Retail Equity Research (South India Focus)

Mold-Teck Packaging Ltd

Packaging

BSE CODE : 533080 | NSE CODE: MOLDTKPAC
BLOOMBERG CODE: MTEP:IN | SENSEX : 38,025

Buy

12M Investment Period | Rating as per Small Cap

CMP Rs266 | TARGET Rs331 | RETURN 24% ↑
(Closing: 06-08-20)

KEY CHANGES: TARGET ↑ RATING ↑ EARNINGS ↓

Growth outlook remains intact...

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.

- **Q1FY21 revenue & profitability declined by 44% & 86% on account of lockdown.**
- **Volumes from Food & FMCG segment was not impacted due to pent demand from FMCG sector.**
- **Starting from June, overall demand situation has improved drastically staring from June and expects revenue growth to normalise by H2FY21E.**
- **Revenue & profitability will be driven by capacity expansion, new products, higher in-mold sales, backward integration and rising share of FMCG in revenue mix will be margin accretive.**
- **Ramp-up of volumes from new plants and strong clients addition in FMCG segment will drive growth.**
- **We value MTEP at P/E of 23x on FY22E with a target price of Rs.331 and recommend to Buy.**

Revenue growth to pick-up...

Q1FY21 revenue declined by 44% YoY, as revenue from Paints, Lubes & FMCG segment declined by 51%, 56% & 28% YoY respectively, on account of lockdown due to Covid-19 pandemic. Volumes in April & May month was significantly impacted. The worst affected segment were paints and lubricates segment, with volumes from this declined by 45% & 52% YoY, respectively. While FMCG volume declined by 15% YoY. But on a on a positive note, revival in demand was seen from starting from June, with July sales volume being back to normal levels. The company set up facility for manufacturing of pump for personal hygiene category, which is expected to be new growth driver for the company. This product is expected to contribute towards revenue starting from Q4FY21E and company as received some definitive interest from few FMCG players. MTEP's strong competitive moat (technological edge and customized solutions) we expect revenue growth to come back starting H2FY21E. MTEP is expected to capitalize on long term growth opportunities aided by higher volumes due to increasing acceptance of IML in paint & strong growth momentum in F&F segment due to pandemic. Further, focus on capacity expansion, diversification of end users and penetration into newer markets will drive earnings growth. We lower our revenue estimates for FY21E by 12% as we factor in the impact of Q1FY21 on our estimates.

EBITDA margin expands...

Gross margins improved by 170bps YoY to 41.1% on account of product mix and lower cost due to fall in commodity prices. Though, EBITDA margins declined by 360bps YoY to 13.9%, cost rationalisation helped the company in arresting the fall in margins. Going ahead, we expect a broad based revival in demand across the segment along with cost rationalisation will cushion the operating margins. We raise our EBITDA margin estimates by 90bps for FY21E as cost rationalisation and operating leverage. But we downgrade our EPS estimates by 11% for FY21E as we factor in the impact Q1FY21.

Valuations

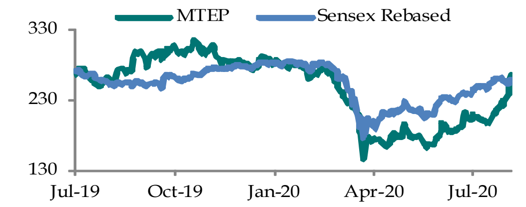
MTEP is expected to capitalize on long term growth opportunities aided by higher volumes from increasing acceptance of IML in paint & strong growth momentum in F&F segment. Further, with ramp-up of volumes from new plants (Mysore & Vizag) and strong clients additions in FMCG segment will margin accretive. We value MTEP at 23x on FY22E with a target price of Rs.331 and recommend to Buy.

Company Data	
Market Cap (cr)	Rs.736
Enterprise Value (cr)	Rs.842
Outstanding Shares (cr)	2.8
Free Float	64.4%
Dividend Yield	1.9%
52 week high	Rs.322
52 week low	Rs.146
6m average volume (cr)	0.1
Beta	1.2
Face value	Rs.5.0

