



**THREE M PAPER  
BOARDS LIMITED**

## IPO Note

# Three M Paper Boards Limited

Recommendation: **APPLY!**



### IPO Details

Opening Date	July 12, 2024
Closing Date	July 16, 2024
Allotment Date	July 18, 2024
Listing Date	July 22, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹67 to ₹69
Issue Size	39.83 Cr.
Fresh Issue	39.83 Cr.
Offer for Sale	-
Application Amt	₹ 1,38,000 (2,000 shares)

### Company Background -

- Originally formed and incorporated as 'Three-M-Paper Manufacturing Private Limited' at Mumbai on July 26, 1989, under Companies Act, 1956, issued by Registrar of Companies.
- The company is engaged in the business of manufacturing recycled paper-based Duplex Board products used in various packaging applications across various industries. The product is made out of 100% recycled waste paper and are biodegradable.
- The company is headquartered in Mumbai, with its manufacturing facility located in Chiplun, Dist. Ratnagiri, Maharashtra.
- The company has 233 employees as of March 31, 2024. Also, during March 2024, they engaged around 316 personnel on contractual basis.

### Objects of the Issue -

- Capital expenditure for installation of new machinery, modernisation of certain processes under existing manufacturing facility and installation of plastic fired low pressure boiler.
- Funding long-term working capital requirements of the company.
- Prepayment or repayment of all or a portion of outstanding borrowing availed by the company.
- General Corporate Expenses.

### Promoters Name -

Hitendra Dhanji Shah, Prafulla Hitendra Shah and Rushabh Hitendra Shah

### Rationale for recommendation -

- ✓ The company has seen a decrease in the top line for FY 2024 due to reduction in sale price of paper and paper boards across the industry.
- ✓ The company has a P/E of 11.70 times on Post IPO basis.
- ✓ The management overview is satisfactory.
- ✓ The company has performed at par with its peer companies.

### KPIs

(In Lakhs)

KPI's	FY 22	FY 23	FY 24
Revenue	17,516.08	19,091.77	17,935.48
EBITDA	511.38	876.53	926.71
Net Profit	28.23	308.89	328.66
RoCE	14.49%	29.70%	21.92%
ROE	31.81%	77.68%	26.71%
P/E	147.73	13.43	13.40

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.30%	63.01%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	9.70	6.64
BVPS	34.06	59.95
P/E	13.40	19.57
P/BV	3.82	2.17
Mkt Cap (In Cr)	46.96	64.31

### Lead Managers -

**Comfort Securities Limited**

### Registrar -

**Bigshare Services Private Limited**

## Business Overview -

Three M Paper Boards Limited was originally formed and incorporated as ‘Three-M-Paper Manufacturing Company Private Limited’ on July 26, 1989, under Companies Act, 1956, issued by the Registrar of Companies. The company has 233 employees as of March 31, 2024, and during March 2024, they engaged around 316 personnel on contractual basis.

The company is engaged in the business of manufacturing recycled paper-based Duplex Board products used in various packaging applications across industries such as food and beverage, pharmaceuticals, cosmetics, and consumer goods and supplies duplex board paper products in both the domestic and international markets. The products are made out of 100 percent recycled waste paper and are completely biodegradable. The company is headquartered in Mumbai, with its manufacturing facility located in Chiplun, Dist. Ratnagiri, Maharashtra.

### PRODUCTION CAPACITY UTILIZATION:

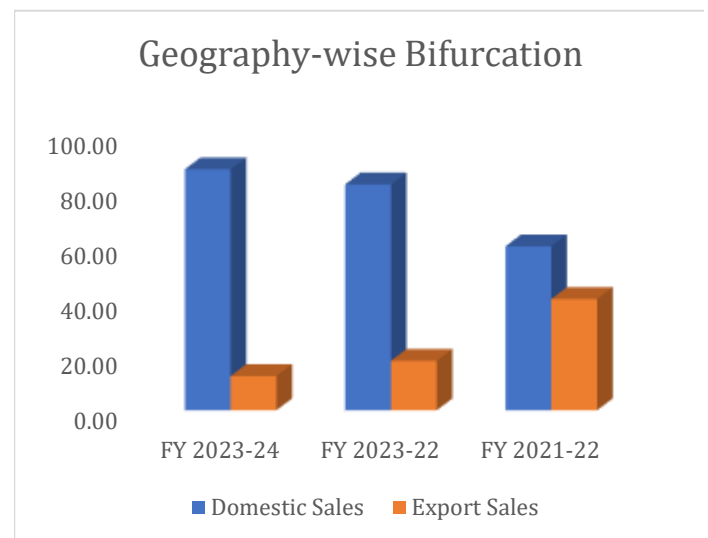
Particulars	FY 2024	FY 2023	FY 2022
Installed Capacity (in MT*)	72,000.00	72,000.00	72,000.00
Total Production (in MT*)	70,394.00	64,970.00	61,196.00
Total Production (in %)	97.76	90.24	84.99

