

November 8, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	918		956	
Sales (Rs.m)	7,241	8,907	7,506	9,212
% Chng.	(3.5)	(3.3)		
EBITDA (Rs.m)	1,382	1,777	1,548	1,883
% Chng.	(10.7)	(5.6)		
EPS (Rs.)	20.4	28.4	24.6	31.4
% Chng.	(17.1)	(9.4)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	7,299	7,241	8,907	10,775
EBITDA (Rs. m)	1,353	1,382	1,777	2,210
Margin (%)	18.5	19.1	20.0	20.5
PAT (Rs. m)	804	678	943	1,232
EPS (Rs.)	24.2	20.4	28.4	37.1
Gr. (%)	19.1	(15.7)	39.1	30.7
DPS (Rs.)	11.0	14.5	18.0	19.0
Yield (%)	1.2	1.6	2.0	2.2
RoE (%)	15.8	12.4	17.0	20.5
RoCE (%)	19.2	14.9	18.4	22.4
EV/Sales (x)	4.1	4.2	3.4	2.8
EV/EBITDA (x)	21.9	22.3	17.3	13.8
PE (x)	36.4	43.2	31.0	23.8
P/BV (x)	5.2	5.5	5.1	4.6

Key Data

MOLT.BO | MTEP IN

52-W High / Low	Rs.1,123 / Rs.832
Sensex / Nifty	64,976 / 19,444
Market Cap	Rs.29bn/ \$ 351m
Shares Outstanding	33m
3M Avg. Daily Value	Rs.61.35m

Shareholding Pattern (%)

Promoter's	33.09
Foreign	17.82
Domestic Institution	18.49
Public & Others	30.60
Promoter Pledge (Rs bn)	0.23

Stock Performance (%)

	1M	6M	12M
Absolute	(0.9)	(8.7)	(5.8)
Relative	0.6	(13.2)	(11.3)

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Worst seems over, expect recovery from 2H

Quick Pointers:

- Volumes up 5%, Paints volumes decline 8%, while Lubes/F&F Volumes up 8.1%/ ~40%.
- 2Q24 EBITDA per kg at Rs37.2, likely to move to Rs41/42 per kg in FY24/25.

We are cutting our FY24/25 EPS estimates by 17.1%/9.4% and target price to Rs918 (Rs956 earlier) as we reduce volumes & EBITDA/Kg estimates (Rs37/41 per kg) given mixed outlook in near term. MTEP's 2Q volumes were impacted due to 1) impact of rainfall on ice cream & dairy segment and 2) lower realizations due to softer RM and 3) late festival season impact on paints industry. MTEP expects 2H24 volumes to grow in mid- teens led by close to double digit growth in paints industry, high single digit growth in Lubes, pick up in F&F segment and benefits of pharma entry and supply to ABG group in Paints.

MTEP's long term prospects remain promising given 1) new units in Panipat & Cheyyar (4000 ton capacity) for supply to Grasim by FY25 2) Start of pharma division by Q4 with superior mix 3) mix improvement with higher growth in F&F segment with sultanpur plant commencing operations. 4) addition of new customer/orders. We estimate 15.7% decline in EPS in FY24 but 35% CAGR over FY24-26. MTEP is currently trading at 32.2x FY25EPS which limits scope for further re-rating. Retain 'Hold'.

Sales down 6.7%, Volumes grow by 5%: Revenues declined by 6.7% YoY to Rs1.7bn (PLe: Rs1.9bn). Overall volumes up by 5%. Gross margins expanded by 200bps YoY to 42.9% (PLe: 42.5%). EBITDA declined by 5.6% YoY to Rs321mn (PLe: Rs361mn); Margins expanded by 21bps YoY to 18.9% (PLe:19.2%). Adj PAT declined by 19.2% YoY to Rs157mn (PLe: Rs189mn)

