

Mold-Tek Packaging (MOLPAC)

CMP: ₹ 701

Target: ₹ 750 (9%)

Target Period: 12 months

HOLD

May 11, 2022

Higher input cost dents margin...

About the stock: Mold-Tek Packaging is a leading player in the rigid packaging business and is into manufacturing decorative packaging containers for paint, lubricant, FMCG & foods (F&F) industry.

- It was the first to introduce in-mould label (IML) decorative products and QR coded packaging products in India
- While new product launches helped drive profitability of the company, its balance sheet remained strong with RoCE, RoE of ~21%

Q4FY22 Results: Delay in price hike dragged the overall EBITDA margin.

- Higher raw material prices and delay in price hike dragged gross margin by 416 bps YoY in Q4FY22. However, savings in other expenses and employee costs restricted overall EBITDA margin fall to 200 bps YoY to 18%
- Revenue growth at 10% YoY to ~₹ 178 crore supported by volume growth of 6%. The volume growth was largely driven by paints & lubricant segment
- PAT declined 4% YoY to ~ ₹ 17 crore tracking sales growth in Q4

What should investors do? Mold-Tek's share price has grown by ~2.3x over the past five years (from ₹ 299 May 2017 to ~₹ 701 levels in May 2022).

- We revise our rating from BUY to HOLD

Target Price and Valuation: We value the stock at ₹ 750 i.e. 25x P/E on FY24E EPS

Key triggers for future price performance:

- Capacity addition (11% in the next two years), new launches (foraying into pharma packaging) and increasing wallet share from existing clients are expected to drive revenue
- Aiming to increase EBITDA per kg to ₹ 42/kg from ₹ 35/kg in FY22. High margin 'pump' and IML based QR-coded products to drive EBITDA/kg
- Balance sheet to remain healthy with low debt, high RoCE, RoEs

Alternate Stock Idea: We like Supreme Industries in our coverage universe.

- Supreme is market leader in plastic piping segment with ~14% market share. Robust b/s with average RoE, RoCE of 24%, 27%, respectively
- BUY with a target price of ₹ 2320



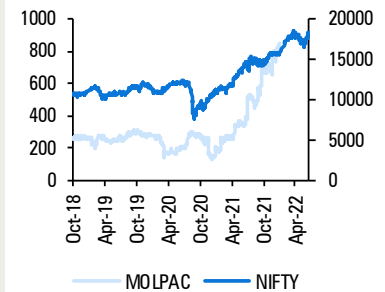
Particulars

Particular	Amount
Market Cap (₹ Crore)	2,295.0
Total Debt (FY22) (₹ Crore)	44.0
Cash & Inv (FY22) (₹ Crore)	16.4
EV (₹ Crore)	2,322.7
52 week H/L	862/ 438
Equity capital (₹ Crore)	15.6
Face value (₹)	5.0

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	35.1	35.2	35.1	33.7	32.1	33.5
FII	9.3	9.1	8.3	9.2	10.3	10.5
DII	12.8	13.5	14.3	15.0	16.2	15.7
Others	42.8	42.2	42.3	42.1	41.3	40.3

Price Chart



Recent event & key risks

Key Risk: (i) Strong growth in the FMCG segment (ii) Delay in passing on high input prices

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Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22	5 Year CAGR (FY17-FY22E)	FY23E	FY24E	3 Year CAGR (FY21-FY24E)
Net Sales	405.7	438.2	478.9	631.5	16.0	716.4	867.4	17.2
EBITDA	70.3	76.8	94.5	120.7	19.1	137.6	171.8	19.3
EBITDA Margin (%)	17.3	17.5	19.7	19.1		19.2	19.8	
Net Profit	31.9	37.5	48.0	63.7	21.4	77.4	98.0	24.1
EPS (₹)	11.5	13.4	17.2	20.4		23.3	29.5	
P/E (x)	59.9	51.4	40.2	33.9		29.6	23.4	
RoE (%)	16.7	19.0	18.7	13.9		21.9	22.2	
RoCE (%)	18.0	18.6	20.1	18.6		25.1	25.6	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results:

- Revenue increased ~11% YoY to ~ ₹ 178 crore in Q4FY22, supported by 6% volume growth. Lube and paint segment revenue increased ~33% and 8% YoY, respectively. The FMCG segment revenue declined ~2% YoY due to a sharp fall in demand from the edible oil segment
- EBITDA margin declined 200 bps YoY to ~18% mainly due to higher raw material prices. As a result, PAT declined 4% YoY ~₹ 17 crore

