

May 9, 2022

## Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	781		793	
Sales (Rs. m)	6,982	8,334	6,952	8,299
% Chng.	0.4	0.4		
EBITDA (Rs. m)	1,512	1,915	1,566	1,991
% Chng.	(3.4)	(3.8)		
EPS (Rs.)	28.2	37.2	28.9	38.4
% Chng.	(2.5)	(3.3)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	4,789	6,315	6,982	8,334
EBITDA (Rs. m)	960	1,207	1,512	1,915
Margin (%)	20.0	19.1	21.7	23.0
PAT (Rs. m)	481	637	891	1,176
EPS (Rs.)	17.2	20.4	28.2	37.2
Gr. (%)	25.0	18.2	38.4	32.0
DPS (Rs.)	7.0	8.0	11.0	14.5
Yield (%)	1.0	1.1	1.6	2.1
RoE (%)	21.2	17.9	17.5	19.6
RoCE (%)	22.6	22.0	21.9	24.7
EV/Sales (x)	4.3	3.5	3.0	2.5
EV/EBITDA (x)	21.5	18.5	14.0	11.1
PE (x)	40.9	34.6	25.0	18.9
P/BV (x)	7.7	4.8	4.0	3.5

### Key Data

### MOLT.BO | MTEP IN

52-W High / Low	Rs.862 / Rs.438	
Sensex / Nifty	54,471 / 16,302	
Market Cap	Rs.23bn/ \$ 294m	
Shares Outstanding	32m	
3M Avg. Daily Value	Rs.34.09m	

### Shareholding Pattern (%)

Promoter's	35.10
Foreign	10.13
Domestic Institution	15.31
Public & Others	39.46
Promoter Pledge (Rs bn)	0.56

### Stock Performance (%)

	1M	6M	12M
Absolute	(11.5)	(4.6)	55.6
Relative	(3.5)	5.9	40.5

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# Mold-tek Packaging (MTEP IN)

Rating: BUY | CMP: Rs705 | TP: Rs781

## F&F mix to support margins amidst inflation

### Quick Pointers:

- FY23 volumes expected to grow by 15-20%.
- EBITDA/Kg up 13.8% YoY to Rs 41.78 in FY22 led 40% improvement in Food & FMCG Business barring edible oils.

**We cut our FY23/24 earnings by 2.5%/3.3% on the back of gross margin pressure due to sustained increase in input cost inflation. However, we remain structurally positive on MTEP's long term story given 1) improving utilization levels at current plants and EBITDA/Kg driven by mix shifting towards F&F segment 2) new plant at Lucknow and addition of capacity in Mysore & Visakhapatnam will help meet demand from Berger Paints and Asian Paints respectively 3) foray into Pharma & OTC business 4) exports to US market which opens up new opportunities 5) new brands added by gulf for their own products and OEM products 6) increased contribution from ThinWall, F&F segment and acceptance of new launches like QR coded IML products to help increase market share from new and existing clients 7) pick up in pumps expected form 2HFY23**

**With strong focus on technologically advanced niche products, we expect EBITDA per/kg to increase from Rs 41 in FY22 to Rs 48 in FY24. We estimate Sales and PAT CAGR of 14.9%/35.9% over FY22-24 and maintain buy rating with target price of Rs781 (21xMar24 EPS) from Rs793 (22xDec23 EPS). MTEP is currently trading at 18.9x FY24EPS which makes a good proxy play on Paint & FMCG segments with steep valuation discount.**

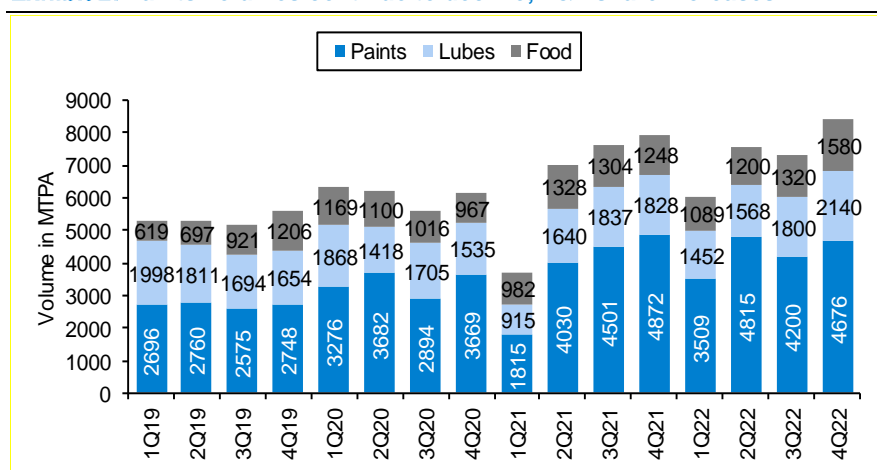
**Sales up by 10.5%, Volumes grew by 5%:** Revenues grew by 10.5% YoY to Rs1.8bn (PLe: Rs1.9bn). Gross margins contracted by 416bps YoY to 38.8% (PLe: 40.0%). EBITDA declined by 4.4% YoY to Rs318mn (PLe: Rs380mn). EBITDA margins contracted by 278bps YoY to 17.9% (PLe:20.0%). Adj PAT declined by 9.3% YoY to Rs173mn (PLe: Rs214mn). EBITDA per kg decreased by 9.5% from Rs 41.83 to Rs 37.85.

