

# SHARE *Bazaar*



## ANUROOP PACKAGING LTD



**Current price - ₹9.70 (8/4/2020)      Projected Price - ₹45**  
**Period -12 months                              Returns - (350%)**

### ECONOMY

The Indian economy has been growing at a rapid pace over the last several years and the Indian economy which was a \$ 0.50 trillion economy in the nineties has scaled up to a \$ 2.7 trillion economy as of date. The US has retained its position of being the world's largest economy at \$ 20.58 trillion in nominal terms and is projected to grow to \$ 24.88 trillion by 2023. The US has retained its position of being the world's largest economy since 1871. The United States constitute 23.6% of the total global economy. China has experienced exponential growth over the past few decades, breaking the barriers of a centrally – planned closed economy to evolve into a manufacturing and export base economy. However, over the years, the role of services has gradually increased and that of manufacturing as a contributor to GDP has declined relatively. Back in 1980, China was the seventh – largest economy with a GDP of \$ 305.35 billion, while the size of the US was then \$ 2.86 trillion, since it initiated market reforms in 1978, the Asian giant has seen an economic growth averaging 10% annually.

India is the fastest –growing trillion – dollar economy in the world and the fifth largest overall with a nominal GDP of \$ 2.75 trillion. India has become the fifth largest economy in 2019 overtaking the United Kingdom and France. The Indian economy was just \$ 189.4 billion in 1980 ranking 13<sup>th</sup> on the list globally. India's post independence journey began as an agrarian nation, however over the years the manufacturing and services sector has emerged strongly. Today its service

sector is the fastest growing sector in the world, contributing to more than 60% to its economy and accounting for 28% of employment. The economy's strength lies in its limited dependence on exports, high saving rates, favorable demographics, and a rising middle class. It is expected to touch \$ 5 trillion by 2025.

### MANUFACTURING SECTOR

In recent years the manufacturing sector has been the major focus for the government of India. Realizing the importance of manufacturing and the amount of employment it can generate, many initiatives are being taken up by the current government to foster the growth of this sector. Having the benefit of a high amount of educated population and skilled labor, there is enough scope for the manufacturing sector to further develop in the country. The Make in India campaign started by the government is one of the biggest initiatives taken by the government to attract foreign investors to invest and start manufacturing in India. The government is providing adequate infrastructure like electricity and strong networks of roads and railways for easy transportation of goods and services. Many laws favoring labor and land acquisitions are being implemented so that it is easier for foreign investors to start their business in India.

### COMPANY'S ACTIVITY

Set up in the year 1998, the company manufactures corrugated boxes at its manufacturing facility at Wada, Thane District. It provides quality fixed

packaging products such as corrugated boxes, sheets etc to clients in sectors such as pharmaceuticals, stationary, metals, water treatment, etc.

The company is engaged in the manufacturing of a variety of corrugated boxes/cartons. It manufactures the boxes in a number of sizes and shapes, thus providing plenty of options that would cater to the needs of its customers, including customized boxes as per order. The company is a semi-automatic plant and currently is operating at a rapid speed in terms of turnover and client base.

Its products can be classified into the following categories:

- a) Corrugated boxes and
- b) Corrugated sheets/boards

Some of its clients include industry leaders like Kokuyu Camlin, Altos, Faber Castell (India), Himalaya Organics, Ion Exchange, Mattel Toys, FDC, Pepe Jeans, etc.

The company is also involved in trading of gum (Turpentine & Dipentine). The trading of gum commenced in the year 2017-18 but gathered momentum in the year 2018-19.



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The company launched its IPO on 8th November 2019 by issuing 20,30,000 shares at a price of ₹13 per share aggregating ₹2.64 crore and the issue was oversubscribed 5.44 times.

## PROMOTERS

Anuroop Packaging was originally promoted by **Vilas Vishwanath Bhagwat** and **Shrikrishna Sitaram Ghaisas** who were the initial subscribers to the Memorandum of Association. In the year 2015 there was a change in the management and the company was taken over by the present management comprising of Mr. Amarnath Matadin Sharma, Mr. Akash Amarnath Sharma, Mr. Akshay Amarnath Sharma and Amarnath Sharma HUF as the new promoters. The new promoters took over the company with a view to scale the company's operations to new heights.

**Mr. Amarnath Matadin Sharma**, aged 58 years, is the Promoter of the Company and holds the degree of Chartered Accountant from Institute of Chartered Accountants of India. He has an experience of around 32 years in various aspects of financial and taxation services.

**Mr. Akash Amarnath Sharma**, aged 30 Years, is also the Promoter and Managing Director of the Company He completed his Higher Secondary education from Maharashtra State Board and has experience of around 6 years in Marketing and Management and around 4 years of experience in the packaging industry.

**Mr. Akshay Amarnath Sharma**, aged 26 years, is one of the Promoters and the Chief Financial Officer of the Company. He recently joined the company under the guidance of Mr. Akash Amarnath Sharma to gain knowledge and experience in this industry. He has completed his

Bachelor of Commerce from University of Mumbai and has experience of around 1 year in Finance.