Q4FY22 Earnings Conference Call highlights

- New client addition**
 - The company has received a commitment from Unilever and GSK for new packaging products. The revenue potential from these customers will be in the range of ₹ 30-35 crores annually
- Demand outlook:**
 - Mold Tek Packaging witnessed volume growth of ~11% in FY22 led by launch of new products, increased capacity and customer addition. The company expects volume growth of 15-20% in FY23E
 - The company has received new order from Gulf Oil Lubricants India for its QR coded IML packaging containers
 - Injection blow moulding (IBM) category is about ₹ 200 crore revenue opportunity for the company in the next 2-3 years
 - China+1 concept followed by various countries is expected to boost revenue for plastic and IML containers category
 - The company has planned to launch three to four new products in the FMCG segment. These products along with IBM and OTC segments are expected to contribute ₹ 30 crore to sales
 - The company is working on doubling its in-mould label (IML) printing capacity. The total expected capacity for FY23E is expected to be ~52500 MT from 44500MT in FY22
- Margins:**
 - Management has guided for complete pass on of higher raw material costs thereby regaining lost margin in the coming quarters
- Capex:**
 - A total capex of ₹ 200 crore is planned over the next two years
 - In FY23E, the company is planning a capex of ₹ 80 crore and around ₹ 80-100 crore in FY24E for its IBM Pharma packaging and paint segment

Exhibit 1: Peer Comparison

Company	Mcap ₹ cr	Revenue				EBITDA margin				PAT				RoCE				RoE				PE			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Shaily Eng	1,909	361	581	725	813	17	15	17	18	22	39	67	79	12	11	17	17	12	11	16	16	79	49	28	24
Mold Tek	2,295	479	631	716	867	20	19	19	20	48	64	77	98	20	19	25	26	19	14	22	22	40	34	30	23
Time Technoplast	2,397	3005	3657	4051	4612	13	14	14	15	108	199	228	302	9	13	13	15	6	10	11	13	22	12	10	8
EPL	5,013	3092	3441	3724	4030	20	17	18	19	244	232	287	342	16	15	18	20	15	13	16	18	21	22	17	15

Source: Company, ICICI Direct Research

In FY22, Mold Tek Packaging reported revenue growth of 32% YoY led by 37% growth in the paint segment (contributes ~55% in topline). Despite lower EBITDA margin (down 60 bps YoY to ~19%), PAT increased 33% YoY tracking higher sales growth. Going forward, we build in revenue CAGR of 17% in FY22-24E supported by volume CAGR of 16%. We believe volume growth will be driven by capacity addition, new product launches and new client additions. However, we see a limited upside in the EBITDA margin (in line of FY21 EBITDA margin) considering volatility in the raw material prices and low operating leverage from new capacities. We cut our FY24E EBITDA and PAT estimate by 9% and 13%, respectively. We believe the current market price is discounting all its near term positives. Hence, we revise our rating from BUY to HOLD. We value the stock at 25x on FY24E EPS to arrive at a revised target price of ₹ 750/share.

Exhibit 2: Variance Analysis

	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	177.9	161.0	10.5	160.3	11.0	Revenue growth supported by volume growth of 6% YoY
Other Income	1.1	0.4	154.8	0.2	595	
Raw Material Exp	108.8	91.8	18.5	94.6	15.0	Higher raw material prices weigh on gross margins
Employee cost	10.6	10.3	3.3	9.8	8.2	
Other Expenditure	26.7	27.0	-1.0	24.3	10.0	
Total Expenditure	146.1	129.1	13.2	128.7	13.6	
EBITDA	31.8	32.0	-0.6	31.6	0.5	
EBITDA Margin (%)	17.9	19.9	-200 bps	19.7	-186 bps	Decline in EBITDA margin mainly due to higher raw material costs
Depreciation	6.9	5.8	17.6	6.9	0.2	
Interest	1.1	2.9	-60.7	2.8	-59.0	
PBT	24.8	23.7	4.9	22.2	12.1	
Total Tax	7.5	5.6	33.4	5.5	36.9	
PAT	17.3	18.0	-4.0	16.7	3.9	Lower PAT growth led by decline in EBITDA margin and higher tax provisioning

Key Metrics*

Paints	92.5	85.4	8.4	86.8	6.5	Paint segment revenue growth led by price hikes but volume growth lower at 2% YoY
Lubes	42.7	32.2	32.6	36.9	15.7	Topline recovery on a favourable base
FMCG	42.5	43.5	-2.3	36.6	16.0	Flattish volume in the segment mainly due to lower demand for edible oil during Q4 (contributes ~40% in segment revenue)

