

# Mold-tek Packaging (MTEP IN)

Rating: BUY | CMP: Rs510 | TP: Rs598

July 28, 2021

## Q1FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>598</b>		<b>546</b>	
Sales (Rs. m)	5,814	6,857	5,757	6,790
% Chng.	1.0	1.0		
EBITDA (Rs. m)	1,240	1,492	1,207	1,445
% Chng.	2.8	3.2		
EPS (Rs.)	24.2	28.5	23.3	27.3
% Chng.	4.0	4.3		

### Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	4,374	4,788	5,814	6,857
EBITDA (Rs. m)	800	959	1,240	1,492
Margin (%)	18.3	20.0	21.3	21.8
PAT (Rs. m)	388	480	676	901
EPS (Rs.)	14.0	17.2	24.2	28.5
Gr. (%)	57.6	23.2	40.8	17.5
DPS (Rs.)	5.0	7.0	9.5	11.0
Yield (%)	1.0	1.4	1.9	2.2
RoE (%)	20.0	21.2	25.8	27.2
RoCE (%)	20.9	22.6	27.8	31.2
EV/Sales (x)	3.5	3.2	2.6	2.4
EV/EBITDA (x)	19.0	15.9	12.1	10.9
PE (x)	36.5	29.7	21.1	17.9
P/BV (x)	7.2	5.6	5.3	4.1

### Key Data

**MOLT.BO | MTEP IN**

52-W High / Low	Rs.571 / Rs.215
Sensex / Nifty	52,444 / 15,709
Market Cap	Rs.14bn/ \$ 192m
Shares Outstanding	28m
3M Avg. Daily Value	Rs.80.08m

### Shareholding Pattern (%)

Promoter's	35.13
Foreign	8.29
Domestic Institution	14.32
Public & Others	42.26
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.8	49.7	127.3
Relative	6.4	33.8	66.8

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## Robust growth in challenging times

### Quick Pointers:

- Overall volumes up 63% driven by 93% paint and 59% lubes and 11% food & FMCG volume growth.
- Average Realization per ton increased 25.2% to Rs220 per kg
- Currently 1.5mn pump pieces/month are sold to be ramped up to 3 to 3.5mn/month by year end.

**We are increasing our Sales & EPS for FY22/23 by 1%/4% and 1%/4.3% respectively on the back of 1) Increased volume growth due to continued momentum in the paint sector and sequential recover in FMCG and 2) better realizations due to pick up in sales of pump and increase n contribution of IML products.**

**We believe that increase in capacity (Paints – at Vizag, Mysuru and Uttar Pradesh and food and FMCG at Hyderabad), ramp up of pump capacity, addition of new segments (detergents, dates, nutrition powder, agro-nutrients) and acceptance of new launches like QR coded IML products will help increase in market share from new and existing clients. With strong focus on technologically advanced niche products we expect EBITDA per/kg to increase from 36.5FY21 to 42.6 in FY23. We estimate Sales and PAT CAGR of 19.7%/37.0% over FY21-23 and maintain buy rating with target price of Rs 598 (21x FY23EPS). MTEP is trading at 17.9x FY23EPS which is at a steep discount to Paint & FMCG companies.**

**Sales up 104%, Margins expand 480bps:** Net Sales grew 104.5% to Rs 1.33bn (Est Rs 985mn) on back of volume growth of 63%. GRMs decreased by 90bps to 41.3% (Est 42.3%) EBITDA rose 93.4% to Rs 252mn (Est Rs 192mn). EBITDA margins expanded 480bps to 18.9% (Est 19.5%) mainly due to reduction in employee cost by 770bps. Adj. PAT increased ~7.7x to Rs 121mn (Est Rs 90mn). Recently bagged orders from new customers like BPCL, Gulf, CG Foods, Kem Agro, Ganapathy, Herbal, Virtual Packaging & Association, Sat yam Food Processing, Bio Veda Action Research Company, Redex Aqua Solutions, and Gulf Oil Egypt etc.