### PRODUCTS:

The products include:

- Coated Duplex Board - Royal Grey Back, Prima Grey Back, Eco White Back, Excel Duplex Board etc.
- Coated Duplex Board Q-II – Excel Duplex Board II Quality, Prima II Above Five, Royal GB II Quality, Royal WB II Quality etc.
- Coated Duplex Board Q-III – H.W.C Duplex Board III Quality, Prima GB III Quality, Royal GB III Quality, Royal WB III Quality etc.
- Coated Duplex Board Q-IV – H.W.C White Board IV Quality, H.W.C Duplex Board IV Quality Royal GB IV Quality, Royal WB IV Quality etc.
- Mill Boards

### Revenue Bifurcation based on geography –



### Sales Mix and the geographical presence:

Category	FY 2023-24		FY 2022-23		FY 2021-22	
	Amt	%	Amt	%	Amt	%
<b>Sale of Goods</b>						
Paper & paperboard	26,962.31	99.04	32,074.83	98.01	30,865.29	98.64
Wind Energy	27.69	0.1	23.82	0.07	24.26	0.08
<b>Other Operating Revenue</b>						
Export Incentive	233.48	0.86	626.56	1.92	400.49	1.28
<b>Total</b>	<b>27,223.48</b>	<b>100.00</b>	<b>32,725.21</b>	<b>100.00</b>	<b>31,290.04</b>	<b>100.00</b>

### Competition -

The Paper Industry is competitive where the key factors of competition primarily comprise quality, price, product range and capacity.

The company faces competition from organized as well as unorganized players in both domestic and international market.

The company has slightly lower barriers to entry.

The bargaining power is slightly high with the suppliers.

The bargaining power is slightly high with customers.

### Business Strategies -

**Product Diversification:** The company intends to diversify their products to cater broader range of customer needs and market segments.

**Plant to use waste generated:** The company intends to effectively use and dispose the waste generated during the production process which encourages sustainability and motivates the company to utilize this waste by way of reuse as well.

**Market Expansion:** The company is focusing on identifying and pursue opportunities to enter new geographic markets or target new customer segments. This may involve establishing strategic partnerships with distributors or entering joint ventures with local companies to gain access to new markets more effectively.

### Risk Factors -

The company has certain litigations:

- 2 civil outstanding case against the company.
- 1 criminal outstanding case against the company, which is because, a person named Jitendra Prasad who was hired on a contract basis, was found dead at the factory as he had fallen from a height while carrying out the maintenance work.
- 1 civil, 1 criminal and 8 tax related outstanding cases by the company amounting to Rs. 1659 lakhs.
- 3 outstanding cases against the director for taxation matters amounting Rs. 12.08 lakhs.
- 1 outstanding case by the promoter for taxation matters amounting to Rs. 2.16 lakhs.

The company has contingent liabilities amounting to Rs. 585.99 lakhs for the FY 2024.

The company has negative cashflows from operations for the FY 2022.