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ crore)	FY23E			FY24E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	707.6	716.4	1.2	851.6	867.4	1.9	We slightly revise our revenue estimates upside for FY23E-24E. We build in revenue CAGR of 17% in FY21-24E led by customer addition and launch of new products
EBITDA	136.1	137.6	1.1	188.1	171.8	(8.6)	
EBITDA Margin (%)	19.2	19.2	0bps	22.1	19.8	-229bps	We believe volatility in the raw material prices and delay in price hike will restrict upside in EBITDA margin
PAT	76.2	77.4	1.6	113.0	98.0	(13.3)	Lower PAT estimates largely due to revision of EBITDA margin estimates
EPS (₹)	22.9	23.3	1.6	34.0	29.5	(13.3)	

Source: ICICI Direct Research

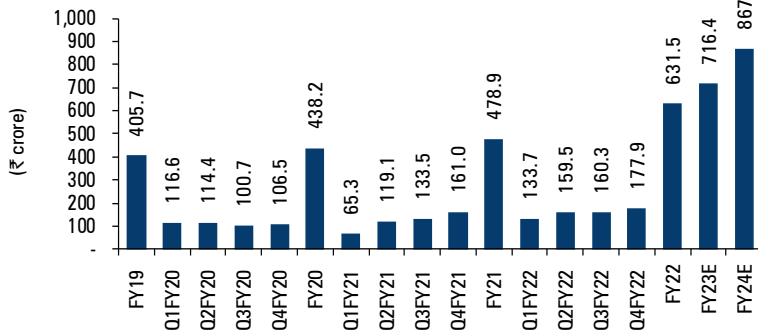
Exhibit 4: Assumptions

	Current (%)					Previous		Comments
	FY20	FY21	FY22E	FY23E	FY24E	FY23E	FY24E	
Paints	22.5	10.1	36.5	8.4	15.4	5.4	11.7	We model segment revenue CAGR of 12% in FY22-24E led by capacity additions and incremental demand from exsiting clients
Lubes	(11.1)	(2.2)	33.0	9.7	5.5	3.9	7.8	We model segment revenue CAGR of 8% in FY22-24E largely on a favourable base and launch of new products
FMCG	18.9	19.9	20.9	24.9	22.3	26.9	34.2	We model segment revenue CAGR of 24% for FY22-24E supported by new product launches and customer additions

Source: ICICI Direct Research

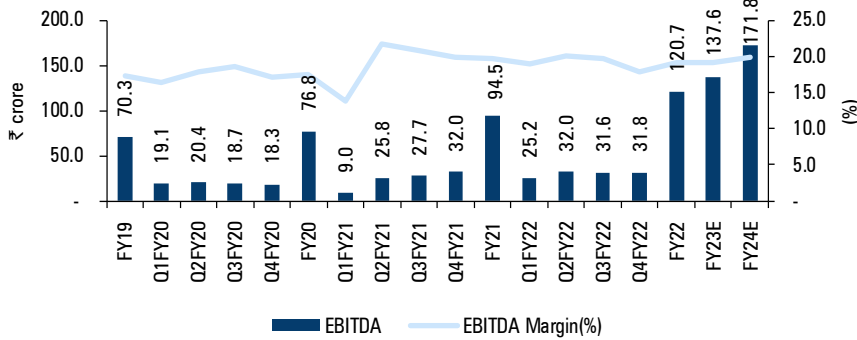
Financial story in charts....