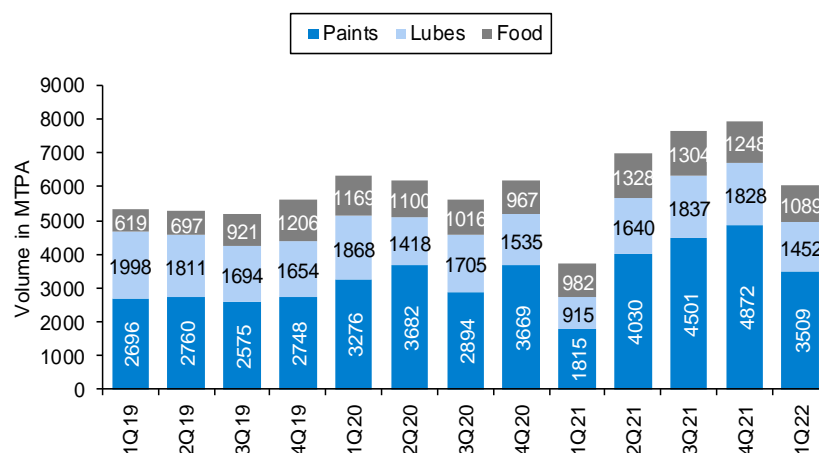
**Concall key takeaways:** 1) Paint/Lube/FMCG volumes up 93.4%/58.7%/10.9%. Total volumes at 6051 tons. 2) EBITDA/kg at Rs 41.7 for 1Q led by better product mix and reduction in employee cost 3) RM costs Rs 112/kg to Rs 118/kg this quarter as RM prices saw a drop in May & June. 4) Capex of ~Rs 500mn in FY22. 5) Added new segments like sweet boxes, cheese & butter boxes, ice cream containers 6) Wipro may buy 2mn to 2.5mn pumps from middle of next year .7) Company may generate 12cr -15cr of revenue from pumps segment in FY22 8) Added BPCL as a client from the public sector in the lubricants segment 9) Capacities in Vizag & Mysore have been added, plant in Hyderabad for food packaging inaugurated in June, production in Kanpur would start by Sept 21, additional 2.5 acres of land acquired in UP where production is expected to start by FY23.

**Exhibit 1: Sales increase 104%, EBITDA expands 480bps**

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
<b>Net Sales</b>	<b>1,337</b>	<b>653</b>	<b>104.8</b>	<b>1,610</b>	<b>4,789</b>	<b>4,374</b>	<b>9.5</b>
Gross Profit	553	276	100.3	693	2,065	1,806	14.4
% of NS	41.3	42.3	(0.9)	43.0	43.1	41.3	1.8
Other Expenses	300	184	63.1	360	1,105	1,009	9.5
% of NS	22.4	28.2		22.4	23.1	23.1	
<b>EBITDA</b>	<b>252</b>	<b>92</b>	<b>174.7</b>	<b>332</b>	<b>960</b>	<b>797</b>	<b>20.6</b>
Margins %	18.9	14.1	4.8	20.6	20.1	18.2	1.8
Depreciation	62	49	26.7	58	215	190	12.8
Interest	26	22	18.7	29	99	102	(2.4)
Other Income	1	1	(16.7)	2	6	15	(60.4)
<b>PBT</b>	<b>166</b>	<b>22</b>	<b>640.0</b>	<b>236</b>	<b>641</b>	<b>491</b>	<b>30.7</b>
Tax	45	6	671.6	56	160	109	46.7
Tax rate %	27.0	25.9		23.8	24.9	22.2	
<b>Adjusted PAT</b>	<b>121</b>	<b>17</b>	<b>628.9</b>	<b>191</b>	<b>492</b>	<b>411</b>	<b>19.9</b>

