

July 27, 2022

Q1FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		BUY	
Target Price	830		781	
Sales (Rs. m)	7,895	9,372	6,982	8,334
% Chng.	13.1	12.5		
EBITDA (Rs. m)	1,506	1,921	1,512	1,915
% Chng.	(0.4)	0.3		
EPS (Rs.)	28.0	37.3	28.2	37.2
% Chng.	(0.5)	0.4		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	4,789	6,315	7,895	9,372
EBITDA (Rs. m)	960	1,207	1,506	1,921
Margin (%)	20.0	19.1	19.1	20.5
PAT (Rs. m)	481	637	886	1,180
EPS (Rs.)	17.2	20.4	28.0	37.3
Gr. (%)	25.0	18.2	37.6	33.2
DPS (Rs.)	7.0	8.0	11.0	14.5
Yield (%)	0.9	1.0	1.4	1.9
RoE (%)	21.2	17.9	17.4	19.7
RoCE (%)	22.6	22.0	21.8	24.8
EV/Sales (x)	4.7	3.8	3.0	2.5
EV/EBITDA (x)	23.3	20.0	15.5	12.1
PE (x)	44.4	37.5	27.3	20.5
P/BV (x)	8.3	5.2	4.3	3.8

Key Data

MOLT.BO | MTEP IN

52-W High / Low	Rs.862 / Rs.445
Sensex / Nifty	55,816 / 16,642
Market Cap	Rs.25bn/ \$ 317m
Shares Outstanding	33m
3M Avg. Daily Value	Rs.53.29m

Shareholding Pattern (%)

Promoter's	34.23
Foreign	12.02
Domestic Institution	16.75
Public & Others	37.00
Promoter Pledge (Rs bn)	0.56

Stock Performance (%)

	1M	6M	12M
Absolute	7.9	8.3	50.1
Relative	2.7	11.1	41.4

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Early festival season to enable strong 2Q

Quick Pointers:

- Volumes up 51.2% driven by broad based growth across segments
- EBITDA/Kg down 1.6% YoY to Rs 41.1 led by inflationary pressures.

Moldtek remains a formidable play on growth in paints, FMCG and Pharma segments on the back of improved revenue visibility and new product acceptance. 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 added at Lucknow and Daman addition of capacity in Mysore & Visakhapatnam will help meet demand from Asian Paints. 3) foray into Pharma & OTC business 4) Potential opportunity in exports to US market 5) Product acceptance from new lube brands Gulf Oil, Bharat Shell, Valvoline and ExxonMobil 6) increased contribution from Thin Wall, F&F segment and acceptance of new launches like QR coded IML products to help increase market share from new and existing clients

With strong focus on technologically advanced niche products, we expect EBITDA per/kg to increase from Rs 41 in FY22 to Rs 44 in FY24. We estimate Sales and PAT CAGR of 21.8%/36.2% over FY22-24 and change our rating to ACCUMULATE with target price of Rs830 (21xJun24 EPS) from Rs781 (21xMar24 EPS). MTEP is currently trading at 20.5x FY24EPS which makes a good proxy play on Paint & FMCG segments with steep valuation discount.

Sales up by 55.5%, Volumes grew by 51.2%: Revenues grew by 55.4% YoY to Rs2.1bn (PLe: Rs1.8bn). Overall volume up by 51.17% YoY & 7.64% QoQ. Gross margins contracted by 337bps YoY to 37.9% (PLe: 39.0%). EBITDA grew by 47.2% YoY to Rs372mn (PLe:Rs303mn); Margins contracted by 100bps YoY to 17.9% (PLe:16.8%). Adj PAT grew by 79.6% YoY to Rs217mn (PLe:RS169mn).