Shareholding (%)	Q3FY20	Q4FY20	Q1FY21
Promoters	35.2	34.7	34.8
FII's	11.5	10.3	9.5
MFs/Institutions	12.9	12.8	12.6
Public	36.4	37.7	38.5
Others	4.0	4.4	4.6
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	49.8%	-1.3%	2.3%
Absolute Sensex	20.2%	-7.6%	3.6%
Relative Return*	29.6%	6.2%	-1.3%

over or under performance to benchmark index*



Standalone (cr)	FY20A	FY21E	FY22E
Sales	437	363	501
Growth (%)	*11.0*	*(17.0)*	*38.1*
EBITDA	80	62	88
EBITDA Margin(%)	*18.3*	*17.0*	*17.5*
PAT Adjusted	38	23	40
Growth (%)	*58.4*	*(40.1)*	*74.5*
Adjusted EPS	13.8	8.3	14.4
Growth (%)	*58.4*	*40.1*	*74.5*
P/E	19.3	32.2	18.4
P/B	3.7	3.6	3.2
EV/EBITDA	10.5	13.6	9.6
ROE (%)	19.7	11.3	18.2
D/E	0.0	0.0	0.0

Anil R
Research Analyst

Quarterly Financials

Profit & Loss

	Q1FY21	Q1FY20	YoY Growth %	Q4FY20	QoQ Growth %
Sales	**65.3**	**115.9**	*(44.0)*	**106.5**	*(38.0)*
EBITDA	**9.1**	**20.3**	*(55.3)*	**19.1**	*(52.2)*
EBITDA margins	**13.9**	**17.6**	*(360bps)*	**17.9**	*(400bps)*
Depreciation	4.9	4.5	*7.7*	4.9	-
EBIT	**4.2**	**15.8**	*(73.2)*	**14.2**	*(70.1)*
Interest	2.2	2.4	*(6.8)*	2.6	*(14.2)*
Other Income	0.1	0.9	*(85.0)*	0.4	*(63.3)*
Exceptional Items	-	-	-	-	-
PBT	**2.1**	**14**	*(85.0)*	**10.4**	*(79.4)*
Tax	0.6	3.5	*(83.3)*	2.4	*(76.1)*
Share of profit from Associate	-	-	-	-	-
Minority Interest	-	-	-	-	-
Reported PAT	**1.6**	**10.9**	*(86.0)*	**8.0**	*(80.4)*
Adjustments	-	-	-	-	-
Adjusted PAT	**1.6**	**10.9**	*(86.0)*	**8.0**	*(80.4)*
No. of Shares	**10.3**	**10.3**	-	**10.3**	-
EPS (Rs)	**0.6**	**3.9**	*(86.0)*	**2.9**	*(80.4)*

Change in Estimates

	Old estimates		New estimates		Change %	
Year / Rs cr	**FY21E**	**FY22E**	**FY21E**	**FY22E**	**FY21E**	**FY22E**
Revenue	412	504	363	501	*(12.0)*	*(0.5)*
EBITDA	66	87	62	88	*(7.0)*	*0.6*
Margins (%)	16.1	17.3	17.0	17.5	*+90bps*	*+20bps*
Adj. PAT	27	40	23	40	*(15.0)*	-
EPS	9.7	14.4	8.3	14.4	*(15.0)*	-

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Sales	**339**	**394**	**437**	**363**	**501**
% change	12.9	16.1	11.0	(17.0)	38.1
EBITDA	**63**	**72**	**80**	**62**	**88**
% change	22.4	13.3	11.3	(22.9)	42.2
Depreciation	12	15	19	21	24
EBIT	**52**	**57**	**61**	**41**	**64**
Interest	4	7	10	11	12
Other Income	1	1	1	1	1
PBT	**49**	**51**	**52**	**30**	**53**
% change	17.9	6.0	0.9	(41.3)	74.5
Tax	17	16	11	8	13
Tax Rate (%)	34.8	30.8	25.0	25.0	25.0
Reported PAT	**31**	**24**	**38**	**23**	**40**
Adj.*	1	-	-	-	-
Adj. PAT	**32**	**24**	**38**	**23**	**40**
% change	17.9	(23.9)	58.4	(40.1)	74.5
No. of shares (cr)	2.8	2.8	2.8	2.8	2.8
Adj EPS (Rs)	**11.4**	**8.7**	**13.8**	**8.3**	**14.4**
% change	17.9	(24.0)	58.4	(40.1)	74.5
DPS (Rs)	1.9	4.1	5.0	5.0	5.0
CEPS (Rs)	15.7	14.0	20.7	15.8	23.0

BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	0.2	0.1	0	14	1
Accounts Receivable	82	66	58	65	82
Inventories	50	1	50	41	53
Other Cur. Assets	20	27	37	31	46
Investments	20	10	7	7	7
Gross Fixed Assets	136	215	253	278	303
Net Fixed Assets	114	179	198	202	203
CWIP	15	16	12	13	15
Intangible Assets	0	0	1	1	1
Def. Tax (Net)	(10)	(13)	(12)	(12)	(12)
Other Assets	-	-	-	-	-
Total Assets	**292**	**330**	**351**	**362**	**398**
Current Liabilities	29	47	44	47	55
Provisions	2	4	3	3	5
Debt Funds	80	89	107	106	106
Other Liabilities	-	-	-	-	-
Equity Capital	14	14	14	14	14
Reserves & Surplus	167	177	183	192	218
Shareholder's Fund	181	191	197	206	232
Total Liabilities	**292**	**330**	**351**	**362**	**398**
BVPS	**65**	**69**	**71**	**74**	**84**

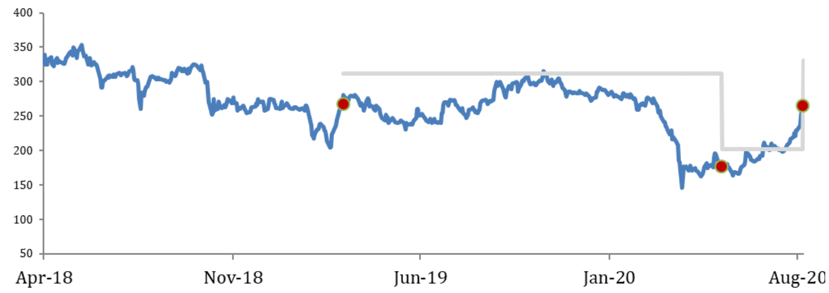
CASH FLOW

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	**44**	**51**	**58**	**44**	**64**
Non-cash adj.	6	(2)	-	10	11
Changes in W.C	(40)	27	(12)	10	(35)
C.F. Operation	**9**	**76**	**45**	**65**	**40**
Capital exp.	(43)	(82)	(36)	(26)	(28)
Change in inv.	1	11	-	-	-
Other invest.CF	2	1	2	1	1
C.F - Investment	**(40)**	**(71)**	**(28)**	**(25)**	**(27)**
Issue of equity	-	-	1	-	-
Issue/repay debt	40	15	22	(1)	(1)
Dividends paid	(5)	(13)	(30)	(14)	(14)
Other finance.CF	(4)	(7)	(10)	(11)	(12)
C.F - Finance	**31**	**(6)**	**(18)**	**(25)**	**(26)**
Chg. in cash	(0.0)	(0.0)	0.1	14.0	(13)
Closing cash	0.2	0.1	0.2	14	1

RATIOS

Y.E March	FY18A	FY19A	FY20A	FYE21E	FY22E
Profitab & Return					
EBITDA margin (%)	18.7	18.3	18.3	17.0	17.5
EBIT margin (%)	15.2	14.5	13.9	11.2	12.8
Net profit mgn.(%)	9.3	6.1	8.7	6.3	8.0
ROE (%)	18.8	13.0	19.7	11.3	18.2
ROCE (%)	15.2	10.9	15.8	10.1	15.0
W.C & Liquidity					
Receivables (days)	77.0	68.9	51.9	61.7	53.5
Inventory (days)	78.4	72.1	66.7	78.0	57.6
Payables (days)	49.5	58.4	64.7	77.9	62.7
Current ratio (x)	4.8	2.7	3.1	3.0	3.1
Quick ratio (x)	2.8	1.4	1.3	1.7	1.5
Turnover &Leverage					
Gross asset T.O (x)	2.9	2.3	1.9	1.4	1.7
Total asset T.O (x)	1.3	1.3	1.3	1.0	1.3
Int. covge. ratio (x)	12.6	8.1	6.0	3.7	5.5
Adj. debt/equity (x)	0.4	0.5	0.6	0.5	0.5
Valuation					
EV/Sales (x)	2.4	2.1	1.9	2.3	1.7
EV/EBITDA (x)	12.8	11.5	10.5	13.6	9.6
P/E (x)	23.2	30.5	19.3	32.2	18.4
P/BV (x)	4.1	3.9	3.7	3.6	3.2

Recommendation summary



Dates	Rating	Target
06-March-19	Buy	312
07-May-20	Accumulate	202
07-August-20	Buy	331

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.
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