Concall Takeaways:1) Volume for Paints/Lubes/F&F share at 50.8%/24.6%/24.6% while value at 46.6%/22.5%/30.9% 2) Paint business volumes declined by 8% amid lower industrial demand 3) Paint business to see pick up in volumes (4000 MT) with Grasim entry from FY25. 4) MTEP is bullish on Pharma segment for the next 5-10 year post its entry in 4 segments (OTC, Effervescent tubes, Canisters and Tablet packs) & higher EBITDA/kg of Rs150-2005 5)F&F volumes grew by 15% as adverse rains impacted ice creams & dairy consumption, further expect 20-25% volume growth over FY24-FY26 6)F&F is expected to grow by~14% in 2HFY24 7) Square pack awarded patent which will aide volume growth of 30% over long term 8)Company expects FY24 volume growth at 8-9% 9) Panipat and Cheyyar plant to be ready for production by 4QFY24. Received land clearance for Mahad Plant 10) 11) Export is contributing to 1% of sales & is expected to reach 3%-5% by FY26 12) Satara plant utilization is at 60% as of 2QFY24 13) Expect EBITDA/kg of Rs40-41/42+ per kg in FY24/25 14) EBITDA declined in 2Q24 amid increase in manpower costs by 15% 15) Capex for FY24/ FY25 budgeted at 1.2bn

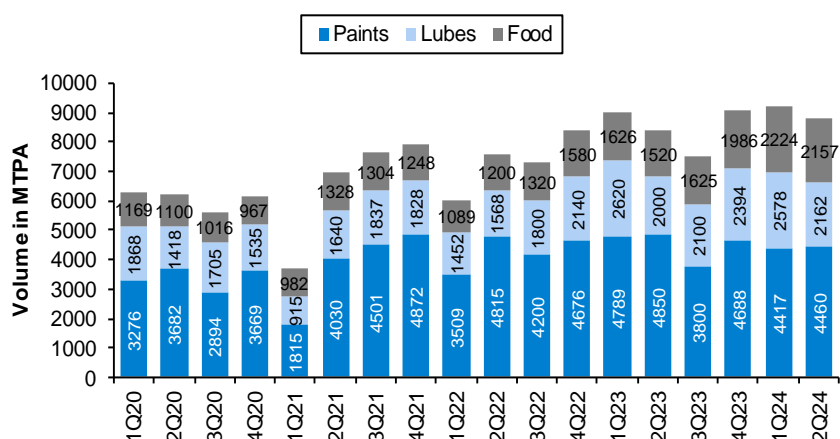


Exhibit 1: Sales down by 6.7% YoY, EBITDA margins expand 21bps YoY

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	1HFY24	1HFY23	YoY gr. (%)
Net Sales	1,704	1,826	(6.7)	1,859	3,563	3,904	(8.7)
Gross Profit	730	746	(2.1)	787	1,517	1,535	(1.1)
% of NS	42.9	40.9	2.00	42.3	42.6	39.3	3.3
Other Expenses	409	405	0.9	436	845	822	2.8
% of NS	24.0	22.2		23.5	23.7	21.1	
EBITDA	321	341	(5.6)	350	672	712	(5.7)
Margins %	18.9	18.7	0.21	18.8	18.9	18.2	0.6
Depreciation	96	74	29.7	94	190	145	30.8
Interest	18	8	126.0	15	33	18	82.9
Other Income	5	2	172.7	6	11	3	263.9
PBT	213	261	(18.3)	248	461	552	(16.6)
Tax	56	67	(15.6)	60	116	141	(17.4)
Tax rate %	26.4	25.5		24.3	25.3	25.5	
Adjusted PAT	157	194	(19.2)	187	344	411	(16.3)