**Concall key takeaways:** 1) Paint/Lube/FMCG volumes grew by -4%/17.1%/26.6% YoY with total volumes at ~8400 tons. 2) RM prices increased by 30% YoY for FY22 from Rs 93 to 120. 3) A price hike of Rs17-18 was taken in Jan, Feb and twice in Mar'22. 4) Received orders for QR coded IML containers. 5) IBM should contribute Rs2bn over 3 years starting from Oct'22 due to addition of pharma & OTC products. 6) EBITDA per kg is Rs>100 in F&F segment. 7) Prices reflect with a lag of month which led to reduction in realisation per kg thereby impacting EBITDA per kg by Rs 3-4. 8) FY22 capacity is 44.5k tons and management expects the same to increase by 25% in FY23; current utilisation stands at 70%. 9) 15-20% volume growth for FY23 is expected to be driven by a) 3-4 new F&F & OTC products b) ramp up of capacity at Mysore, 70-80 tons of demand by Berger Paints c) strong demand of ThinWall and ice-creams, IBM and related products to contribute meaningfully from FY24. 10) FY23 capex is expected to be in the range of Rs700-800mn. 11) Added capacities at Mysore and Visakhapatnam Plant and expect it to be operational by Jun'22.

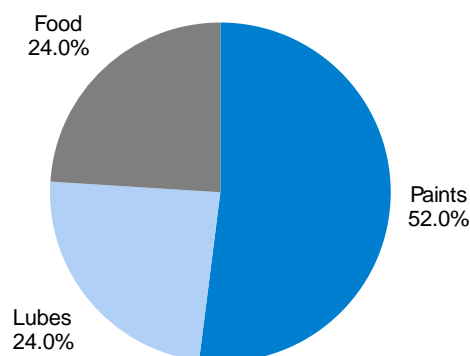
**Exhibit 1: Sales up by 10.5% YoY, EBITDA margins contract by 278 bps YoY**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
<b>Net Sales</b>	1,779	1,610	10.5	1,603	6,315	4,789	31.9
Gross Profit	691	693	(0.2)	657	2,549	2,065	23.4
% of NS	38.8	43.0	(4.2)	41.0	40.4	43.1	(2.8)
Other Expenses	373	360	3.7	341	1,342	1,106	21.4
% of NS	21.0	22.4	-	21.3	21.3	23.1	-
<b>EBITDA</b>	318	332	(4.4)	316	1,207	960	25.8
Margins %	17.9	20.6	(2.8)	19.7	19.1	20.0	(0.9)
Depreciation	69	58	17.7	69	264	215	23.0
Interest	11	29	(60.7)	28	93	99	(6.6)
Other Income	11	2	461.3	2	15	6	158.2
<b>PBT</b>	<b>248</b>	<b>236</b>	<b>5.0</b>	<b>222</b>	<b>865</b>	<b>641</b>	<b>35.1</b>
Tax	75	56	33.4	55	229	160	43.1
Tax rate %	30.3	23.8	-	24.8	26.4	24.9	-
<b>Adjusted PAT</b>	<b>173</b>	<b>191</b>	<b>(9.3)</b>	<b>167</b>	<b>637</b>	<b>492</b>	<b>29.5</b>

