition:** The company faces competition from organized as well as unorganized players in both domestic as well as international market.
- 3. Barriers to entry:** Moderate barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power of suppliers is moderate.

Business Strategies -

1. The company intends to sell these machines to other geographies such as Europe, Africa and Middle East and focus more on International market.
2. The company intends to continue to participate in large domestic and international converting and packaging exhibitions in order increase brand visibility.
3. The company is planning to set up a captive unit to fabricate and manufacture frames for machines. The manufacturing facility will be equipped with CNC laser cutting machines, bending and welding machines.

Risk Factors -

The company is heavily dependent on the performance of FMCG, Food & Beverage and Consumer Industry.

The company has 9 outstanding cases against it for tax matters amounting to Rs. 3.31 Cr and they have filed 2 cases regarding criminal matters amounting to Rs. 1.19 Cr.

The promoters have 1 case against them regarding tax matters amounting to Rs. 0.015 Cr.

The company has contingent liabilities of Rs. 1.97 Cr.

The company has no expansion plans as of now.

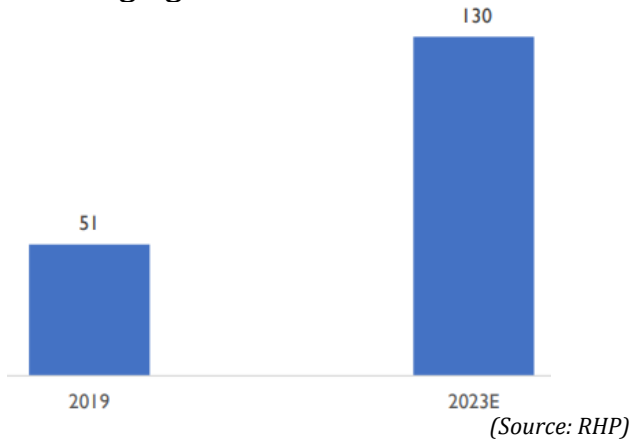
The company experiences a significant concentration of revenue in the second half of a fiscal and this results in uneven revenue.

INDUSTRY OVERVIEW

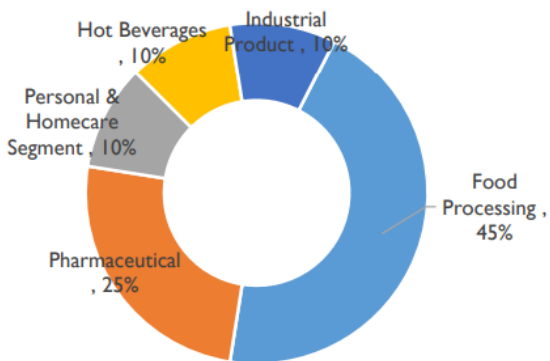
Packaging Industry in India-

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.

Indian Packaging Market



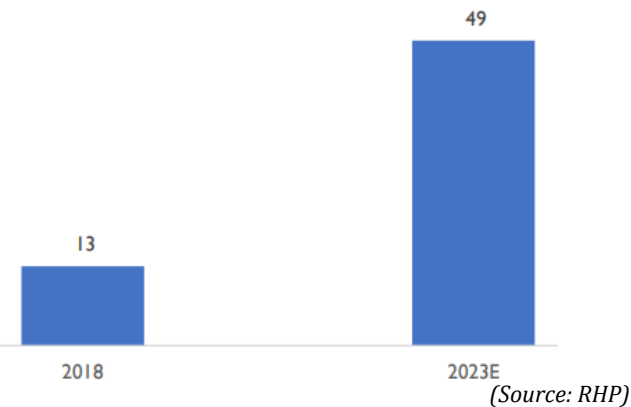
Indicative Market Segmentation of Packaging Material Consumption by End User Industries



Flexible Packaging Industry in India -

The Indian flexible packaging market valued at USD 12.92 billion and is estimated to have reached USD 49 billion in 2023. Further, the industry is estimated to grow at a CAGR of 12.6% between 2022 and 2027. This surge is mainly attributed to the increasing demand for packaged food, driven by the product's convenience and cost-effectiveness.

