MALLCOM (INDIA) LTD

Initiating Coverage

TEXT

BUY

CMP Rs.1,420 **TARGET Rs.1,744**

Reuters Code	MLCM.BO
Bloomberg Code	MALI IN
BSE Code	539400
NSE Symbol	MALLCOM
Face Value	Rs. 10
Market Cap.	Rs. 886 cr
52 Week H/L	Rs. 1780 / 1019
Shares Outstanding	0.62 cr.
Avg. Daily Vol. (6m)	12,369 Shares

Price Performance (%)

1M	3M	6M
10	11	19

200 Days EMA Rs.1,281

SHARE HOLDING (%)

Promoters	73.68
FII	0.78
FI	8.87
Body Corporates	2.46
Public & Others	14.21

RESEARCH ANALYST

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Secular tailwinds in the safety segment and capex to drive growth

India's new Occupational Safety, Health & Working Conditions (OSH) Code 2020 is enforcing stricter mandatory Personal protective equipment (PPE) usage across sectors , while large companies and MNCs now require safety compliance in their supply chains (ESG and audit mandates). This has resulted in the shift in the manufacture of PPE from India's unorganized sector to the organized due to strict regulations on quality. Also worldwide, currently only 15% of workers worldwide have access to specialised occupational health services, providing enough opportunity for the growth for the company.

During the last couple of years, the company made an investment of Rs.180 cr in the expansion of its Odisha manufacturing facility and commissioning of the greenfield facility at Sanand for PPE, with the potential additional revenue of Rs.200-250cr in the next 2-3 years, according to the management. Operating leverage along with high proportion of branded products vs. private label, should result in improvement in the margins going forward.

Healthy balance sheet and robust financials

Mallcom combines growth with financial prudence. It has virtually zero long-term debt, even after expansion, has maintained healthy profitability through cycles (FY25 PAT margin 11.8%, up from ~8.6% in FY24). Return on Capital Employed (RoCE) stood at 16.9% in FY25, indicating efficient capital use. It managed to fund its expansion through its internal accruals. The company generated seven straight years of revenue growth with no meaningful debt, indicating healthy demand for its products.

OUTLOOK & VALUATION

We expect the company's topline to grow at a CAGR of ~17% to Rs. 669 cr in FY24-27E. EBITDA margin is likely to remain at healthy level, 13.4%, on account of high domestic sales, where margins are strong. Hence, with an expected PAT margin of 9.5% in FY27E, we expect the PAT and EPS to be at Rs. 63 Cr and Rs. 101.4 respectively. **We have assigned a P/E multiple of 17x to arrive at a price target of Rs. 1,744 which provides an upside of ~23% within 18 to 24 months from the current market price of Rs.1,420.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	APAT (Rs. Cr)	NPM (%)	AEPS (Rs.)	P/E (x)	P/Bv (x)
FY24	420.7	57.7	13.7%	36.3	8.6%	58.2	24.3	3.7
FY25	486.8	60.9	12.5%	57.4	11.8%	92.0	15.3	2.9
FY26E	**572.0**	**76.9**	**13.4%**	**53.4**	**9.3%**	**85.6**	**16.5**	**2.7**
FY27E	**669.2**	**89.9**	**13.4%**	**63.3**	**9.5%**	**101.4**	**13.9**	**2.4**

COMPANY OVERVIEW

Mallcom has developed a comprehensive solution manufacturing framework for personal protective equipment (PPE) for 42 years, transitioning from a leather gloves exporter (established 1983) into a complete PPE supplier. Distinctively, Mallcom manufactures all primary PPE categories in dwelling– its product lineup includes:

- Head protection (safety helmets, face shields, eyewear),
- Body safety (industrial clothing, waterproof gear),
- Breathing protection (face masks, respirators),
- Foot wear safety gear (protective footwear, boots),
- Hand safety (work gloves made from various materials).

This integrated “head-to-toe” offering makes Mallcom a one-stop shop for customers, setting it apart from competitors that specialize in only one or two PPE segments. Mallcom’s diverse material capabilities – working with leather, technical textiles, polymers (PU, PVC), nitrile rubber, latex etc. – enable it to manufacture this broad portfolio under one roof. The integrated model fosters stickness: once Mallcom is a supplier for one of the category, it can cross-sell additional categories to that client.