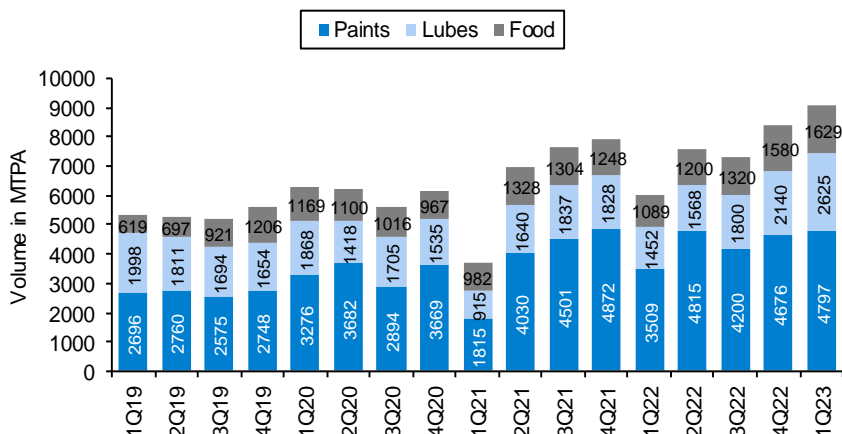
Concall key takeaways: 1) Total volumes stood at 9050 tons. Paint/Lube/Food & FMCG volumes mix stood at 53%/29%/18% and 49%/26%/25% in value terms. 2) EBITDA/kg should be in the range of Rs 41-42 in near term & Rs 43 per/kg for FY23. 3) RM prices decreased by 13% to Rs 118/kg in Jul'22 from Apr'22. 4) MTEP passes on inflationary impact with 3/1-month lag to its big/small-mid clients respectively. 5) To set up a 2nd plant in Daman with robotic IML facilities to cater to increase in demand of F&F segment in western region. 6) HUL, GSK, AMUL, Nestle etc have started approving clearance with IML packaging. 7) Paint volumes are expected to grow by in excess of 10-12% vs normal year. 8) Total capacity to increase from 44k to 55k tonnes by FY23 and incremental capex of Rs 1250mn will add another 20k tonnes over FY23-25. 9) FY23 volumes to be driven by strong demand in paints, thin wall and pumps; IBM and related products to start contributing meaningfully from FY24. 10) IML contribution to total sales remained stagnant in the range of 65%-68% and is expected to go up to 70% in FY23.

Exhibit 1: Sales up by 55.4% YoY, EBITDA margins contracted by 100 bps YoY

Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	FY22	FY21	YoY gr. (%)
Net Sales	2,078	1,337	55.4	1,779	6,315	4,789	31.9
Gross Profit	789	553	42.7	691	2,549	2,065	23.4
% of NS	37.9	41.3	(3.4)	38.8	40.4	43.1	(2.8)
Other Expenses	417	300	38.9	373	1,342	1,106	21.4
% of NS	20.1	22.4		21.0	21.3	23.1	
EBITDA	372	252	47.2	318	1,207	960	25.8
Margins %	17.9	18.9	(1.00)	17.9	19.1	20.0	(0.9)
Depreciation	71	62	15.8	69	264	215	23.0
Interest	10	26	(61.9)	11	93	99	(6.6)
Other Income	1	1	11.1	11	15	6	158.2
PBT	292	166	76.1	248	865	641	35.1
Tax	74	45	66.6	75	229	160	43.1
Tax rate %	25.6	27.0		30.3	26.4	24.9	
Adjusted PAT	217	121	79.6	173	637	492	29.5