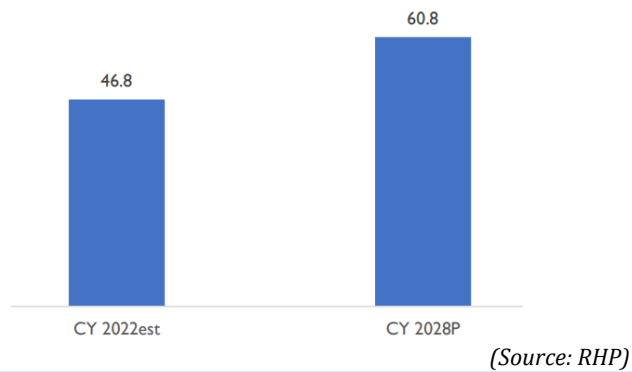
Indian Flexible Packaging Industry



Global Packaging Machinery Market -

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.

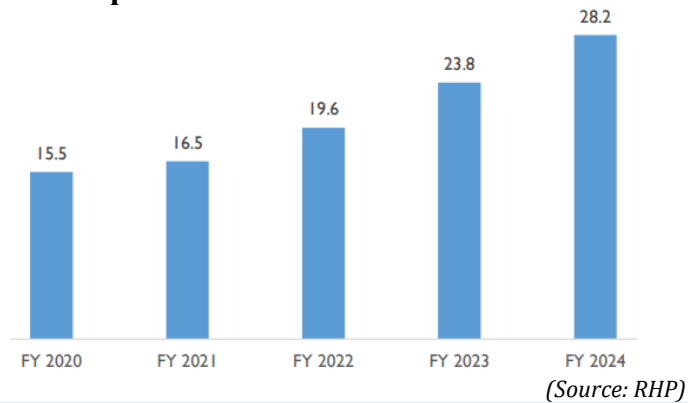
Market Size -



Export Demand -

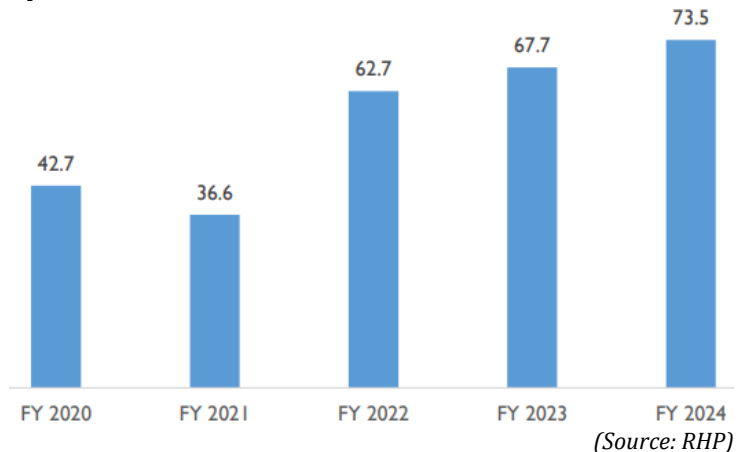
The export of packaging machinery has displayed a remarkable trajectory over the given years. In FY 2020, the export value stood at INR 15.5 billion, and by FY 2024, it reached an impressive INR 28.2 billion. The CAGR over this period stands at a remarkable 16.1%, indicative of sustained and substantial growth.

Annual Exports



Imports -

India is a net importer of packaging machinery. Annual imports reached INR 73.5 Bn in FY 2024, up by 9%, from INR 67.7 billion in FY 2023.