The company reported a CAGR of 11% in revenue from FY22-25 to Rs.487 cr, with 13.5% CAGR growth from Asia region. The company did a significant capex of Rs.78.7 cr in FY25 (its biggest annual capex ever, to fund the Sanand and Chandipur expansions). In FY25, growth re-accelerated after flat growth in FY24, as underlying demand picked up and Mallcom’s new capacity began contributing in Q4FY25. Higher freight charges and initial expenses for the new facilities resulted in dip in the EBITDA margins by 120 bps yoy to 12.5% in FY25. However, due to reduced manufacturing and other expenses (better cost control and efficiency gains), margins improved to 14.4%. This suggests Mallcom is benefiting from operating leverage – as utilization rises (with higher revenue), fixed costs spread out and margins expand.

Source: Company Annual Report

Product Mix & Revenue Contribution

Mallcom Industries has built a well-diversified revenue base across its personal protective equipment (PPE) portfolio, with a clear shift toward higher-value categories. In FY25, safety footwear emerged as the largest contributor (~41% of revenue), followed by apparel (~28%), gloves (~27%), and other protective gear (head, respiratory, and ancillary products) accounting for the remaining ~4%.

Over the past decade, the company's product mix has transitioned meaningfully from a glove-centric portfolio to one dominated by footwear and garments—a shift aligned with management's strategic focus on margin-accretive, value-added categories. This transformation has been underpinned by incremental investments in footwear capacity and technical garment manufacturing, aimed at strengthening Mallcom's integrated PPE capabilities.

In FY25, management highlighted that a higher proportion of revenue from footwear and garments supported improved realizations and margin expansion. The company produced ~Rs.190–195 cr worth of safety footwear during the year, largely catering to the domestic market. Margin hierarchy across product segments indicates that footwear and technical garments deliver superior EBITDA margins, followed by high-spec gloves (nitrile, chemical-resistant), while commodity gloves and basic uniforms operate at thinner spreads.

Going forward, product mix enrichment remains a key driver of profitability. The commissioning of the "Pro-Tech" facility at Sanand, Gujarat (July 2025)—which manufactures advanced protective workwear, synthetic gloves, and helmets with premium certifications (e.g., fire-resistant, industrial-grade standards)—is expected to accelerate the company's move up the value chain. Likewise, the expanded Chandipur plant in Odisha (70,000 sq. ft.), dedicated to modern safety footwear, is projected to add Rs.25–30 cr incremental revenue in FY26 on top of the existing ~Rs.200 cr domestic footwear base. With these capacity additions and continued migration toward higher-margin products, Mallcom is well positioned to enhance blended realizations, sustain margin expansion, and reinforce its positioning as one of India's leading integrated PPE manufacturers by FY27.

INVESTMENT RATIONALE

Secular tailwinds in the safety segment and capex to drive growth

Mallcom views India's underpenetrated PPE market as a key structural growth opportunity. In FY25, domestic revenue stood at approximately ₹200 crore (~41% of total sales), and management expects domestic growth to outpace exports over the next three to four years. The company's strategy focuses on expanding its distribution footprint—beyond the current 70+ dealers—into industrial clusters and Tier-II manufacturing hubs, where small and mid-sized enterprises are increasingly adopting PPE due to stricter Occupational Safety and Health (OSH) regulations. Strengthening enforcement by state authorities, particularly in logistics, warehousing, and small-scale factories, is expected to drive incremental demand. Mallcom's established brand equity and wide product range position it well to capture this opportunity. We expect domestic revenue growth to exceed exports through FY28, with India's share in the revenue mix rising from ~41% in FY25 to ~50% by FY28, supported by regulatory tailwinds and deeper market penetration.

On the exports front, the company is broadening its international reach in Latin America and Southeast Asia, targeting customers seeking cost-effective, certified PPE solutions. Importantly, Mallcom is transitioning from an OEM-dominated export model to building its own "Mallcom" brand identity globally—participating in trade fairs, emphasizing certifications, and leveraging the 'Made in India' positioning, as global buyers diversify supply chains away from China. Management has articulated a goal to increase the proprietary brand share in exports to 50%, which could meaningfully improve margins and customer stickiness.

