

Retail Equity Research (South India Focus)

Mold-Tek Packaging Ltd

Packaging

BSE CODE : 533080 NSE CODE: MOLDTKPAC
BLOOMBERG CODE: MTEP:IN SENSEX : 51,849

Accumulate

12Months Investment Period Rating as per Small Cap

CMP Rs. 480 TARGET Rs. 547 RETURN 14% ↑
(Closing: 02-06-21)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

Strong earnings outlook...

Mold-Tek Packaging Ltd (MTEP), one of leading manufacturers' and suppliers of high quality airtight and pilfer proof containers/pails in India for Paints, Lubricants, Food and FMCG.

- Q4FY21 revenue & profitability grew by 51% & 125% YoY led by strong volume uptick and improvement in realization.
- Overall volumes grew by 32% YoY led by strong demand from its key end user industries paints, Lubes and Food & FMCG segment.
- EBITDA margins expanded by 280bps YoY to 20.6% led by cost rationalisation and scale benefits.
- Though second Covid wave might impact overall growth in Q1FY22. However, overall demand situation is expected to bounce back in Q2FY22 as consumption spending picks-up and economy revives .
- Long term growth trajectory remains healthy given focus on value added products, capacity expansion, higher in-mold sales, backward integration and strong client addition in F&F segment.
- Considering strong earnings outlook, we value MTEP at a P/E of 22x on FY23E with a target price of Rs.547, however given sharp run-up in stock prices, we downgrade to Accumulate.

Strong volume growth ...

Q4FY21 revenue grew by 32% YoY, led by Paints, Lubes & FMCG segments which grew by 33%, 19% and 29% YoY respectively. Revenue growth was supported by strong volumes on account of pent-up demand and revival consumption spending. Strong volume growth in Paints segment is largely on account of higher off-take from Mysore and Vizag plants catering to Asian paints. MTEP's strong competitive moat (technological edge and customized solutions) is expected to provide long term growth opportunities aided by increasing acceptance of IML in paint & strong growth in F&F segment on account of increased concern over hygiene. Newly introduced high margin personal/health care packaging products witnessed strong interest. Recent new client addition is Dhanukha for containers for its nutrients products. The CAPEX for FY22 is expected to Rs.45cr which includes expansion of paints capacity in Mysore & Vizag and capacity expansion of FMCG expansion in Hyderabad. Management has guided 15-18% volume growth in FY22. Though, Q1FY22 is expected to be impacted by Covid second wave, but expect the situation to normalise in Q2FY22. We expect revenue to grow by 17% CAGR over FY21-23E.

EBITDA margin expands...

Gross margins improved by 180bps YoY to 43% on account of pass through of RM cost and higher scale. EBITDA grew by 74% YoY, while margins improved by 180bps YoY to 20.6% on account of cost rationalisation. EBITDA per ton was up by 35% YoY to Rs.42. Consequently, Profitability grew by 125% YoY to Rs.18cr. With gradual opening of economy post second Covid wave, we expect a broad based recovery across business segments. While EBITDA margins is expected to be healthy given pass through higher RM cost, scale benefits and higher margins products. We upgrade our EPS estimates by 6.4% & 4.6% for FY22E & FY23E and we expect PAT to grow by 21% for FY21-23E.

Valuations

Going ahead, MTEP is expected to benefit from increasing acceptance of IML in paint, strong growth momentum in F&F segment and expansion of high margin products ranges. Ramp-up of volumes from new plants (Mysore & Vizag) and strong clients additions in FMCG segment is expected maintain the current earning momentum. Considering strong earnings of 21% CAGR, We value MTEP at 22x on FY23E, however given sharp run-up in stock prices, we downgrade to Accumulate with a target price of Rs.547.