Key Management -

Key Management Persons Name -	Mahindra Patel
Age	75
Designation and No. of experience	Promoter, Chairman and Managing Director, 40+ years of experience in engineering industry
Qualification	Diploma in mechanical engineering and Master of Science degree in industrial engineering and administration
Responsibility	Responsible for handling the overall management, overseeing the strategic growth initiatives and expansion plans of the Company
Other Directorships	Milacron India Private Limited, Kloeckner Desma Machinery Private Limited, Mamata Energy Private Limited etc.

Key Management Persons Name -	Chandrakant Patel
Age	70
Designation and No. of experience	Promoter and Joint Managing Director, 30+ years of experience in machine engineering industry
Qualification	Bachelor of Engineering degree
Responsibility	Responsible for various functions of the Company which include sales, services and marketing divisions
Other Directorship	Mamata Energy Private Limited and Mamata Enterprises Inc.

Key Management Persons Name -	Neha Nowlakha
Age	41
Designation and No. of experience	Independent Director, 20+ years of experience in finance industry
Qualification	Bachelor's degree in commerce and Master of Science degree in international business
Other Directorships	Barkha Trading and Commerce Private Limited, Shreyash Udyog Private Limited, Nectwork Foods Private Limited etc.

Key Management Persons Name -	Subba Bangera
Age	73
Designation and No. of experience	Independent Director, 20+ years of experience in engineering industry
Qualification	Bachelor of Science degree and executive development programme in production management
Other Directorships	Plastic Machinery Manufacturers Association of India and Active Biz Solutions Private Limited

Key Management Persons Name -	Munjal Patel
Age	42
Designation and No. of experience	Independent Director, 20+ years of experience in pharmaceuticals industry
Qualification	Bachelor's degree in business administration, master's degree in business administration and postgraduate diploma in investment and financial analysis
Other Directorships	Lincoln Pharmaceuticals Limited, Downtown Finance Private Limited and Mamata Enterprises, Inc.

Key Management Persons Name -	Ruchita Patel
Age	42
Designation	Independent Director, 8+ years of experience in secretarial compliance and law
Qualification	Qualified CS, bachelor's degree in business administration and bachelors of law degree
Other Directorships	SJ Raythatha Foundation

- The overall management of the company is satisfactory.
- The management and promoters have good experience.
- There is an evidence of dual chairmanship, which is not favourable.
- Apurva Kane (CEO) has 40+ years of experience in sales, marketing and strategic decision-making.
- Dipak Modi (CFO) has 24+ years of experience in financial management.
- The senior management consists of President MEI USA, Business Head (Converting Division), Business Head – (VFSS) Packaging Division, Business Head – (HFFS) Packaging Machines Division, Senior Manager (Design & Development), IT Head and Manager – HR & Admin. They have an average experience of 30 years.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	192.25	200.87	236.61	27.62
Other Income	4.32	9.26	4.70	1.57
Total Income	196.57	210.13	241.31	29.19
Expenses				
Cost of Material Consumed	92.44	87.07	90.62	29.09
Changes in Inventories of WIP, Finished Goods & Stock-in-trade	-7.14	4.82	9.62	-20.80
Employee benefits expense	36.78	39.91	43.80	9.23
Finance Cost	1.13	1.06	1.53	0.18
Depreciation and Amortization expense	3.59	3.43	3.41	0.75
Other Expenses	40.23	45.32	45.39	10.41
Total Expenses	167.03	181.61	194.38	28.87
EBITDA	29.94	23.74	47.18	-0.31
EBITDA Margin	15.57%	11.82%	19.94%	-1.14%
Profit/(Loss) before tax	29.54	28.52	46.93	0.32
Tax Expense				
Current tax	6.75	4.88	9.33	0.15
Tax for Earlier Years	-	-	0.34	0.01
Deferred Tax (net)	1.09	1.14	1.13	-0.05
Total Tax Expense	7.84	6.02	10.81	0.11
Profit/(Loss) for the year	21.70	22.51	36.13	0.22
Net Profit Margin	11.04%	10.71%	14.97%	0.75%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	2.97	2.97	2.73	24.61
Other Equity	101.08	124.90	129.65	108.71
Total Equity	104.06	127.88	132.38	133.32
2. Non-current liabilities				
Financial Liabilities				
(i) Borrowings	3.90	2.82	2.57	2.49
(ii) Lease Liabilities	1.18	0.98	0.87	0.65
Provisions	0.21	0.21	0.55	0.34
Deferred tax liabilities	0.45	0.36	0.70	0.78
Total Non-current liabilities	5.74	4.37	4.69	4.27
3. Current liabilities				
Financial Liabilities				
(i) Borrowings	16.96	15.82	9.02	1.85
(ii) Lease Liabilities	0.76	0.30	1.01	0.95
(iii) Trade Payables				
(a) Outstanding Dues to MSME	5.38	4.19	3.94	19.84
(b) Outstanding Dues to other than MSME	25.18	21.08	23.60	14.75
Provisions	2.15	2.23	1.69	0.94
Current Tax Liabilities (net)	0.55	1.23	2.82	1.92
Other current liabilities	55.56	51.38	58.34	63.00
Total Current liabilities	106.53	96.22	100.42	103.26
Total Liabilities	112.27	100.59	105.11	107.53
Total Equity and Liabilities	216.33	228.47	237.49	240.85
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	59.26	61.41	61.52	61.32
Capital work-in-progress	-	-	-	0.44