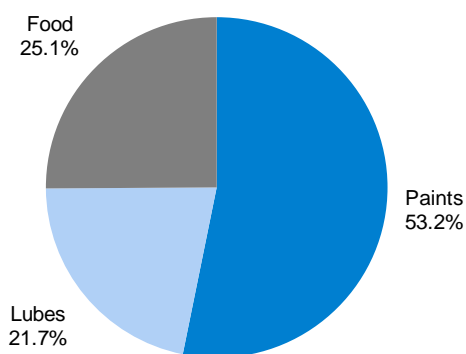
Source: Company, PL

**Exhibit 2: 1Q volumes up by 63%**



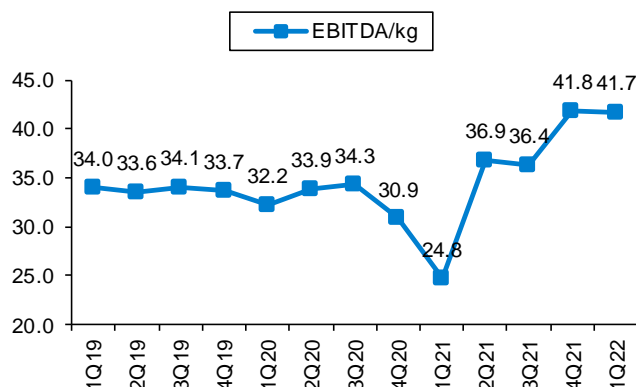
Source: Company, PL

**Exhibit 3: Paint contributes to 53.2 % to total revenues**



Source: Company, PL

**Exhibit 4: EBITDA/kg at Rs41.7 in 1Q**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>4,374</b>	<b>4,788</b>	<b>5,814</b>	<b>6,857</b>
YoY gr. (%)	11.0	9.5	21.4	17.9
Cost of Goods Sold	2,569	2,724	3,301	3,883
Gross Profit	1,805	2,064	2,513	2,974
Margin (%)	41.3	43.1	43.2	43.4
Employee Cost	494	462	547	638
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>800</b>	<b>959</b>	<b>1,240</b>	<b>1,492</b>
YoY gr. (%)	11.1	20.0	29.3	20.3
Margin (%)	18.3	20.0	21.3	21.8
Depreciation and Amortization	190	215	253	268
<b>EBIT</b>	<b>610</b>	<b>744</b>	<b>987</b>	<b>1,224</b>
Margin (%)	13.9	15.5	17.0	17.8
Net Interest	102	99	86	35
Other Income	17	6	4	15
<b>Profit Before Tax</b>	<b>497</b>	<b>640</b>	<b>904</b>	<b>1,204</b>
Margin (%)	11.4	13.4	15.6	17.6
Total Tax	109	160	228	303
Effective tax rate (%)	21.9	25.0	25.2	25.2
<b>Profit after tax</b>	<b>388</b>	<b>480</b>	<b>676</b>	<b>901</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>388</b>	<b>480</b>	<b>676</b>	<b>901</b>
YoY gr. (%)	57.8	24.0	40.8	33.1
Margin (%)	8.9	10.0	11.6	13.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>388</b>	<b>480</b>	<b>676</b>	<b>901</b>
YoY gr. (%)	57.8	24.0	40.8	33.1
Margin (%)	8.9	10.0	11.6	13.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	388	480	676	901
<b>Equity Shares O/s (m)</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>32</b>
<b>EPS (Rs)</b>	<b>14.0</b>	<b>17.2</b>	<b>24.2</b>	<b>28.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,046</b>	<b>3,631</b>	<b>4,081</b>	<b>4,581</b>
Tangibles	3,031	3,615	4,065	4,565
Intangibles	15	16	16	16
<b>Acc: Dep / Amortization</b>	<b>1,058</b>	<b>1,273</b>	<b>1,526</b>	<b>1,794</b>
Tangibles	1,049	1,263	1,515	1,782
Intangibles	9	10	11	13
<b>Net fixed assets</b>	<b>1,988</b>	<b>2,358</b>	<b>2,555</b>	<b>2,786</b>
Tangibles	1,982	2,352	2,550	2,783
Intangibles	6	6	5	3
Capital Work In Progress	118	117	52	152
Goodwill	-	-	-	-
Non-Current Investments	76	89	128	219
Net Deferred tax assets	(116)	(120)	(143)	(174)
Other Non-Current Assets	166	96	116	111
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	500	708	723	872
Trade receivables	580	901	796	939
Cash & Bank Balance	10	12	44	235
Other Current Assets	150	54	66	77
<b>Total Assets</b>	<b>3,626</b>	<b>4,363</b>	<b>4,532</b>	<b>5,453</b>
<b>Equity</b>				
Equity Share Capital	139	140	140	158
Other Equity	1,832	2,419	2,553	3,775
<b>Total Networth</b>	<b>1,970</b>	<b>2,558</b>	<b>2,692</b>	<b>3,933</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	252	166	116	66
Provisions	26	35	41	48
Other non current liabilities	1	0	3	3
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	815	823	748	300
Trade payables	180	322	389	457
Other current liabilities	265	338	400	472
<b>Total Equity &amp; Liabilities</b>	<b>3,626</b>	<b>4,363</b>	<b>4,532</b>	<b>5,453</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	497	640	904	1,204
Add. Depreciation	188	214	252	267
Add. Interest	102	99	86	35
Less Financial Other Income	17	6	4	15
Add. Other	(98)	76	5	27
Op. profit before WC changes	688	1,029	1,248	1,532
Net Changes-WC	(38)	(207)	181	(172)
Direct tax	(109)	(160)	(228)	(303)
<b>Net cash from Op. activities</b>	<b>542</b>	<b>662</b>	<b>1,201</b>	<b>1,058</b>
Capital expenditures	(335)	(583)	(383)	(598)
Interest / Dividend Income	17	6	4	15
Others	24	(13)	(35)	(90)
<b>Net Cash from Inv. activities</b>	<b>(294)</b>	<b>(590)</b>	<b>(415)</b>	<b>(674)</b>
Issue of share cap. / premium	(190)	274	(347)	605
Debt changes	177	(78)	(125)	(498)
Dividend paid	(133)	(166)	(195)	(265)
Interest paid	(102)	(99)	(86)	(35)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(247)</b>	<b>(70)</b>	<b>(754)</b>	<b>(192)</b>
<b>Net change in cash</b>	<b>0</b>	<b>2</b>	<b>32</b>	<b>192</b>
Free Cash Flow	206	79	817	459