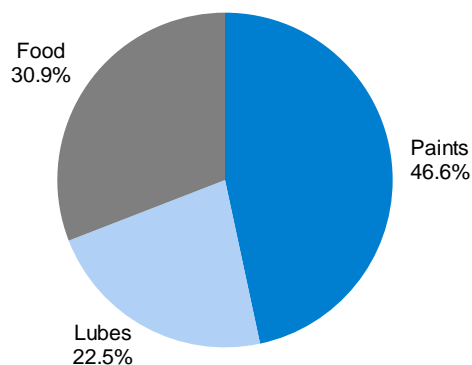
Source: Company, PL

Exhibit 2: Volumes decline in Paints, Lubes/F&F volumes up 8.1%/41.9%



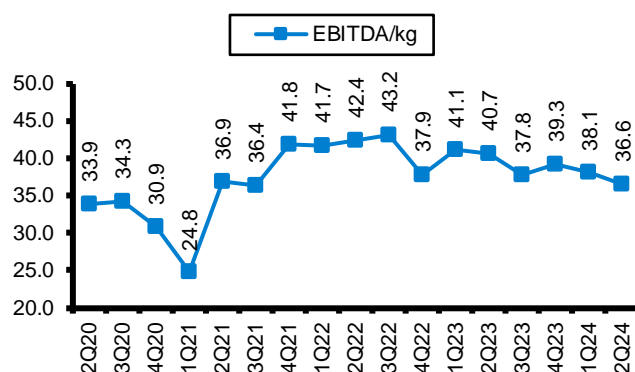
Source: Company, PL

Exhibit 3: Paint contributes 46.6% to total revenues



Source: Company, PL

Exhibit 4: EBITDA/Kg at Rs 36.6 in 2Q



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	7,299	7,241	8,907	10,775
YoY gr. (%)	15.6	(0.8)	23.0	21.0
Cost of Goods Sold	4,360	4,139	5,074	6,144
Gross Profit	2,940	3,101	3,833	4,632
Margin (%)	40.3	42.8	43.0	43.0
Employee Cost	436	507	606	722
Other Expenses	-	-	-	-
EBITDA	1,353	1,382	1,777	2,210
YoY gr. (%)	12.1	2.2	28.6	24.4
Margin (%)	18.5	19.1	20.0	20.5
Depreciation and Amortization	302	407	453	502
EBIT	1,050	975	1,324	1,707
Margin (%)	14.4	13.5	14.9	15.8
Net Interest	39	85	81	80
Other Income	16	20	22	24
Profit Before Tax	1,027	910	1,265	1,653
Margin (%)	14.1	12.6	14.2	15.3
Total Tax	223	232	323	422
Effective tax rate (%)	21.7	25.5	25.5	25.5
Profit after tax	804	678	943	1,232
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	804	678	943	1,232
YoY gr. (%)	26.4	(15.7)	39.1	30.7
Margin (%)	11.0	9.4	10.6	11.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	804	678	943	1,232
YoY gr. (%)	26.4	(15.7)	39.1	30.7
Margin (%)	11.0	9.4	10.6	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	804	678	943	1,232
Equity Shares O/s (m)	33	33	33	33
EPS (Rs)	24.2	20.4	28.4	37.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	4,923	6,176	6,929	7,682
Tangibles	4,885	6,135	6,885	7,635
Intangibles	38	41	44	47
Acc: Dep / Amortization	1,238	1,642	2,096	2,599
Tangibles	1,227	1,626	2,074	2,570
Intangibles	11	16	23	29
Net fixed assets	3,685	4,533	4,833	5,083
Tangibles	3,657	4,509	4,811	5,065
Intangibles	27	25	21	18
Capital Work In Progress	167	202	252	302
Goodwill	-	-	-	-
Non-Current Investments	565	439	307	85
Net Deferred tax assets	(210)	(233)	(265)	(307)
Other Non-Current Assets	148	187	182	177
Current Assets				
Investments	-	-	-	-
Inventories	852	907	1,043	1,178
Trade receivables	1,234	1,389	1,464	1,771
Cash & Bank Balance	64	185	148	370
Other Current Assets	183	107	130	145
Total Assets	6,957	7,993	8,412	9,176
Equity				
Equity Share Capital	166	166	166	166
Other Equity	5,421	5,197	5,542	6,143
Total Networkth	5,587	5,362	5,708	6,309
Non-Current Liabilities				
Long Term borrowings	135	1,500	1,510	1,490
Provisions	37	49	59	70
Other non current liabilities	2	4	4	5
Current Liabilities				
ST Debt / Current of LT Debt	338	200	100	100
Trade payables	333	284	348	421
Other current liabilities	315	362	418	473
Total Equity & Liabilities	6,956	7,993	8,412	9,176

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,027	910	1,265	1,653
Add. Depreciation	216	399	447	496
Add. Interest	39	85	81	80
Less Financial Other Income	16	20	22	24
Add. Other	24	17	20	29
Op. profit before WC changes	1,306	1,410	1,813	2,258
Net Changes-WC	211	(121)	(123)	(341)
Direct tax	(223)	(232)	(323)	(422)
Net cash from Op. activities	1,294	1,057	1,367	1,496
Capital expenditures	(1,378)	(1,277)	(792)	(792)
Interest / Dividend Income	16	20	22	24
Others	(346)	81	133	224
Net Cash from Inv. activities	(1,708)	(1,176)	(637)	(544)
Issue of share cap. / premium	512	(537)	(116)	(33)
Debt changes	146	1,227	(90)	(20)
Dividend paid	(300)	(365)	(481)	(597)
Interest paid	(39)	(85)	(81)	(80)
Others	-	-	-	-
Net cash from Fin. activities	319	240	(768)	(730)
Net change in cash	(96)	121	(38)	222
Free Cash Flow	(84)	(220)	575	704