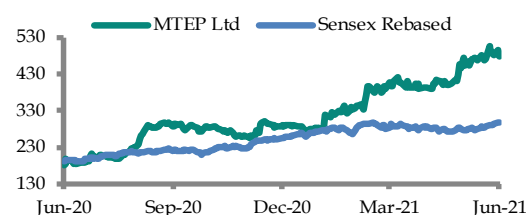
Company Data

Market Cap (Cr)	Rs.1,329
Enterprise Value (Cr)	Rs.1,428
Outstanding Shares (Cr)	2.8
Free Float	65.0%
Dividend Yield	1.0%
52 week high	Rs.571
52 week low	Rs.176
6m average volume (Cr)	0.1
Beta	1.2
Face value	Rs.5.0

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	34.8	35.1	35.2
FII's	9.4	9.3	9.1
MFs/Institutions	12.9	12.8	13.5
Public	38.4	36.4	35.8
Others	4.6	6.4	6.4
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	20.6%	65.3%	159.7%
Absolute Sensex	2.0%	15.0%	53.3%
Relative Return*	18.6%	50.3%	106.4%

over or under performance to benchmark index*



Standalone (Cr)	FY21A	FY22E	FY23E
Sales	479	555	658
Growth (%)	9.5	15.8	18.7
EBITDA	96	113	134
EBITDA Margin(%)	20.0	20.3	20.4
PAT Adjusted	48	57	70
Growth (%)	26.0	19.0	23.2
Adjusted EPS	17.0	20.2	24.9
Growth (%)	23.1	19.0	23.2
P/E	28.3	23.8	19.3
P/B	5.2	4.4	3.6
EV/EBITDA	14.9	12.7	10.6
ROE (%)	21.2	20.4	21.0
D/E	0.0	0.0	0.0



Quarterly Financials

Profit & Loss

Rs. Cr.	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %
Sales	161	106	51.2	134	20.6
EBITDA	33	19	74.5	28	19.7
EBITDA margins	20.6	18.0	+280bps	20.8	(20bps)
Depreciation	6	5	20.1	5	11.0
EBIT	27	14	93.2	23	21.7
Interest	3	3	11.0	2	15.8
Other Income	-	-	-	-	-
Exceptional Items	-	1	-	(1)	-
PBT	24	10	127.0	20	17.5
Tax	6	2	-	5	10.0
Share of profit from Associate	-	-	-	-	-
Minority Interest	-	-	-	-	-
Reported PAT	18	8	125.5	15	20.1
Adjustments	-	-	-	-	-
Adjusted PAT	18	8	125.5	15	20.1
No. of Shares	2.8	2.8	-	2.8	-
EPS (Rs)	6.4	2.9	125.5	5.3	20.1

Change in Estimates

Rs. Cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Year / Rs cr						
Revenue	550	658	555	658	0.9	0.1
EBITDA	107	128	113	134	5.1	4.7
Margins (%)	19.5	19.5	20.3	20.4	+80bps	+90bps
Adj. PAT	54	67	57	70	6.0	4.8
EPS	19.5	24.3	20.2	24.9	3.7	2.4

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Sales	394	437	479	555	658
% change	16.1	11.0	9.5	15.8	18.7
EBITDA	72	80	96	113	134
% change	13.3	11.3	19.9	17.3	19.3
Depreciation	15	19	21	26	29
EBIT	57	61	74	87	105
Interest	7	10	10	11	12
Other Income	1	1	1	1	1
PBT	51	52	64	76	94
% change	6.0	0.9	23.3	19.1	23.2
Tax	16	11	16	19	23
Tax Rate (%)	30.8	25.0	25.0	25.0	25.0
Reported PAT	24	38	48	57	70
Adj.*	-	-	-	-	-
Adj. PAT	24	38	48	57	70
% change	(23.9)	58.4	26.0	19.0	23.2
No. of shares (cr)	2.8	2.8	2.8	2.8	2.8
Adj EPS (Rs)	8.7	13.8	17.0	20.2	24.9
% change	(24.0)	58.4	23.1	24.8	24.7
DPS (Rs)	4.1	5.0	3.0	3.0	3.0
CEPS (Rs)	14.0	20.7	24.6	29.4	35.2

CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	51	58	70	83	100
Non-cash adj.	(2)	-	10	10	11
Changes in W.C	27	(12)	(12)	(33)	(31)
C.F. Operation	76	45	68	60	79
Capital exp.	(82)	(36)	(59)	(37)	(41)
Change in inv.	11	-	-	-	(10)
Other invest.CF	1	2	1	1	1
C.F - Investment	(71)	(28)	(59)	(36)	(50)
Issue of equity	-	1	18	-	-
Issue/repay debt	15	22	(10)	-	-
Dividends paid	(13)	(30)	(8)	(8)	(8)
Other finance.CF	(7)	(10)	(9)	(11)	(12)
C.F - Finance	(6)	(18)	(10)	(19)	(20)
Chg. in cash	(0.0)	0.1	0.1	4.9	8.8
Closing cash	0.1	0.2	0.3	5.4	14.3

