

May 4, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	968		990	
Sales (Rs. m)	8,835	10,765	8,808	10,562
% Chng.	0.3	1.9		
EBITDA (Rs. m)	1,699	2,022	1,768	2,233
% Chng.	(3.9)	(9.4)		
EPS (Rs.)	28.1	34.6	29.9	39.6
% Chng.	(6.2)	(12.7)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	6,315	7,299	8,835	10,765
EBITDA (Rs. m)	1,207	1,353	1,699	2,022
Margin (%)	19.1	18.5	19.2	18.8
PAT (Rs. m)	637	804	932	1,146
EPS (Rs.)	20.4	24.2	28.1	34.6
Gr. (%)	18.2	19.1	15.9	23.0
DPS (Rs.)	8.0	11.0	14.5	18.0
Yield (%)	0.8	1.1	1.4	1.8
RoE (%)	17.9	15.8	16.6	19.5
RoCE (%)	22.3	19.2	19.7	21.5
EV/Sales (x)	5.0	4.6	4.0	3.3
EV/EBITDA (x)	26.1	24.8	20.6	17.5
PE (x)	49.1	41.3	35.6	29.0
P/BV (x)	6.8	5.9	5.9	5.4

Key Data

MOLT.BO | MTEP IN

52-W High / Low	Rs.1,123 / Rs.648	
Sensex / Nifty	61,193 / 18,090	
Market Cap	Rs.33bn/ \$ 406m	
Shares Outstanding	33m	
3M Avg. Daily Value	Rs.47.99m	

Shareholding Pattern (%)

Promoter's	33.47
Foreign	16.91
Domestic Institution	19.45
Public & Others	30.17
Promoter Pledge (Rs bn)	0.23

Stock Performance (%)

	1M	6M	12M
Absolute	8.1	7.2	31.4
Relative	4.4	6.6	22.3

Amnish Aggarwal

arnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Mold-tek Packaging (MTEP IN)

Rating: HOLD | CMP: Rs1,001 | TP: Rs968

Steady growth ahead, valuations limit re-rating

Quick Pointers:

- Volumes up 8%, Foods & FMCG (F&F) and Pharma to drive growth
- EBITDA/Kg at Rs40 in FY23, likely to move to Rs42/43/kg over FY24/25

We are cutting FY24/25 EPS estimates by 6.2%/12.7% for FY24/25 as we reduce our EBITDA estimates to Rs43/44/kg which are slightly ahead of management estimates. Mold-tek is looking at significant ramp up in volumes in F&F & Pharma and expects high single growth in Paints and Lubes segment with overall volume growth in a band of 15-20%. We believe addition of HUL (Horlicks, Kissan) & Pidilite are positive and will increase scope to accelerate growth in coming years.

We remain 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 & Daman and capacity additions in Mysore & Visakhapatnam to meet demand from Asian Paints & 2 units to fulfill demand for Grasim's paint foray and 3) Entry into Pharma & OTC business. MTEP is currently trading at 29x FY25EPS which limits scope for further re-rating. We retain Hold with a target price of Rs968 (Rs990 earlier) valuing at 28x FY25 EPS.

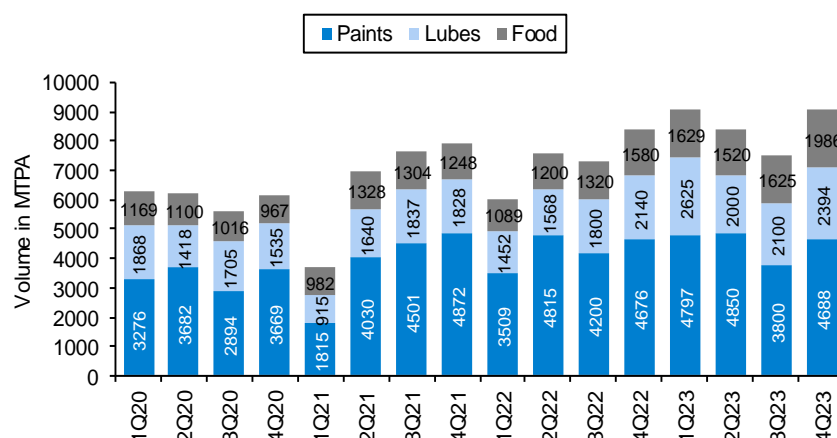
Sales up 3.8%, Volumes grew by 8%: Revenues grew by 3.8% YoY to Rs1.8bn (PLe: Rs2.1bn). Volumes grow by 8% to 9067; EBITDA/kg at Rs 39.3 in 4Q23. Gross margins expanded by 247bps YoY to 41.3% (PLe: 41.8%). EBITDA grew by 12.1% YoY to Rs356mn (PLe: Rs418mn); Margins expanded by 142bps YoY to 19.3% (PLe:20.0%). Adj PAT grew by 32.8% YoY to Rs230mn (PLe: Rs240mn). Board declares a final dividend of Rs2/share (FY23 – Rs6/share).