Particulars	FY 22	FY 23	FY 24	Jun-24
Right-to-use assets	1.95	1.12	1.66	1.38
Investment Property	0.07	0.05	0.05	0.05
Other Intangible Assets	0.02	0.01	0.12	0.11
Intangible assets under development	-	0.10	0.03	0.03
Financial Assets				
(i) Investments	0.17	0.25	0.40	0.41
(ii) Other financial assets	42.60	60.44	47.86	39.86
Deferred Tax assets	6.66	5.86	4.70	4.59
Total Non-Current assets	110.72	129.23	116.33	108.19
2. Current assets				
Inventories	71.81	70.28	69.80	90.59
Financial Assets				
(i) Investments	7.00	0.00	0.00	0.00
(ii) Trade receivables	16.33	17.60	37.28	21.14
(iii) Cash and cash equivalents	2.47	5.17	2.01	5.31
(iv) Bank balances other than (iii)	-	-	1.96	2.25
(v) Other financial assets	-	-	1.15	0.65
Other Current Assets	0.42	0.62	2.19	2.67
Total Current assets	7.58	5.58	6.77	10.05
Total Assets	105.61	99.24	121.16	132.66

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	37.19	17.17	19.37	-1.81
Net Cash Flow from Investing Activities	-35.01	-9.68	12.43	7.90
Net Cash Flow from Financing Activities	-3.33	-3.00	-36.27	-0.003

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	8.11	8.41	14.65	EV/EBITDA	4.09	5.95	2.97
BV per share	3,501.14	430.26	484.17	Market Cap / Sales	3.11	2.98	2.53
<u>Operating Ratios</u>				P/E	29.96	28.89	16.59
EBITDA Margins	15.57%	11.82%	19.94%	Price to Book Value	0.07	0.56	0.50
PAT Margins	11.04%	10.71%	14.97%				
Inventory days	136.33	127.71	107.68	<u>Solvency Ratios</u>			
Debtor days	31.00	31.97	57.51	Debt / Equity	0.20	0.15	0.09
Creditor days	120.25	101.99	100.78	Current Ratio	0.99	1.03	1.21
<u>Return Ratios</u>				Quick Ratio	0.32	0.30	0.51
RoCE	23.99%	15.36%	31.93%	Asset Turnover	0.89	0.88	1.00
RoE	20.85%	17.60%	27.29%	Interest Coverage Ratio	23.38	13.30	41.24

FINANCIAL INTERPRETATION –

1. The top line has increased consistently over the years. For FY2023 it increased by 4.48% which was due to increase was due to high demand in the exports market for products whereas sale of services slightly decreased. For FY2024, it increased by 17.80% primarily due to increase in sale of products especially bag and pouch making machines and sale of services.
2. The net profit increased by 3.72% in FY2023 and increased by 60.51% in FY2024.
3. The PAT and EBITDA margin have seen a slight dip in FY2023.
4. The RoCE and RoE had also slightly decreased in FY2023.
5. The PE ratio has improved over the years.