Capacity Expansion and Operational Leverage

Mallcom has entered a new capacity expansion phase with the commissioning of Phase I of its Sanand (Gujarat) facility and Phase II of its Chandipur (Odisha) plant. The Sanand "Pro-Tech" facility—focused on helmets, technical garments, and synthetic gloves—marks the company's entry into premium certified headgear (ISI and CE-marked), enabling participation in new product tenders previously unavailable. Management expects Sanand to generate Rs.10–15 cr revenue in FY26, scaling up to ~Rs.100 crore at full capacity utilization.

Meanwhile, the expanded Chandipur safety shoe unit (70,000 sq. ft.) is expected to add Rs.25–30 cr in incremental revenue in FY26, with full-scale potential of ~Rs.50 crore annually. Together, these expansions materially strengthen Mallcom's end-to-end PPE manufacturing capability, improve scale economies, and enhance its ability to address both domestic and export demand in higher-margin categories.

INVESTMENT RATIONALE

Healthy balance sheet and robust financials

Mallcom delivered another year of consistent growth in FY25, achieving its seventh consecutive year of revenue expansion. Consolidated revenue stood at Rs.486.8 cr, up 15.7% YoY, while PAT grew 58% YoY to Rs.57.4 cr, marking a record performance. Growth was driven by sustained domestic demand recovery and incremental contributions from newly commissioned facilities during Q4 FY25.

At the operating level, EBITDA for FY25 was Rs.60.9 cr, translating into an EBITDA margin of 12.5%, compared with 13.7% in FY24 and 14.3% in FY23. The marginal compression was primarily attributable to higher freight and utility costs, raw material inflation, and initial expenses associated with new plant commissioning. However, by the second half of FY25, cost normalization and operating leverage benefits began to materialize, aiding profitability recovery.

The improving trajectory was evident in Q1 FY26, where Mallcom reported Rs.18 cr EBITDA on Rs.122 cr revenue, implying an EBITDA margin of 14.4%, up 42 bps YoY. Management attributed this improvement to enhanced cost control, improved plant efficiency, and operating leverage from higher utilization levels.

We expect margins to remain in the 13–15% range over the next few years as utilization scales up and fixed costs are better absorbed. While incremental depreciation from recent capacity additions may weigh on reported EBIT margins in the near term, production economies and operating leverage should offset this impact. In FY25, partial under-absorption of fixed costs was evident due to the Sanand and Chandipur plants being in the commissioning phase. As these reach optimal utilization, fixed costs per unit are expected to decline.

Management commentary also highlights latent capacity potential within existing facilities. The CFO indicated that legacy plants generating ~Rs.500 cr of annual output could deliver ~Rs.700 cr through process optimization, debottlenecking, and additional shifts. This implies the potential for ~40% growth without proportional capex, thereby expanding margins and return ratios through operating leverage.

KEY RISKS

- **High dependence on the industrial activity and economy**

Mallcom's sales are closely correlated with industrial capex cycles and employment trends across manufacturing and infrastructure sectors. During periods of economic slowdown or recession, industrial activity typically moderates, leading to deferred or reduced spending on personal protective equipment (PPE). This is particularly evident in replacement demand, as companies may extend PPE usage cycles or postpone procurement to conserve cash. Consequently, a broad-based decline in manufacturing capex or new project starts could result in volume contraction and short-term pressure on order inflows and realizations for Mallcom. However, the recent regulatory push for safety provides a baseline demand- companies cannot stop providing PPE without legal issues

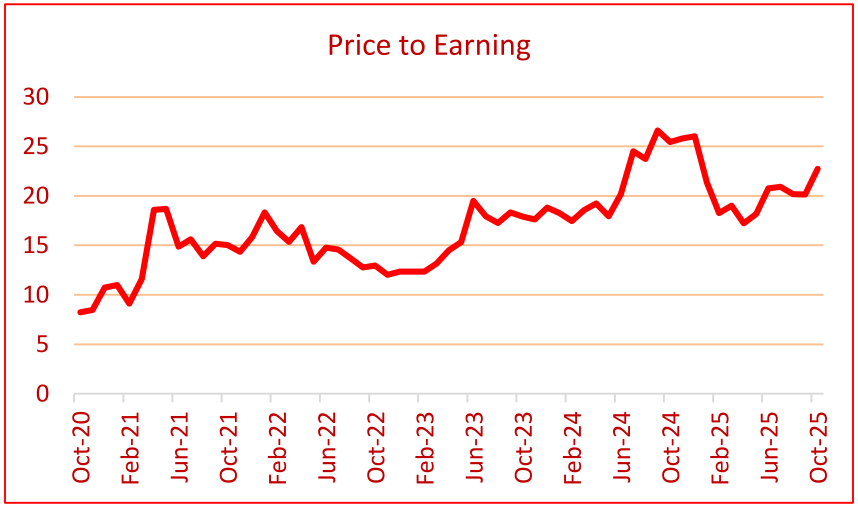
- **Competition intensity and market share risk**