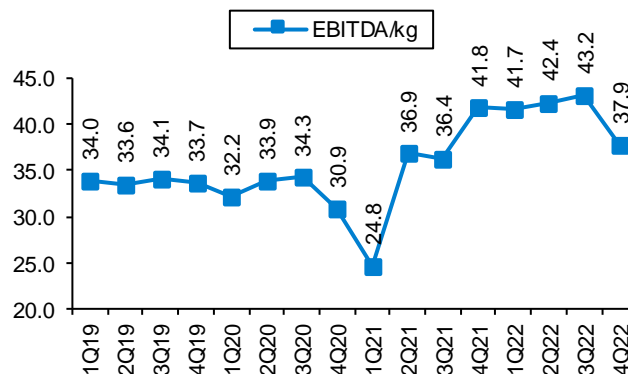
Source: Company, PL

**Exhibit 2: Paints volumes continue to decline; F&F share increases**


Source: Company, PL

**Exhibit 3: Paint contributes to 52.0% to total revenues**


Source: Company, PL

**Exhibit 4: EBITDA/kg at Rs 37.9 in 4Q**


Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>4,789</b>	<b>6,315</b>	<b>6,982</b>	<b>8,334</b>
YoY gr. (%)	9.5	31.9	10.6	19.4
Cost of Goods Sold	2,789	3,766	4,063	4,789
Gross Profit	2,000	2,549	2,919	3,545
Margin (%)	41.8	40.4	41.8	42.5
Employee Cost	327	387	433	508
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>960</b>	<b>1,207</b>	<b>1,512</b>	<b>1,915</b>
YoY gr. (%)	19.9	25.8	25.3	26.7
Margin (%)	20.0	19.1	21.7	23.0
Depreciation and Amortization	215	264	291	326
<b>EBIT</b>	<b>745</b>	<b>943</b>	<b>1,222</b>	<b>1,589</b>
Margin (%)	15.5	14.9	17.5	19.1
Net Interest	99	93	48	36
Other Income	6	16	17	19
<b>Profit Before Tax</b>	<b>641</b>	<b>865</b>	<b>1,191</b>	<b>1,572</b>
Margin (%)	13.4	13.7	17.1	18.9
Total Tax	160	229	300	396
Effective tax rate (%)	24.9	26.4	25.2	25.2
<b>Profit after tax</b>	<b>481</b>	<b>637</b>	<b>891</b>	<b>1,176</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>481</b>	<b>637</b>	<b>891</b>	<b>1,176</b>
YoY gr. (%)	25.8	32.4	39.9	32.0
Margin (%)	10.0	10.1	12.8	14.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>481</b>	<b>637</b>	<b>891</b>	<b>1,176</b>
YoY gr. (%)	25.8	32.4	39.9	32.0
Margin (%)	10.0	10.1	12.8	14.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	481	637	891	1,176
<b>Equity Shares O/s (m)</b>	<b>28</b>	<b>31</b>	<b>32</b>	<b>32</b>
<b>EPS (Rs)</b>	<b>17.2</b>	<b>20.4</b>	<b>28.2</b>	<b>37.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,118</b>	<b>3,570</b>	<b>4,270</b>	<b>4,870</b>
Tangibles	3,106	3,556	4,256	4,856
Intangibles	12	14	14	14
<b>Acc: Dep / Amortization</b>	<b>760</b>	<b>991</b>	<b>1,281</b>	<b>1,608</b>
Tangibles	754	983	1,272	1,598
Intangibles	6	8	9	10
<b>Net fixed assets</b>	<b>2,358</b>	<b>2,580</b>	<b>2,989</b>	<b>3,263</b>
Tangibles	2,352	2,573	2,984	3,258
Intangibles	6	7	5	4
Capital Work In Progress	117	148	152	202
Goodwill	-	-	-	-
Non-Current Investments	89	178	296	490
Net Deferred tax assets	(120)	(147)	(177)	(217)
Other Non-Current Assets	96	128	134	134
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	708	959	891	1,050
Trade receivables	901	1,430	956	1,142
Cash & Bank Balance	12	163	1,559	1,453
Other Current Assets	54	118	80	94
<b>Total Assets</b>	<b>4,363</b>	<b>5,742</b>	<b>7,120</b>	<b>7,901</b>
<b>Equity</b>				
Equity Share Capital	140	156	158	158
Other Equity	2,419	4,415	5,473	6,190
<b>Total Network</b>	<b>2,558</b>	<b>4,571</b>	<b>5,631</b>	<b>6,348</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	166	254	204	179
Provisions	35	38	42	50
Other non current liabilities	0	2	3	4
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	823	186	300	200
Trade payables	322	281	479	564
Other current liabilities	338	261	283	338
<b>Total Equity &amp; Liabilities</b>	<b>4,363</b>	<b>5,742</b>	<b>7,120</b>	<b>7,901</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	641	865	1,191	1,572
Add. Depreciation	212	229	289	325
Add. Interest	99	93	48	36
Less Financial Other Income	6	16	17	19
Add. Other	76	(17)	13	27
Op. profit before WC changes	1,028	1,170	1,541	1,960
Net Changes-WC	(207)	(972)	774	(230)
Direct tax	(160)	(229)	(300)	(396)
<b>Net cash from Op. activities</b>	<b>661</b>	<b>(30)</b>	<b>2,015</b>	<b>1,334</b>
Capital expenditures	(581)	(485)	(702)	(648)
Interest / Dividend Income	6	16	17	19
Others	(13)	(84)	(118)	(192)
<b>Net Cash from Invt. activities</b>	<b>(588)</b>	<b>(554)</b>	<b>(804)</b>	<b>(822)</b>
Issue of share cap. / premium	273	1,611	419	(111)
Debt changes	(78)	(549)	64	(125)
Dividend paid	(166)	(234)	(250)	(348)
Interest paid	(99)	(93)	(48)	(36)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(71)</b>	<b>734</b>	<b>185</b>	<b>(619)</b>
<b>Net change in cash</b>	<b>2</b>	<b>150</b>	<b>1,396</b>	<b>(107)</b>
Free Cash Flow	80	(515)	1,312	686