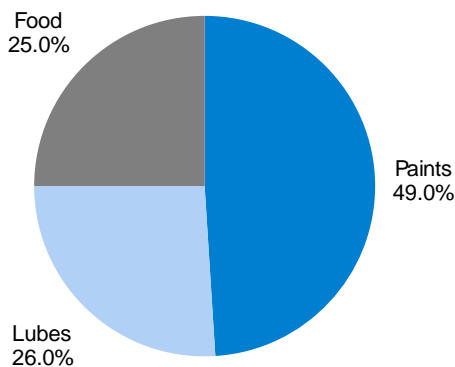
Source: Company, PL

Exhibit 2: Volumes increases across segments; paints up by 37%



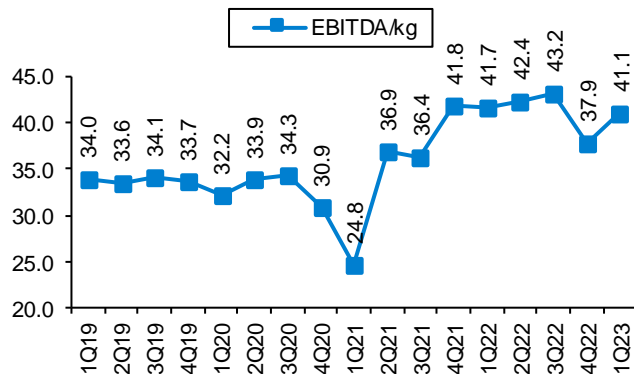
Source: Company, PL

Exhibit 3: Paint contributes to 49% to total revenues



Source: Company, PL

Exhibit 4: EBITDA/kg at Rs 41.1 in 1Q



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	4,789	6,315	7,895	9,372
YoY gr. (%)	9.5	31.9	25.0	18.7
Cost of Goods Sold	2,789	3,766	4,800	5,620
Gross Profit	2,000	2,549	3,095	3,752
Margin (%)	41.8	40.4	39.2	40.0
Employee Cost	327	387	490	572
Other Expenses	-	-	-	-
EBITDA	960	1,207	1,506	1,921
YoY gr. (%)	19.9	25.8	24.8	27.6
Margin (%)	20.0	19.1	19.1	20.5
Depreciation and Amortization	215	264	291	326
EBIT	745	943	1,215	1,595
Margin (%)	15.5	14.9	15.4	17.0
Net Interest	99	93	48	36
Other Income	6	16	17	19
Profit Before Tax	641	865	1,185	1,578
Margin (%)	13.4	13.7	15.0	16.8
Total Tax	160	229	299	398
Effective tax rate (%)	24.9	26.4	25.2	25.2
Profit after tax	481	637	886	1,180
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	481	637	886	1,180
YoY gr. (%)	25.8	32.4	39.2	33.2
Margin (%)	10.0	10.1	11.2	12.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	481	637	886	1,180
YoY gr. (%)	25.8	32.4	39.2	33.2
Margin (%)	10.0	10.1	11.2	12.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	481	637	886	1,180
Equity Shares O/s (m)	28	31	32	32
EPS (Rs)	17.2	20.4	28.0	37.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	3,118	3,570	4,270	4,870
Tangibles	3,106	3,556	4,256	4,856
Intangibles	12	14	14	14
Acc: Dep / Amortization	760	991	1,281	1,608
Tangibles	754	983	1,272	1,598
Intangibles	6	8	9	10
Net fixed assets	2,358	2,580	2,989	3,263
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	493
Net Deferred tax assets	(120)	(147)	(177)	(217)
Other Non-Current Assets	96	128	134	134
Current Assets				
Investments	-	-	-	-
Inventories	708	959	1,052	1,232
Trade receivables	901	1,430	1,082	1,284
Cash & Bank Balance	12	163	1,382	1,253
Other Current Assets	54	118	88	103
Total Assets	4,363	5,742	7,246	8,047
Equity				
Equity Share Capital	140	156	158	158
Other Equity	2,419	4,415	5,468	6,190
Total Networkth	2,558	4,571	5,626	6,348
Non-Current Liabilities				
Long Term borrowings	166	254	204	179
Provisions	35	38	48	56
Other non current liabilities	0	2	4	5
Current Liabilities				
ST Debt / Current of LT Debt	823	186	300	200
Trade payables	322	281	566	662
Other current liabilities	338	261	320	380
Total Equity & Liabilities	4,363	5,742	7,246	8,047