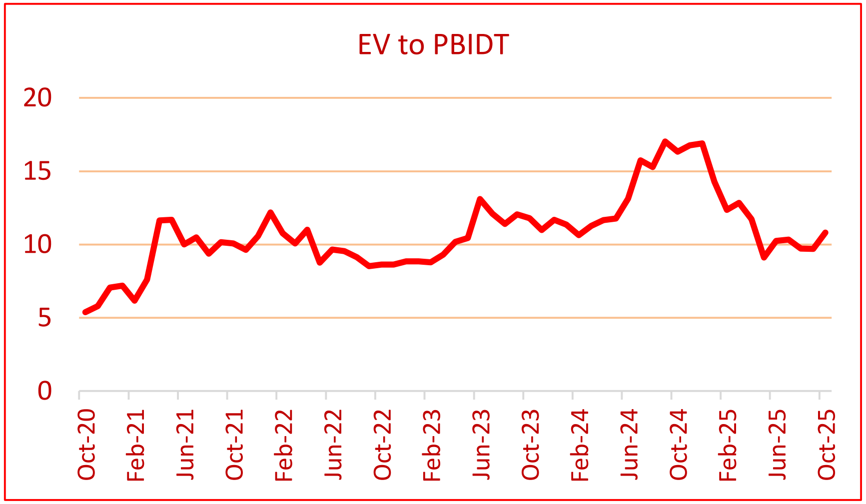
The PPE industry is characterized by intense competition, with the presence of both global majors and agile domestic players. Heightened rivalry could lead to pricing pressure or market share erosion, particularly if a larger entrant adopts an aggressive pricing strategy or introduces superior product innovations. For instance, a competing brand offering more durable or technically advanced gloves could capture incremental share within key categories. That said, Mallcom's integrated manufacturing model, cost-efficient operations, and focus on quality assurance provide meaningful competitive insulation. Its production footprint across low-cost regions in India enables it to remain price-competitive, while its long-standing institutional clients value reliability and compliance consistency over price alone.

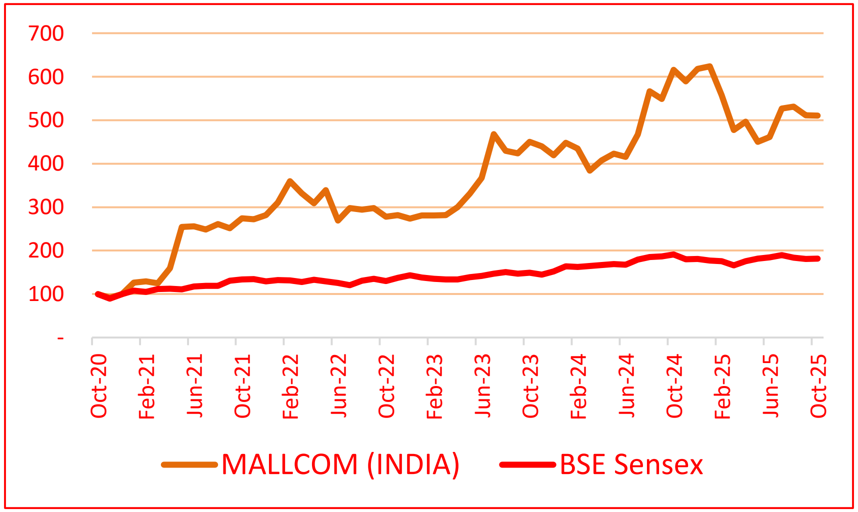
- **Product liability & Quality risk**

PPE is safety-critical – if a product fails (e.g., a hard hat cracks and a worker is injured), Mallcom could face liability claims or reputational damage. Particularly for exports to litigious markets, this is a risk. Mitigation: Mallcom maintains high quality standards and its products meet all requisite safety norms, minimizing the risk of defects. It likely has product liability insurance (common for exporters). There have been no known major quality issues from Mallcom; its long relationships with discerning clients attest to this.