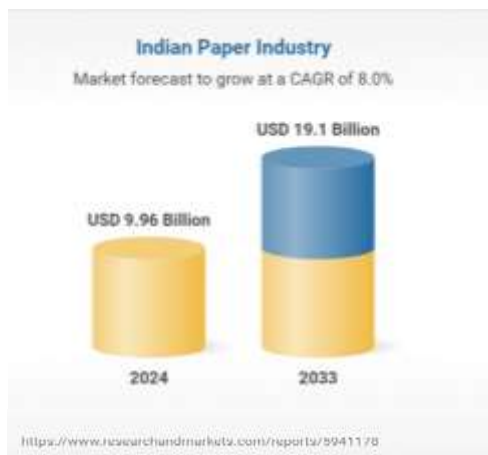
### PEER ANALYSIS

Particulars	Three M Paper Boards Limited			N R Agarwal Industries Ltd.			Kuantum Papers Ltd.			Shree Ajit Pulp and Paper Ltd.		
	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	1.0%	2.0%	4.2%	3.7%	5.6%	9.7%	1.6%	10.5%	15.2%	5.2%	3.0%	2.7%
EBITDA Margin	5%	6%	9%	9%	11%	14%	15%	25%	28%	10.4%	10.5%	9.4%
RoCE	10%	13%	16%	18%	18%	11%	5%	19%	18%	17.0%	8.8%	4.5%
ROE	8%	14%	19%	11%	16%	17%	2%	14%	16%	11.5%	5.0%	3.9%
EPS (INR)	2.50	5.05	8.60	35.85	58.35	73.72	1.54	15.60	21.07	27.32	26.11	14.83
P/E	27.60	13.66	8.02	7.82	3.49	5.86	53.80	7.78	7.33	8.32	6.72	12.66

## Indian Paper Industry -

The Indian paper industry plays a noteworthy role on the global stage, contributing approximately 5% to the world's paper production. The industry's estimated turnover exceeds INR 80,000 crore, contributing to approximately INR 5,000 crore to the national exchequer. In terms of employment, the industry directly engages 500,000 individuals and indirectly supports an additional 1.5 million jobs.

According to industry sources, the paper & pulp industry has an annual turnover of INR 700 billion, with an estimated 861 paper mills, of which 526 are operational. The collective installed capacity stands at an impressive 30.73 million tonnes.



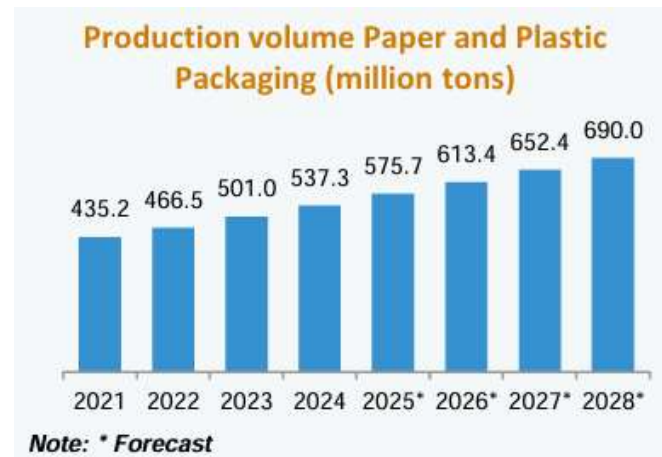
## Market, Production and Consumption Scenario -

- In FY 2023, boasting an annual capacity of 30.73 million Tonnes Per Annum (TPA), India successfully manufactured 23.67 million tonnes of paper and paperboard. This translates to approximately 88% of the capacity utilisation by the industry.

- The domestic paper and paper product production has grown steadily between FY 2018-23 where estimated production stood at 23.67 Mn tonnes in FY 2023.

- Total consumption of paper, paperboard, and Newsprint stood at 21.14 Mn tonnes in FY 2022, registering y-o-y 16.2%, with Packaging Paper/Board segment alone accounting for nearly 63% share followed by writing and printing paper contributing 24.6% share and newsprint accounting for 6.4% share while remaining 6.4% share was accounted by all other categories.

## Indian Packaging Paper Industry -



The Indian paper and packaging industry are experiencing robust growth, poised for significant expansion in the coming years. Valued at USD 50.5 billion in 2019, the industry is projected to reach USD 204.81 billion by 2025, demonstrating an impressive CAGR of 26.28% from 2020 to 2025. This remarkable growth is attributed to several factors, including the flourishing e-commerce, food processing, pharmaceuticals, FMCG, manufacturing, and healthcare sectors.

## Duplex Boards -

In the span from FY 2018 to FY 2023, the apparent consumption of duplex boards witnessed a substantial increase, growing from 3.03 million tonnes to 5.65 million tonnes. This expansion reflects a robust CAGR of 13.29% during this period. The surge in apparent consumption signifies a heightened demand for duplex, emphasizing its versatile applications across various industries.