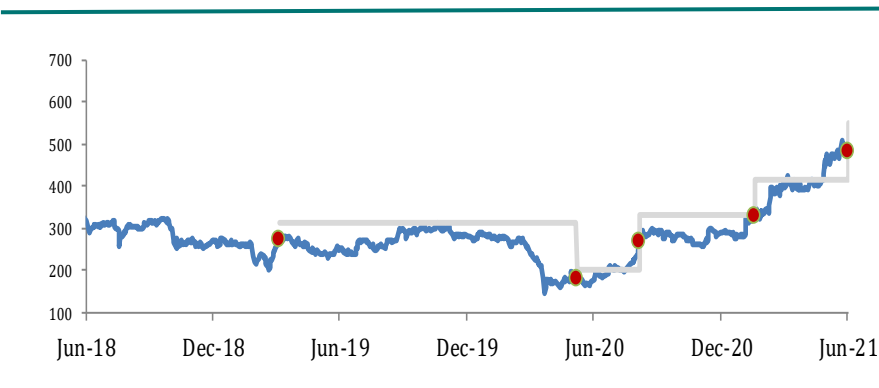
BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	0.1	0.2	0.3	5	14
Accounts Receivable	66	58	90	96	114
Inventories	1	50	71	82	93
Other Cur. Assets	24	33	16	41	49
Investments	10	7	9	9	19
Gross Fixed Assets	218	256	314	354	394
Net Fixed Assets	183	202	238	252	263
CWIP	16	12	11	8	9
Intangible Assets	0	1	1	1	1
Def. Tax (Net)	(13)	(12)	(12)	(12)	(12)
Other Assets	-	-	-	-	-
Total Assets	330	351	424	483	550
Current Liabilities	47	44	65	74	78
Provisions	4	3	4	5	6
Debt Funds	89	107	99	99	99
Other Liabilities	-	-	-	-	-
Equity Capital	14	14	14	14	14
Reserves & Surplus	177	183	242	291	353
Shareholder's Fund	191	197	256	305	367
Total Liabilities	330	351	424	483	550
BVPS	69	71	92	110	133

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	18.3	18.3	20.0	20.3	20.4
EBIT margin (%)	14.5	13.9	15.5	15.6	16.0
Net profit mgn.(%)	6.1	8.7	10.0	10.3	10.7
ROE (%)	13.0	19.7	21.2	20.4	21.0
ROCE (%)	10.9	15.8	16.9	17.2	18.3
W.C & Liquidity					
Receivables (days)	68.9	51.9	56.4	61.2	58.0
Inventory (days)	72.1	66.7	80.9	88.3	84.9
Payables (days)	58.4	64.7	73.2	80.0	73.2
Current ratio (x)	2.7	3.1	2.5	2.8	3.2
Quick ratio (x)	1.4	1.3	1.4	1.4	1.6
Turnover & Leverage					
Gross asset T.O (x)	2.2	1.8	1.7	1.7	1.8
Total asset T.O (x)	1.3	1.3	1.2	1.2	1.3
Int. covge. ratio (x)	8.1	6.0	7.5	8.0	8.9
Adj. debt/equity (x)	0.5	0.6	0.4	0.3	0.3
Valuation					
EV/Sales (x)	3.6	3.3	3.0	2.6	2.2
EV/EBITDA (x)	19.7	17.9	14.9	12.7	10.6
P/E (x)	55.1	34.8	28.3	23.8	19.3
P/BV (x)	7.0	6.8	5.2	4.4	3.6

Recommendation summary (Last 3 years)



Dates	Rating	Target
06-March-19	Buy	312
07-May-20	Accumulate	202
07-August-20	Buy	317
20-January-21	Buy	413
03-June-21	Accumulate	547

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell. The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.
 Neutral- The analyst has no investment opinion on the stock under review

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