MARKET INFORMATION







Source: Company, Sushil Finance Research Estimates

PROFIT & LOSS STATEMENT (Rs.cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
Revenue	**420.7**	**486.8**	**572.0**	**669.2**
Raw Material Cost	254	294	346	405
Employee Cost	19	20	23	27
Other Expenses	90	112	126	147
EBITDA	**57.7**	**60.9**	**76.9**	**89.9**
EBITDA Margin (%)	*13.7%*	*12.5%*	*13.4%*	*13.4%*
Depreciation	8	10	10	12
Finance Costs	4	6	7	8
Other Income	4	29	11	13
Profit before Tax	**50**	**74**	**71**	**83**
Tax Expense	13	17	18	20
Adjusted PAT	**36.3**	**57.4**	**53.4**	**63.3**
Net Margin (%)	*8.6%*	*11.8%*	*9.3%*	*9.5%*
Adjusted EPS	**58.2**	**92.0**	**85.6**	**101.4**

BALANCE SHEET (Rs.cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
PP&E (incl. CWIP)	134	203	215	230
Other Non-Current	4	4	5	6
Inventories	107	143	169	197
Trade Receivables	67	84	95	112
Cash and Bank Balances	32	6	18	42
Other Current Assets	44	52	63	74
Total Assets	**388**	**493**	**568**	**664**
Equity Share Capital	6	6	6	6
Reserves & Surplus	231	292	345	407
Borrowings	89	113	126	147
Other Non-Current Liabilities	12	5	3	3
Trade Payables	39	57	69	78
Other Current Liabilities	10	18	19	22
Total Liabilities	**388**	**493**	**568**	**664**

Source: Company, Sushil Finance Research Estimates

CASH FLOW STATEMENT

(Rs.cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
PBT	50	74	71	83
Depreciation	8	10	10	12
Interest	4	6	7	8
CFO before Working Cap chg	**62**	**90**	**88**	**103**
Chg in Inventories	(107)	(36)	(25)	(29)
Chg in Trade Receivables	(67)	(18)	(11)	(16)
Chg in Trade Payables	39	18	12	9
Income tax paid	(13)	(17)	(18)	(20)
Chg in Other Adjustments	54	25	2	14
Cash Flow from Operations	**6**	**2**	**49**	**61**
Interest Paid	(4)	(6)	(7)	(8)
Dividend Paid	(2)	(2)	(2)	(2)
Other Adjustments	(10)	30	-	-
Cash Flow from Financing	**(4)**	**15**	**(11)**	**(10)**
Capital Expenditure	(142)	(79)	(23)	(27)
Other Adjustments	135	36	-	-
Cash Flow from Investing	**(10)**	**(43)**	**(24)**	**(27)**
Opening Cash	**40**	**32**	**4**	**18**
Total Cash Flow	**(8)**	**(26)**	**14**	**24**
Closing Cash	**32**	**6**	**18**	**42**

Source: Company, Sushil Finance Research Estimates

FINANCIAL RATIOS STATEMENT

Y/E Mar.	FY24	FY25	FY26E	FY27E
Growth (%)				
Revenue	2.5%	15.7%	17.5%	17.0%
EBITDA	*13.1%*	*5.5%*	*26.4%*	*16.9%*
Net Profit	-1.8%	58.2%	-7.0%	18.5%
Profitability (%)				
EBITDA Margin	***13.7%***	***12.5%***	***13.4%***	***13.4%***
Net Profit Margin	*8.6%*	*11.8%*	*9.3%*	*9.5%*
ROCE	*20.0%*	*16.9%*	*18.8%*	*18.7%*
ROE	*15.3%*	*19.2%*	*15.2%*	*15.3%*
Per Share Data (Rs.)				
EPS	58.2	92.0	85.6	101.4
BVPS	380.6	478.6	522.7	577.7
CEPS	70.8	107.4	102.1	120.7
Valuation (x)				
P/E	24.3	15.3	16.5	13.9
P/BV	3.7	3.0	2.5	2.1
EV/EBITDA	16.8	16.3	12.9	11.0
P/Sales	2.1	1.8	1.5	1.3
Turnover				
Inventory days	153	177	178	178
Debtor days	58	63	61	61
Creditor days	57	71	73	70
Gearing (x)				
D/E	0.4	0.4	0.4	0.4

Source: Company, Sushil Finance Research Estimates

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%

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Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No