Concall Takeaways 1) Paint business volumes were flattish and remained subdued on YoY basis due to delay in season pickup, although some improvement was seen QoQ 2) F&F delivered ~26% YoY volume growth despite delay in consignment for Kissan & Horlicks 3) F&F to report ~30% value growth over FY24-FY25 4) Kissan & Horlicks business to contribute ~7% volume growth towards F&F business from Q2FY24 and contribution would be more visible. 5) Dry run for pharma packaging business to start from June but significant contribution in revenue likely from 2HFY24 6) Pharma packaging business to contribute a top line of Rs700mn- Rs800mn/yr over next 3 years 7) Business from Pidilite reached 80mn in FY23 & it is expected to reach Rs200-300mn in next 3 years 8) MTEP is targeting volume CAGR of 15-20% over 3 years, of which 8-9% to come from F&F business, 4-5% from Lubes business & 4-5% from Paints business 9) MTEP delivered EBITDA/kg of Rs 40/Kg for FY23, & it is expected to deliver EBITDA/Kg of Rs 42/Kg for FY24 10) Overall capacity increased from 42000MTPA in FY22 to 50,000MTPA in FY23 & is estimated to go up to 60,000MTPA over 12-15 months 11) Capex outlay of Rs~1.3bn planned for FY24 & around Rs900mn for FY25.

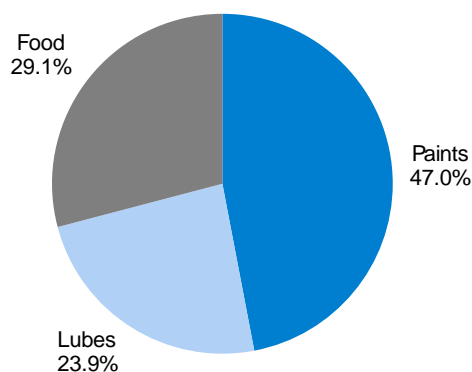
Exhibit 1: Sales up by 3.8% YoY, EBITDA margins expand by 142bps/93bps YoY/QoQ

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	FY23	FY22	YoY gr. (%)
Net Sales	1,847	1,779	3.8	1,548	7,299	6,315	15.6
Gross Profit	763	691	10.4	642	2,940	2,549	15.3
% of NS	41.3	38.8	2.5	41.5	40.3	40.4	(0.1)
Other Expenses	407	373	9.0	358	1,587	1,342	18.2
% of NS	22.0	21.0		23.1	21.7	21.3	
EBITDA	356	318	12.1	284	1,353	1,207	12.1
Margins %	19.3	17.9	1.42	18.4	18.5	19.1	(0.6)
Depreciation	82	69	19.5	75	302	264	14.4
Interest	13	11	15.6	8	39	93	(58.3)
Other Income	8	11	(21.8)	4	16	16	(0.3)
PBT	269	248	8.4	206	1,027	865	18.7
Tax	39	75	(47.8)	43	223	229	(2.5)
Tax rate %	14.6	30.3		20.7	21.7	26.4	
Adjusted PAT	230	173	32.8	163	804	637	26.3