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	17.2	20.4	28.2	37.2
CEPS	24.9	28.8	37.4	47.5
BVPS	91.7	146.2	178.1	200.8
FCF	2.9	(16.5)	41.5	21.7
DPS	7.0	8.0	11.0	14.5
<b>Return Ratio(%)</b>				
RoCE	22.6	22.0	21.9	24.7
ROIC	17.0	16.9	22.8	23.9
RoE	21.2	17.9	17.5	19.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.4	0.1	(0.2)	(0.2)
Net Working Capital (Days)	98	122	72	71
<b>Valuation(x)</b>				
PER	40.9	34.6	25.0	18.9
P/B	7.7	4.8	4.0	3.5
P/CEPS	28.3	24.5	18.9	14.8
EV/EBITDA	21.5	18.5	14.0	11.1
EV/Sales	4.3	3.5	3.0	2.5
Dividend Yield (%)	1.0	1.1	1.6	2.1

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>1,337</b>	<b>1,595</b>	<b>1,603</b>	<b>1,779</b>
YoY gr. (%)	104.5	34.1	20.0	10.5
Raw Material Expenses	785	947	946	1,088
Gross Profit	553	648	657	691
Margin (%)	41.3	40.6	41.0	38.8
<b>EBITDA</b>	<b>252</b>	<b>320</b>	<b>316</b>	<b>318</b>
YoY gr. (%)	171.7	24.3	13.8	(4.4)
Margin (%)	18.9	20.1	19.7	17.9
Depreciation / Depletion	62	65	69	69
<b>EBIT</b>	<b>191</b>	<b>255</b>	<b>248</b>	<b>249</b>
Margin (%)	14.3	16.0	15.4	14.0
Net Interest	26	28	28	11
Other Income	1	2	2	11
<b>Profit before Tax</b>	<b>166</b>	<b>230</b>	<b>222</b>	<b>248</b>
Margin (%)	12.4	14.4	13.8	14.0
Total Tax	45	54	55	75
Effective tax rate (%)	27.0	23.4	24.8	30.3
<b>Profit after Tax</b>	<b>121</b>	<b>176</b>	<b>167</b>	<b>173</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>121</b>	<b>176</b>	<b>167</b>	<b>173</b>
YoY gr. (%)	586.6	31.0	11.1	(9.3)
Margin (%)	9.0	11.0	10.4	9.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>121</b>	<b>176</b>	<b>167</b>	<b>173</b>
YoY gr. (%)	586.6	31.0	11.1	(9.3)
Margin (%)	9.0	11.0	10.4	9.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>121</b>	<b>176</b>	<b>167</b>	<b>173</b>
Avg. Shares O/s (m)	28	28	28	28
<b>EPS (Rs)</b>	<b>4.4</b>	<b>6.3</b>	<b>6.0</b>	<b>6.2</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	793	797
2	27-Jan-22	BUY	793	706
3	06-Jan-22	UR	725	821
4	01-Nov-21	BUY	725	669
5	06-Oct-21	BUY	669	666
6	28-Jul-21	BUY	598	510
7	05-Jul-21	BUY	546	486
8	26-May-21	BUY	546	491

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,542	3,206
2	Avenue Supermarts	Accumulate	5,345	4,146
3	Britannia Industries	BUY	3,770	3,385
4	Colgate Palmolive	Accumulate	1,664	1,565
5	Dabur India	Accumulate	603	529
6	Emami	Accumulate	607	464
7	Hindustan Unilever	BUY	2,384	2,145
8	ITC	BUY	285	268
9	Jubilant FoodWorks	Accumulate	3,230	2,792
10	Kansai Nerolac Paints	BUY	675	464
11	Marico	Accumulate	547	520
12	Mold-tek Packaging	BUY	793	797
13	Nestle India	Accumulate	19,426	18,203
14	Pidilite Industries	Hold	2,417	2,525
15	Restaurant Brands Asia	BUY	220	113
16	Titan Company	BUY	2,701	2,387
17	Westlife Development	BUY	645	497

**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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