Exhibit 5: New client additions along with new product mix to drive revenue



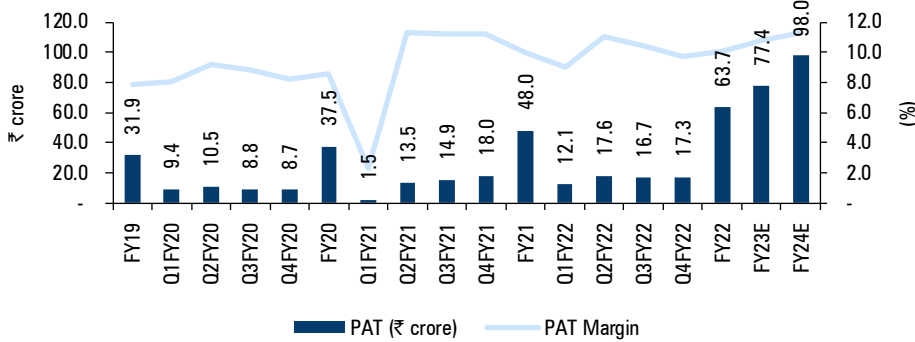
Source: Company, ICICI Direct Research

Exhibit 6: Delay in price hike to keep EBITDA Margin under check



Source: Company, ICICI Direct Research

Exhibit 7: PAT growth trend



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenue	478.9	631.5	716.4	867.4
Growth (%)	9.3	31.9	13.4	21.1
Raw material expense	272.4	384.8	433.1	515.7
Employee expenses	32.9	38.7	42.5	52.9
Other expenses	79.1	95.5	103.3	126.9
Total Operating Exp	384.4	510.8	578.8	695.6
EBITDA	94.5	120.7	137.6	171.8
Growth (%)	23.1	27.7	14.0	24.9
Depreciation	21.5	26.4	29.0	33.8
Interest	9.9	9.3	5.4	7.4
Other Income	0.9	1.6	0.2	0.3
PBT	63.9	86.5	103.4	130.9
Total Tax	16.0	22.9	26.0	32.9
PAT	48.0	63.7	77.4	98.0
Growth (%)	28.0	32.7	21.6	26.6
EPS (₹)	17.2	20.4	23.3	29.5

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	48.0	63.7	77.4	98.0
Add: Depreciation	21.5	26.4	29.0	33.8
(Inc)/dec in Current Assets	-41.1	-85.4	40.6	-45.0
Inc/(dec) in CL and Provisions	22.3	-11.6	39.1	6.5
Others	9.9	9.3	5.4	7.4
CF from operating activities	60.6	2.4	191.6	100.8
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-58.3	-51.9	-50.0	-100.0
Others	11.1	-14.8	10.0	0.0
CF from investing activities	-47.2	-66.7	-40.0	-100.0
Issue/(Buy back) of Equity	0.1	1.7	1.0	0.0
Inc/(dec) in loan funds	-7.8	-54.9	20.0	20.0
Dividend paid & dividend tax	-8.4	-22.5	-3.3	-10.0
Others	8.9	149.0	-184.1	-7.4
CF from financing activities	-7.2	73.3	-166.4	2.6
Net Cash flow	6.2	9.0	-14.9	3.4
Opening Cash	1.1	7.4	16.4	1.4
Closing Cash	7.4	16.4	1.4	4.9

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	14.0	15.6	16.6	16.6
Reserve and Surplus	242.0	441.5	336.9	424.9
Total Shareholders funds	255.9	457.1	353.5	441.5
Total Debt	98.9	44.0	64.0	84.0
Other non current liabilities	12.1	15.1	15.1	15.1
Total Liabilities	366.9	516.2	432.6	540.6
Assets				
Gross Block	315.7	365.4	415.4	515.4
Less: Acc Depreciation	76.3	102.7	131.7	165.6
Total Fixed Assets	251.0	276.5	297.5	363.6
Investments	0.0	0.0	0.0	0.0
Inventory	70.8	95.9	78.5	95.1
Debtors	90.1	143.0	117.8	142.6
Loans and Advances	0.3	0.6	0.6	0.6
Other CA	7.8	14.9	16.9	20.5
Cash	7.4	16.4	1.4	4.9
Total Current Assets	176.4	270.8	215.2	263.6
Creditors	32.2	28.1	58.9	59.4
Provisions	4.4	4.9	10.2	10.3
Other CL	33.0	25.0	28.0	33.9
Total Current Liabilities	69.6	58.0	97.1	103.6
Net current assets	106.8	212.8	118.2	160.0
Other non current assets	9.1	26.9	17.0	17.0
Total Assets	366.9	516.2	432.6	540.6

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	17.2	20.4	23.3	29.5
Cash EPS	24.9	28.8	32.0	39.6
BV	91.7	146.2	106.3	132.8
DPS	3.0	7.2	1.0	3.0
Operating Ratios (%)				
EBITDA Margin	19.7	19.1	19.2	19.8
PAT Margin	10.0	10.1	10.8	11.3
Asset Turnover	1.5	1.7	1.7	1.7
Inventory Days	54.0	55.4	40.0	40.0
Debtor Days	68.7	82.7	60.0	60.0
Creditor Days	24.6	16.2	30.0	25.0
Return Ratios (%)				
RoE	18.7	13.9	21.9	22.2
RoCE	20.1	18.6	25.1	25.6
RoIC	19.2	18.8	24.7	25.1
Valuation Ratios (x)				
P/E	40.8	34.4	29.6	23.4
EV / EBITDA	25.6	19.5	17.1	13.8
EV / Net Sales	5.1	3.7	3.3	2.7
Market Cap / Sales	4.9	3.7	3.2	2.6
Price to Book Value	7.6	4.8	6.5	5.2
Solvency Ratios				
Debt / Equity	0.4	0.1	0.2	0.2
Current Ratio	4.6	7.7	3.1	3.7
Quick Ratio	2.7	4.8	2.0	2.3