Source: Company Data, PL Research

Key Financial Metrics

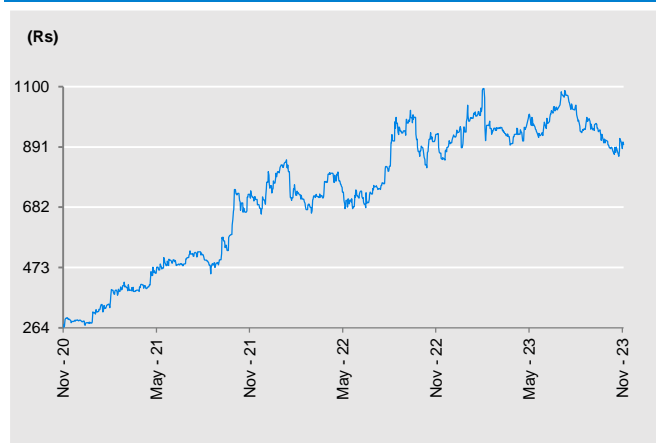
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	24.2	20.4	28.4	37.1
CEPS	33.4	32.7	42.1	52.3
BVPS	168.4	161.7	172.1	190.2
FCF	(2.5)	(6.6)	17.3	21.2
DPS	11.0	14.5	18.0	19.0
Return Ratio(%)				
RoCE	19.2	14.9	18.4	22.4
ROIC	15.2	11.4	14.0	17.6
RoE	15.8	12.4	17.0	20.5
Balance Sheet				
Net Debt : Equity (x)	0.1	0.3	0.3	0.2
Net Working Capital (Days)	88	101	88	86
Valuation(x)				
PER	36.4	43.2	31.0	23.8
P/B	5.2	5.5	5.1	4.6
P/CEPS	26.4	27.0	21.0	16.9
EV/EBITDA	21.9	22.3	17.3	13.8
EV/Sales	4.1	4.2	3.4	2.8
Dividend Yield (%)	1.2	1.6	2.0	2.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	1,548	1,847	1,859	1,704
YoY gr. (%)	(3.4)	3.8	(10.6)	(6.7)
Raw Material Expenses	906	1,084	1,072	974
Gross Profit	642	763	787	730
Margin (%)	41.5	41.3	42.3	42.9
EBITDA	284	356	350	321
YoY gr. (%)	(10.0)	12.1	(5.7)	(5.6)
Margin (%)	18.4	19.3	18.8	18.9
Depreciation / Depletion	75	82	94	96
EBIT	209	274	256	226
Margin (%)	13.5	14.8	13.8	13.2
Net Interest	8	13	15	18
Other Income	4	8	6	5
Profit before Tax	206	269	248	213
Margin (%)	13.3	14.6	13.3	12.5
Total Tax	43	39	60	56
Effective tax rate (%)	20.7	14.6	24.3	26.4
Profit after Tax	163	230	187	157
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	163	230	187	157
YoY gr. (%)	(2.1)	32.8	(13.7)	(19.2)
Margin (%)	10.5	12.4	10.1	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	163	230	187	157
YoY gr. (%)	(2.1)	32.8	(13.7)	(19.2)
Margin (%)	10.5	12.4	10.1	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	163	230	187	157
Avg. Shares O/s (m)	28	28	33	33
EPS (Rs)	5.9	8.3	5.7	4.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Hold	956	892
2	04-Aug-23	Hold	956	1,003
3	06-Jul-23	Hold	968	1,074
4	04-May-23	Hold	968	1,001
5	11-Apr-23	Hold	990	959
6	06-Feb-23	UR	-	1,063
7	06-Jan-23	Hold	940	983

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,801	4,527
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	530
6	Emami	Accumulate	564	519
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	306
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,387	3,275
18	Westlife Foodworld	Hold	844	883

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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