## INDIAN CORRUGATED BOX MARKET

Indian corrugated box market is highly fragmented with the presence of around 18,000 organized and unorganized players. There are no regulations in the market regarding the entry of the players and since it is a low capital intensive business many new players are entering in the market.

India corrugated box industry is expected to increase at a CAGR of double digit between FY'2018 and FY'2023 in terms of revenue due to the elevating demand from the end user segment.

Increasing the demand of safe and cushioned packaging of the product is expected to augment the growth of India's corrugated box market. The procurement of latest technology machines from China, Taiwan and other Asian countries by manufacturers in order to increase speed and accuracy is expected to contribute to the bright future of the Indian corrugated box industry. The Indian manufacturing sector is highly dependent on the corrugated box industry as packaging is one of the fastest growing industries and stands at a \$700 billion global market. It has the distinction of growing more than the GDP in several countries.

The Indian Packaging industry constitutes 7% of the global packaging industry. The per capita consumption in India is low at 4.3 kgs compared to developed countries like Germany and Taiwan where it is 42 kgs and 19 kgs respectively. In a developing country like India, it has grown at a CAGR of

16% in the last five years and in the years ahead the Indian packaging industry is expected to grow at 18% per annum.

The packaging industry in India is a combination of both organized and unorganized players ranging from very small players with limited presence to big players with large market share. However, demand is expected to grow rapidly across all players. Also there is an increasing focus on innovative and cost effective packaging materials.

The booming Indian economy have raised expectations that consumption of corrugated packaging will begin to expand as the number and volume of goods packed in corrugated boxes increase. The sector is highly labor intensive but the present scenario is being challenged by sweeping changes that are taking shape. More and more in line automotive corrugated box makers are gearing up to meet the new demands for high precision boxes with attractive graphics and large integrated production capacities.

Increasing demand and high volumes is expected to trigger consolidation and will result in setting up of large automatic plants. Therefore, in the years ahead in-line automatic plants will ease out the present semi-automatic production process. Industry players therefore keeping track with changing trends in packaging are making efforts to capture the markets with higher technology orientation. As global players set up their manufacturing bases in India to meet the growing demand for consumer & white goods there is need for high quality boxes which will spur demand for corrugated boxes.

**Advances in multi-color flexo printing and contract printing on**

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## **offset presses.**

The trend of colored corrugated boxes has been on the rise and several organized retailers are using colored and die cut corrugated boxes for display and promotional purposes in their shops. India's corrugated box market is expected to register a positive CAGR of around 22% during the period FY 2018-23.

The corrugated packaging market is growing rapidly, with the help of explosion of e-commerce and developments in the digital printing technologies. There are four trends that are changing the future of the corrugated packaging market.

## **E-Commerce**

Globally E-commerce retail sales are continuing to soar higher, with its annual growth expanding by 13% in 2017 and expected to grow further. Global online sales are estimated to cross the \$ 5 trillion mark in 2025 which will have a huge impact on packaging demand, particularly in the corrugated box industry as it represents about 80% of demand in the e-commerce market.

## **Fit-to-produce**

The growth of e-commerce has resulted in the intrusion of fit-to-product (FTP) or box on demand systems, driven in generally by the needs of dedicated e-commerce sellers. This technology allows the production of customized secondary packaging based on the actual size of the product being packed, including irregular shapes for the end user which removes the need for large inventories of standard size boxes which often need copious amounts' of filler materials. As FTP platforms get popular, it would result in increased demand for boards sold as fanfold, as well as finishing



equipment, like printers that can operate with them Major moves are being undertaken to take advantage of this growth market.

## **Sustainability**

Corrugated board is popular in packaging as sustainability becomes a more critical issue across the industry. It is simpler to recycle and the pulp and paper industry is experienced at conversion into new generations of container board. These qualities indicate there has been a rise in popularity of corrugated protective formats over polymer based alternatives such as expanded polystyrene (EPS) foams.

## **Digital printing**

As the digital print grows the corrugated sector while still in its initial stages have developed a growing appetite for adaption of the process and systems are now being developed to meet the demands of the high volume liner and post-print markets.

**Anuroop Packaging is gearing itself to capture the huge potential growth in the sector and plans to increase capacity, expand clientele as well as adopt newer technologies.**

## **Recommendation**

The corrugated box industry is in a growth phase and Anuroop Packaging

has set up ambitious plans to tap the potential in the industry. It is the process of initiating several measures to modernize its operations in order to increase efficiency and profitability. Backed by a competent and experienced management the company is committed to create huge value for its shareholders. The company has targeted a turnover of ₹10 crore for the year ended 31<sup>st</sup> March 2020 with a net profit of around ₹3.5 crores which would translate into an earnings per share of ₹4.58 and applying a modest price earnings multiple of 10 the share could quote in the region of ₹45 over the next 12 months accounting for a gain of over 350%.

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