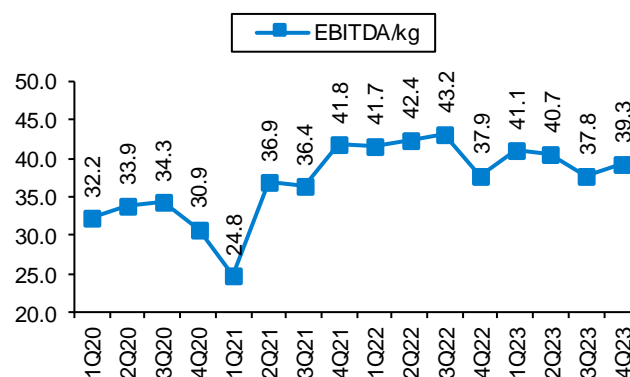
Source: Company, PL

Exhibit 2: Volumes increases across segments


Source: Company, PL

Exhibit 3: Paint contributes 47.0% to total revenues


Source: Company, PL

Exhibit 4: EBITDA/Kg at Rs 39.3 in 4Q


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	6,315	7,299	8,835	10,765
YoY gr. (%)	31.9	15.6	21.0	21.9
Cost of Goods Sold	3,854	4,360	5,218	6,498
Gross Profit	2,461	2,940	3,616	4,268
Margin (%)	39.0	40.3	40.9	39.6
Employee Cost	387	436	539	646
Other Expenses	-	-	-	-
EBITDA	1,207	1,353	1,699	2,022
YoY gr. (%)	25.8	12.1	25.6	19.0
Margin (%)	19.1	18.5	19.2	18.8
Depreciation and Amortization	264	302	407	453
EBIT	943	1,050	1,292	1,569
Margin (%)	14.9	14.4	14.6	14.6
Net Interest	93	39	73	68
Other Income	16	16	10	11
Profit Before Tax	865	1,027	1,229	1,512
Margin (%)	13.7	14.1	13.9	14.0
Total Tax	229	223	298	366
Effective tax rate (%)	26.4	21.7	24.2	24.2
Profit after tax	637	804	932	1,146
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	637	804	932	1,146
YoY gr. (%)	32.4	26.3	15.9	23.0
Margin (%)	10.1	11.0	10.5	10.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	637	804	932	1,146
YoY gr. (%)	32.4	26.3	15.9	23.0
Margin (%)	10.1	11.0	10.5	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	637	804	932	1,146
Equity Shares O/s (m)	31	33	33	33
EPS (Rs)	20.4	24.2	28.1	34.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	3,600	4,923	6,176	6,929
Tangibles	3,585	4,885	6,135	6,885
Intangibles	15	38	41	44
Acc: Dep / Amortization	1,020	1,238	1,642	2,096
Tangibles	1,012	1,227	1,626	2,074
Intangibles	9	11	16	23
Net fixed assets	2,580	3,685	4,533	4,833
Tangibles	2,573	3,657	4,509	4,811
Intangibles	7	27	25	21
Capital Work In Progress	148	167	202	252
Goodwill	-	-	-	-
Non-Current Investments	174	565	603	1,037
Net Deferred tax assets	(147)	(210)	(239)	(276)
Other Non-Current Assets	133	148	187	182
Current Assets				
Investments	-	-	-	-
Inventories	959	852	1,144	1,335
Trade receivables	1,430	1,234	1,694	1,770
Cash & Bank Balance	163	64	(383)	(807)
Other Current Assets	118	183	128	154
Total Assets	5,742	6,957	8,161	8,820
Equity				
Equity Share Capital	156	166	166	166
Other Equity	4,415	5,421	5,451	6,000
Total Network	4,571	5,587	5,616	6,166
Non-Current Liabilities				
Long Term borrowings	254	135	1,250	1,260
Provisions	38	37	53	63
Other non current liabilities	2	2	4	5
Current Liabilities				
ST Debt / Current of LT Debt	73	338	200	100
Trade payables	281	333	357	445
Other current liabilities	375	315	441	505
Total Equity & Liabilities	5,742	6,956	8,161	8,820