## EXPORTS:

The export of duplex board has displayed a remarkable trajectory over the given years. In FY 2019, the export value stood at INR 4.6 billion, and by FY 2023, they reached INR 10.8 billion. The CAGR over this period stands at an impressive 24%, indicative of sustained and substantial growth. UAE holds the largest share, accounting for 18% of the total exports of duplex board. This is followed by the United Kingdom, with 13% of the share. Following closely behind are Italy, USA, and Turkey, with 8%, 6%, and 6% of the export share, respectively. Rest of the world accounted for 49.67% of the export market.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Hitendra Dhanji Shah</b>
<b>Age</b>	64
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Whole-Time Director, 30+ Years of experience
<b>Qualification</b>	Passed (11 <sup>th</sup> ) Higher Secondary in Science
<b>Roles and Responsibility</b>	Strategic planning and business development of the company
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Prafulla Hitendra Shah</b>
<b>Age</b>	63
<b>Designation and No. of years of experience</b>	Promoter, Whole-Time Director, 20+ years of experience
<b>Qualification</b>	Bachelor's degree in arts
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Parshwa Biotech LLP

<b>Key Management Persons Name -</b>	<b>Rushabh Hitendra Shah</b>
<b>Age</b>	39
<b>Designation and No. of years of experience</b>	Promoter, Managing Director, 15+ years of experience
<b>Qualification</b>	Degree and Diploma in mechanical engineering
<b>Roles and Responsibility</b>	Handles company's production and marketing operations.
<b>Other Directorships</b>	Parshwa Biotech LLP

<b>Key Management Persons Name -</b>	<b>Ashok Kumar Bansal</b>
<b>Age</b>	66
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 45+ years of experience
<b>Qualification</b>	Pulp and paper technologist graduated from Institute of Paper technology
<b>Roles and Responsibility</b>	-
<b>Previous Associations</b>	N. R. Agarwal Industries Ltd.

<b>Key Management Persons Name -</b>	<b>Jigna Ravilal Dedhia Shah</b>
<b>Age</b>	55
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 28 years of experience
<b>Qualification</b>	B. Com Degree, Post graduation in LLB (Law)
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	She operates in Honourable High Court, Sessions Court, Family Court, and Metropolitan Magistrates Court

<b>Key Management Persons Name -</b>	<b>Feni Jay Shah</b>
<b>Age</b>	33
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 28 years of experience
<b>Qualification</b>	Company Secretary, B. Com Degree, master's degree in law
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Founder of Feni Shah & Associates and involved in advocating for child development and social welfare activities.



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	31,290.04	32,725.21	27,223.48
Other Income	310.45	249.71	378.08
<b>Total Income</b>	<b>31,600.49</b>	<b>32,974.92</b>	<b>27,601.56</b>
<b>Expenses</b>			
Cost of Materials Consumed	17,476.14	18,273.73	14,575.92
Direct Expense	1,873.96	2,268.92	2,218.53
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-1,074.51	-607.61	-159.08
Employee Benefit Expenses	1,602.05	1,436.11	1,400.72
Finance Cost	732.79	964.04	746.40
Depreciation and Amortisation	562.59	604.69	661.91
Other expenses	9,968.09	9,437.47	6,858.63
<b>Total Expenses</b>	<b>31,141.11</b>	<b>32,377.35</b>	<b>26,303.03</b>
<b>EBITDA</b>	<b>1,444.31</b>	<b>1,916.59</b>	<b>2,328.76</b>
<b>EBITDA Margin</b>	<b>4.62%</b>	<b>5.86%</b>	<b>8.55%</b>
<b>Profit/(Loss) before tax</b>	<b>459.38</b>	<b>597.57</b>	<b>1,298.53</b>
<b>Tax Expense</b>			
Current tax	76.68	99.75	329.20
Mat Credit Entitlement	-76.68	-99.74	-
Deferred Tax Expenses/(credit)	131.82	-63.97	-165.39
<b>Total Tax</b>	<b>131.82</b>	<b>-63.96</b>	<b>163.81</b>
<b>Profit/(Loss) for the year</b>	<b>327.56</b>	<b>661.53</b>	<b>1,134.72</b>
<b>Net Profit Margin</b>	<b>1.05%</b>	<b>2.02%</b>	<b>4.17%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	655.02	655.02	1,346.54
Reserves and surplus	3,409.12	4,070.65	4,763.85
<b>Total Shareholder's Fund</b>	<b>4,064.14</b>	<b>4,725.67</b>	<b>6,110.39</b>
<b>Total Equity</b>	<b>4,064.14</b>	<b>4,725.67</b>	<b>6,110.39</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	4,062.82	4,351.96	3,396.97
Other Non-Current Liabilities	40.00	9.00	-
Long-term provisions	132.83	167.32	172.61
Deferred Tax Liability	922.17	858.21	692.82
<b>Total Non-current liabilities</b>	<b>5,157.82</b>	<b>5,386.49</b>	<b>4,262.40</b>
<b>4. Current liabilities</b>			
Short-term borrowings	3,739.24	3,830.44	3,867.11
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	717.40	692.37	135.42
Total outstanding dues of creditors other than micro enterprises & small enterprises	3,797.04	3,805.45	4,546.60
Other Current Liabilities	628.54	394.07	378.28
Short-term provisions	46.26	108.06	219.68
<b>Total Current liabilities</b>	<b>8,928.48</b>	<b>8,830.39</b>	<b>9,147.09</b>
<b>Total Liabilities</b>	<b>14,086.30</b>	<b>14,216.88</b>	<b>13,409.49</b>
<b>Total Equity and Liabilities</b>	<b>18,150.44</b>	<b>18,942.55</b>	<b>19,519.88</b>