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>1,190</b>	<b>1,335</b>	<b>1,610</b>	<b>1,337</b>
YoY gr. (%)	4.1	32.6	51.2	104.5
Raw Material Expenses	665	765	918	785
Gross Profit	525	571	693	553
Margin (%)	44.2	42.7	43.0	41.3
<b>EBITDA</b>	<b>258</b>	<b>278</b>	<b>332</b>	<b>252</b>
YoY gr. (%)	22.6	44.4	74.5	171.7
Margin (%)	21.7	20.8	20.6	18.9
Depreciation / Depletion	55	53	58	62
<b>EBIT</b>	<b>202</b>	<b>225</b>	<b>274</b>	<b>191</b>
Margin (%)	17.0	16.9	17.0	14.3
Net Interest	24	25	29	26
Other Income	2	1	2	1
<b>Profit before Tax</b>	<b>181</b>	<b>201</b>	<b>247</b>	<b>166</b>
Margin (%)	15.2	15.1	15.4	12.4
Total Tax	46	51	56	45
Effective tax rate (%)	25.7	25.5	22.8	27.0
<b>Profit after Tax</b>	<b>134</b>	<b>150</b>	<b>191</b>	<b>121</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>134</b>	<b>150</b>	<b>191</b>	<b>121</b>
YoY gr. (%)	19.6	59.4	100.0	586.6
Margin (%)	11.3	11.2	11.9	9.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>134</b>	<b>150</b>	<b>191</b>	<b>121</b>
YoY gr. (%)	19.6	59.4	100.0	586.6
Margin (%)	11.3	11.2	11.9	9.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>134</b>	<b>150</b>	<b>191</b>	<b>121</b>
Avg. Shares O/s (m)	28	28	28	28
<b>EPS (Rs)</b>	<b>4.8</b>	<b>5.4</b>	<b>6.9</b>	<b>4.4</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	14.0	17.2	24.2	28.5
CEPS	20.8	24.9	33.3	37.0
BVPS	71.1	91.7	96.5	124.4
FCF	7.4	2.8	29.3	14.5
DPS	5.0	7.0	9.5	11.0
<b>Return Ratio(%)</b>				
RoCE	20.9	22.6	27.8	31.2
ROIC	16.4	17.0	21.0	24.8
RoE	20.0	21.2	25.8	27.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.5	0.4	0.3	0.0
Net Working Capital (Days)	75	98	71	72
<b>Valuation(x)</b>				
PER	36.5	29.7	21.1	17.9
P/B	7.2	5.6	5.3	4.1
P/CEPS	24.5	20.5	15.3	13.8
EV/EBITDA	19.0	15.9	12.1	10.9
EV/Sales	3.5	3.2	2.6	2.4
Dividend Yield (%)	1.0	1.4	1.9	2.2

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
Volume Growth %				

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	BUY	546	486
2	26-May-21	BUY	546	491
3	07-Apr-21	BUY	547	405
4	17-Mar-21	BUY	509	415

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,084	1,050
4	Britannia Industries	Accumulate	3,755	3,545
5	Burger King India	BUY	250	158
6	Colgate Palmolive	Accumulate	1,794	1,690
7	Crompton Greaves Consumer Electricals	BUY	518	468
8	Dabur India	UR	-	590
9	Emami	BUY	579	564
10	Havells India	Accumulate	1,226	1,151
11	Hindustan Unilever	Accumulate	2,535	2,378
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	620	587
15	Marico	UR	-	520
16	Nestle India	Accumulate	18,450	17,602
17	Pidilite Industries	UR	-	2,179
18	Titan Company	Accumulate	1,869	1,763
19	Voltas	Hold	955	1,015
20	Westlife Development	BUY	572	496

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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