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	865	1,027	1,229	1,512
Add. Depreciation	258	216	399	447
Add. Interest	93	39	73	68
Less Financial Other Income	16	16	10	11
Add. Other	(17)	24	36	36
Op. profit before WC changes	1,199	1,306	1,737	2,064
Net Changes-WC	(862)	211	(540)	(153)
Direct tax	(229)	(223)	(298)	(366)
Net cash from Op. activities	109	1,294	899	1,544
Capital expenditures	(514)	(1,378)	(1,277)	(792)
Interest / Dividend Income	16	16	10	11
Others	(84)	(346)	(82)	(433)
Net Cash from Invt. activities	(583)	(1,708)	(1,349)	(1,213)
Issue of share cap. / premium	1,611	512	(538)	(116)
Debt changes	(662)	146	977	(90)
Dividend paid	(234)	(300)	(365)	(481)
Interest paid	(93)	(39)	(73)	(68)
Others	-	-	-	-
Net cash from Fin. activities	621	319	2	(755)
Net change in cash	147	(96)	(448)	(424)
Free Cash Flow	(405)	(84)	(378)	753

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	20.4	24.2	28.1	34.6
CEPS	28.8	33.4	40.4	48.2
BVPS	146.2	168.4	169.3	185.9
FCF	(13.0)	(2.5)	(11.4)	22.7
DPS	8.0	11.0	14.5	18.0
Return Ratio(%)				
RoCE	22.3	19.2	19.7	21.5
ROIC	17.1	15.2	14.1	14.7
RoE	17.9	15.8	16.6	19.5
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.3	0.4
Net Working Capital (Days)	122	88	102	90
Valuation(x)				
PER	49.1	41.3	35.6	29.0
P/B	6.8	5.9	5.9	5.4
P/CEPS	34.7	30.0	24.8	20.8
EV/EBITDA	26.1	24.8	20.6	17.5
EV/Sales	5.0	4.6	4.0	3.3
Dividend Yield (%)	0.8	1.1	1.4	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	2,078	1,826	1,548	1,847
YoY gr. (%)	55.4	14.4	(3.4)	3.8
Raw Material Expenses	1,290	1,080	906	1,084
Gross Profit	789	746	642	763
Margin (%)	37.9	40.9	41.5	41.3
EBITDA	372	341	284	356
YoY gr. (%)	47.2	6.3	(10.0)	12.1
Margin (%)	17.9	18.7	18.4	19.3
Depreciation / Depletion	71	74	75	82
EBIT	300	267	209	274
Margin (%)	14.4	14.6	13.5	14.8
Net Interest	10	8	8	13
Other Income	1	2	4	8
Profit before Tax	292	261	206	269
Margin (%)	14.0	14.3	13.3	14.6
Total Tax	74	67	43	39
Effective tax rate (%)	25.6	25.5	20.7	14.6
Profit after Tax	217	194	163	230
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	217	194	163	230
YoY gr. (%)	79.6	10.3	(2.1)	32.8
Margin (%)	10.4	10.6	10.5	12.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	217	194	163	230
YoY gr. (%)	79.6	10.3	(2.1)	32.8
Margin (%)	10.4	10.6	10.5	12.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	217	194	163	230
Avg. Shares O/s (m)	28	28	28	28
EPS (Rs)	7.8	7.0	5.9	8.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Hold	990	959
2	06-Feb-23	UR	-	1,063
3	06-Jan-23	Hold	940	983
4	07-Nov-22	Hold	947	939
5	04-Oct-22	Accumulate	898	858
6	27-Jul-22	Accumulate	830	765
7	07-Jul-22	BUY	781	752
8	09-May-22	BUY	781	705

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,776
2	Avenue Supermarts	BUY	4,561	3,451
3	Britannia Industries	Hold	4,580	4,258
4	Colgate Palmolive	Hold	1,565	1,537
5	Dabur India	Accumulate	589	523
6	Emami	Accumulate	485	359
7	Hindustan Unilever	Accumulate	2,785	2,469
8	ITC	Accumulate	444	389
9	Jubilant FoodWorks	BUY	500	426
10	Kansai Nerolac Paints	Accumulate	485	386
11	Marico	Hold	523	481
12	Mold-tek Packaging	Hold	990	959
13	Nestle India	Accumulate	22,600	20,670
14	Pidilite Industries	Hold	2,500	2,359
15	Restaurant Brands Asia	Accumulate	121	94
16	Titan Company	BUY	2,992	2,651
17	Westlife Foodworld	BUY	806	728

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com