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct Consumer Discretionary universe

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
					FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Asian Paints (ASIPAI)	3,005	3,645	Buy	2,88,180	33.4	32.0	41.4	57.9	89.9	93.8	72.7	51.9	58.4	60.3	48.1	35.1	29.6	27.9	32.8	40.4	25.0	23.2	27.6	33.5
Berger Paints (BERPAI)	664	755	Hold	64,488	7.4	8.7	9.6	12.5	89.6	76.4	69.2	52.9	54.1	47.9	43.7	34.2	24.9	27.7	29.1	33.9	21.3	23.1	24.0	27.7
Kansai Nerolac (KANNER)	438	505	Hold	23,605	10.8	9.0	10.6	13.5	40.5	48.8	41.4	32.4	26.6	30.6	26.0	20.8	18.2	15.5	17.1	20.2	14.3	12.0	13.1	15.3
Pidilite Industries (PIDIND)	2,199	2,575	Hold	1,11,665	22.2	23.9	25.9	33.2	99.2	92.0	85.0	66.1	66.2	59.7	56.7	45.0	23.8	22.1	23.5	29.5	20.2	18.6	19.9	25.0
Bajaj Electricals (BAJELE)	1,011	1,100	Hold	11,581	16.5	11.2	24.7	33.0	61.3	90.2	40.9	30.7	39.0	44.6	27.5	21.7	15.1	14.0	21.0	23.3	10.7	9.2	16.5	18.6
Crompton Greaves(CROGR)	358	440	Hold	22,439	9.8	8.7	8.6	10.6	36.4	41.0	41.4	33.6	29.7	29.3	27.8	23.1	34.4	35.2	25.2	29.3	31.9	27.7	23.3	24.9
Havells India (HAVIND)	1,212	1,375	Hold	75,617	16.7	17.8	19.3	26.7	72.7	68.2	62.9	45.4	47.5	45.1	42.0	31.0	24.9	24.2	25.9	34.7	20.1	20.4	21.8	29.2
Polycab India (POLI)	2,438	2,800	Buy	36,355	59.4	55.0	58.1	77.7	41.0	44.3	42.0	31.4	31.9	31.8	27.7	21.1	20.8	18.3	19.2	22.1	17.9	14.5	14.7	17.1
Symphony (SYMLIM)	1,109	1,215	Hold	7,758	15.3	17.3	26.1	34.8	72.5	64.1	42.5	31.9	54.5	47.1	32.7	24.7	15.2	15.9	24.5	29.0	14.9	14.4	23.6	27.4
V-Guard Ind (VGUARD)	204	252	Buy	8,737	4.7	4.6	5.7	7.0	43.3	44.0	36.0	29.1	27.1	26.6	23.4	18.9	23.9	23.1	24.8	27.5	16.7	16.7	18.9	21.1
Voltas Ltd (VOLTAS)	1,047	1,120	Hold	34,628	16.0	15.3	21.0	28.9	65.5	68.4	49.9	36.2	53.3	49.8	41.3	29.5	15.0	14.0	18.0	21.0	10.6	9.2	13.8	16.6
Amber Enterprises (AMBEN)	3,578	4,330	Buy	12,056	24.7	45.7	76.4	104.5	144.8	78.3	46.8	34.3	54.5	38.9	26.4	20.6	7.7	11.1	15.2	18.0	5.2	9.2	13.4	15.6
Dixon Technologies (DIXTEC)	3,824	5,700	Buy	22,695	27.3	35.9	78.5	110.9	140.2	106.4	48.7	34.5	79.2	55.2	30.4	22.4	23.5	27.4	39.9	39.7	21.7	26.4	39.9	38.3
Supreme Indus (SUPIND)	1,926	2,320	Buy	24,465	77.0	76.2	78.8	92.7	25.0	25.3	24.5	20.8	18.5	19.3	18.5	15.2	33.1	25.9	25.2	26.7	30.9	25.2	24.3	25.1
Astral Ltd (ASTPOL)	1,874	2,165	Hold	37,645	20.3	24.9	27.5	33.9	92.2	75.3	68.1	55.2	57.8	48.6	44.9	37.0	27.5	29.6	28.8	30.3	21.5	23.0	22.3	23.3

Source: Bloomberg, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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