Particulars	FY 22	FY 23	FY 24
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	6,905.80	7,794.30	7,621.62
Intangible Assets	2.47	1.47	1.01
Work-In-Progress	99.70	-	183.16
Non-Current Investments	110.06	119.92	121.71
Long term Loans and Advances	259.39	290.69	92.40
<b>Total Non-Current assets</b>	<b>7,377.42</b>	<b>8,206.38</b>	<b>8,019.90</b>
<b>2. Current assets</b>			
Current Investments	5.00	5.00	0.00
Inventories	2,047.59	3,417.37	2,939.31
Trade Receivables	4,610.90	4,255.80	5,420.21
Cash & Cash equivalents	130.32	542.66	12.52
Short term loans and advances	2,008.98	1,922.31	1,737.31
<b>Other Current Assets</b>	<b>1,970.23</b>	<b>593.03</b>	<b>1,390.63</b>
<b>Total Current assets</b>	<b>10,773.02</b>	<b>10,736.17</b>	<b>11,499.98</b>
<b>Total Assets</b>	<b>18,150.44</b>	<b>18,942.55</b>	<b>19,519.88</b>

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-1,032.00	2,353.22	1,393.85
Net Cash Flow from Investing Activities	-565.69	-1,826.04	20.73
Net Cash Flow from Financing Activities	1,616.08	-544.85	-1,414.72

### Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	2.50	5.05	98.6	EV/EBITDA	8.13	6.45	5.74
BV per share	30.18	35.10	45.38	Market Cap / Sales	0.42	0.41	0.49
<b>Operating Ratios</b>				P/E	27.60	13.66	8.02
EBITDA Margins	4.62%	5.86%	8.55%	Price to Book Value	2.29	1.97	1.52
PAT Margins	1.05%	2.02%	4.17%	<b>Solvency Ratios</b>			
Inventory days	23.89	38.12	39.41	Debt / Equity	1.92	1.73	1.19
Debtor days	53.79	47.47	72.67	Current Ratio	1.21	1.22	1.26
Creditor days	94.23	84.67	122.27	Quick Ratio	0.98	0.83	0.94
<b>Return Ratios</b>				Asset Turnover	1.72	1.73	1.39
RoCE	9.56%	12.97%	16.07%	Interest Coverage Ratio	1.20	1.36	2.23
RoE	8.06%	14.00%	18.57%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Comfort Securities 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 –

**Comfort Securities Limited –**

<b>Sr. No.</b>	<b>Company Name</b>	<b>Issue Size in Cr.</b>	<b>Issue Price/Share (In INR)</b>	<b>Listing Date</b>	<b>CMP* (INR)</b>
1.	Max Alert Systems Limited	8.00	20.00	July 13, 2012	4.45
2.	Ravi Kumar Distillers Limited	73.60	64.00	Dec 27, 2010	30.89
3.	Tarapur Transformers Limited	63.75	75.00	May 18, 2010	12.67

The company has handled 0 mandates in the past three years.

\*CMP for the above-mentioned companies is taken as of 12<sup>th</sup> July 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and the others have opened at a premium on the listing day.



## Recommendation -

The company has been in the industry since 1989 and has vast experience in the industry. The management overview of the company is slightly satisfactory.

The P/E on a post-IPO and annualised basis is around 11.70 times which makes it is fairly priced by looking at the performance of the company and sector. The Sector P/E is 10.11 times.

The company has seen a decrease in the top line for FY 2024 due to reduction in sale price of paper and paper boards across the industry. Bottom line of its financials has seen an increase in the profitability margins for Mar 2024. The company has performed at par with its peer companies. The paper industry is a growing industry. The company is using its net proceeds for purchase of plant and machinery which will help the company grow in the near future. Thus, knowledgeable and informed investors **MAY APPLY** to this IPO keeping in mind that it is for a long-term investment.

## Disclaimer

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