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	641	865	1,185	1,578
Add. Depreciation	212	229	289	325
Add. Interest	99	93	48	36
Less Financial Other Income	6	16	17	19
Add. Other	76	(17)	17	28
Op. profit before WC changes	1,028	1,170	1,539	1,967
Net Changes-WC	(207)	(972)	595	(254)
Direct tax	(160)	(229)	(299)	(398)
Net cash from Op. activities	661	(30)	1,836	1,316
Capital expenditures	(581)	(485)	(702)	(648)
Interest / Dividend Income	6	16	17	19
Others	(13)	(84)	(117)	(196)
Net Cash from Inv. activities	(588)	(554)	(802)	(825)
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	-	-	-	-
Net cash from Fin. activities	(71)	734	185	(619)
Net change in cash	2	150	1,219	(129)
Free Cash Flow	80	(515)	1,133	667

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	17.2	20.4	28.0	37.3
CEPS	24.9	28.8	37.2	47.7
BVPS	91.7	146.2	178.0	200.8
FCF	2.9	(16.5)	35.9	21.1
DPS	7.0	8.0	11.0	14.5
Return Ratio(%)				
RoCE	22.6	22.0	21.8	24.8
ROIC	17.0	16.9	21.7	23.1
RoE	21.2	17.9	17.4	19.7
Balance Sheet				
Net Debt : Equity (x)	0.4	0.1	(0.2)	(0.1)
Net Working Capital (Days)	98	122	72	72
Valuation(x)				
PER	44.4	37.5	27.3	20.5
P/B	8.3	5.2	4.3	3.8
P/CEPS	30.7	26.5	20.5	16.0
EV/EBITDA	23.3	20.0	15.5	12.1
EV/Sales	4.7	3.8	3.0	2.5
Dividend Yield (%)	0.9	1.0	1.4	1.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	1,595	1,603	1,779	2,078
YoY gr. (%)	34.1	20.0	10.5	55.4
Raw Material Expenses	947	946	1,088	1,290
Gross Profit	648	657	691	789
Margin (%)	40.6	41.0	38.8	37.9
EBITDA	320	316	318	372
YoY gr. (%)	24.3	13.8	(4.4)	47.2
Margin (%)	20.1	19.7	17.9	17.9
Depreciation / Depletion	65	69	69	71
EBIT	255	248	249	300
Margin (%)	16.0	15.4	14.0	14.4
Net Interest	28	28	11	10
Other Income	2	2	11	1
Profit before Tax	230	222	248	292
Margin (%)	14.4	13.8	14.0	14.0
Total Tax	54	55	75	74
Effective tax rate (%)	23.4	24.8	30.3	25.6
Profit after Tax	176	167	173	217
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	176	167	173	217
YoY gr. (%)	31.0	11.1	(9.3)	79.6
Margin (%)	11.0	10.4	9.7	10.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	176	167	173	217
YoY gr. (%)	31.0	11.1	(9.3)	79.6
Margin (%)	11.0	10.4	9.7	10.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	176	167	173	217
Avg. Shares O/s (m)	28	28	28	28
EPS (Rs)	6.3	6.0	6.2	7.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	BUY	781	752
2	09-May-22	BUY	781	705
3	08-Apr-22	BUY	793	797
4	27-Jan-22	BUY	793	706
5	06-Jan-22	UR	725	821
6	01-Nov-21	BUY	725	669
7	06-Oct-21	BUY	669	666
8	28-Jul-21	BUY	598	510

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	3,942
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,708	1,570
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	470
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	BUY	305	292
9	Jubilant FoodWorks	Accumulate	710	571
10	Kansai Nerolac Paints	BUY	513	396
11	Marico	Accumulate	544	499
12	Mold-tek Packaging	BUY	781	752
13	Nestle India	Accumulate	19,426	18,205
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	653	524

PL's Recommendation Nomenclature (Absolute Performance)

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



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