PEER ANALYSIS

Particulars	Mamata Machinery Limited			Rajoo Engineers Limited			Windsor Machines Limited			Kabra Extrusion Technik Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	11.3%	11.2%	15.3%	7.9%	7.1%	10.4%	0.6%	1.2%	-2.2%	7.4%	5.6%	5.5%
EBITDA Margin	15.6%	11.8%	19.9%	12.7%	10.3%	15.2%	8.7%	9.3%	7.1%	14.1%	11.4%	11.3%
RoCE	26.6%	15.4%	31.9%	20.4%	11.8%	20.7%	4.7%	5.5%	2.4%	13.1%	15.6%	11.5%
ROE	20.9%	17.6%	27.3%	15.3%	10.5%	16.6%	0.8%	1.7%	-2.9%	9.2%	9.8%	7.5%
EPS (INR)	8.11	8.41	14.65	0.92	0.70	1.28	0.35	0.72	-1.18	9.46	11.42	9.86
P/E	29.96	28.89	16.59	12.64	13.31	57.10	120.43	52.50	-	54.74	42.40	29.82

- The company is not comparable on an apple-to-apple basis with the peers mentioned.
- The market cap of the company is less compared to its peers.
- The RoCE and RoE of the company are highest among its peers.
- The PE ratio of the company is lowest among its peers.
- The NP margin and EBITDA margin of Mamata Machinery, Rajoo Engineers and Kabra Extrusion Technik have seen a dip in FY2023.

LEAD MANAGER TRACK RECORD -

The lead managers to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

ICICI Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Nisus Finance Services Co Limited	114.24	180.00	Dec 11, 2024	258.50
2.	C2C Advanced Systems Limited	99.07	226.00	Dec 03, 2024	665.90
3.	SD Retail Limited	64.98	131.00	Sep 27, 2024	194.50
4.	Mach Conferences and Events Limited	125.28	225.00	Sep 11, 2024	222.05
5.	Indian Phosphate Limited	67.36	99.00	Sep 03, 2024	80.50
6.	Positron Energy Limited	51.21	250.00	Aug 20, 2024	320.10
7.	Ashapura Logistics Limited	52.66	144.00	Aug 06, 2024	96.00
8.	V.L. Infraprojects Limited	18.52	42.00	Jul 30, 2024	52.70
9.	Sati Poly Plast Limited	17.63	130.00	Jul 22, 2024	217.35
10.	Dindigul Farm Product Limited	34.83	54.00	Jun 27, 2024	57.11

The company has handled 51 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 16th Dec 2024.
As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Mamata Machinery Limited has been in the industry since 1979 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO annualized basis is 14.59 times which makes it fairly priced.

The top line of the company has increased over the years. The bottom line and profitability margins have seen a dip in FY2023, but it should not be a major concern as peer companies have also seen a similar trend. The RoCE and RoE of the company is highest and the PE of the company is low compared to peers.

The financials of Jun-24 appears to be poor but the reason for the same is that the company generates significant revenue concentration in the second half. This is the reason for negative cash flow from operations for Jun-24 as well. This trend is seen in the overall industry.

The company generates majority of its revenue from exports and has a good global presence.

The company has a good cliental base and has been a prominent manufacturer and exporter of packaging machinery.

Thus, investors can **APPLY** to this IPO for long-term basis.

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