

Awaiting Margin Recovery; Maintain HOLD

Est. Vs. Actual for Q3FY25: Revenue: **Broadly INLINE**; EBITDA: **MISS** ; PAT: **MISS**

Change in Estimates post Q3FY25

FY25E/FY26E: Revenue: -1%/2%/2%; EBITDA: -4%/-3%/-3%; PAT: -12%/-8%/-6%

Recommendation Rationale

- Revenue growth driven by volumes and realisation:** During the quarter, while volumes increased by 7.5%, overall revenue grew by 15.25%, indicating an improvement in average realisations. The volume growth was primarily driven by Food & FMCG-Packs (+12.02%) and Paints-Packs (+16.53%). The realisation improvement was supported by higher raw material prices as well as an increase in selling prices. Management expects realisations to improve further as higher-priced pharma products contribute more to the top line.
- Margins recovery still awaited:** EBITDA/Kg for the quarter stood at Rs 36.7/Kg, remaining below the company's targeted levels. Delays in capacity ramp-up and additional expenses related to newer capacities continued to impact EBITDA margins during the quarter. While management expects EBITDA/Kg to improve as capacity utilisation increases (targeting Rs 40/Kg by FY26), it may still remain below Rs 38 for Q4FY25. Additionally, depreciation and interest expenses related to recent investments are further impacting margins at the PAT level. Going forward, improving capacity utilisation will be key to enhancing profitability on a per-unit basis.

Sector Outlook: Neutral

Company Outlook & Guidance: The company's volume growth rate is expected to improve gradually over the next few quarters as new capacities and products in FF, Paint, and Pharma Packaging start contributing significantly. While volume growth of ~8-9% is expected in FY25, strong momentum (double-digit) is anticipated from FY26 onwards. This growth is expected to be driven by Pharma capacities and an anticipated 40-50% increase in volumes from Aditya Birla Group. Additionally, the company is relying on higher utilisation and an improved product mix to achieve its target EBITDA/Kg of Rs 40 by FY26.

Current Valuation: 18x FY27E (Earlier: 22x FY27E)

Current TP: Rs 600/share (Earlier: Rs 785/share)

Recommendation: We maintain our **HOLD** rating on the stock.

Financial Performance: During Q3FY25, Mold-Tek Packaging posted a YoY revenue growth of 15%, broadly in line with our expectations. Volumes increased by 7.5% YoY. The company reported an EBITDA of Rs 34 Cr (up 12% YoY and 1% QoQ) but missed estimates by 7%. EBITDA per kg in Q3FY25 declined to Rs 36.72 per kg from Rs 39.64 per kg in Q2FY25. PAT stood at Rs 14 Cr, down 4% YoY and 2% QoQ, primarily due to significantly higher depreciation and finance costs associated with investments exceeding Rs 250 Cr made over the past two years.

Outlook: While we remain optimistic about Mold-Tek Packaging's increasing contribution from the Pharma segment and customer additions, the margin improvement may be slower than expected. The company has made significant capacity additions, and the associated costs may continue to impact margins until a corresponding volume increase materialises. However, the company continues to gain momentum in Pharma and has been adding new clients, which is expected to drive volume growth. Additionally, we anticipate a steady improvement in realisation per kg going forward.

Valuation & Recommendation: We have revised our FY25 and FY26E estimates downwards to account for the delay in margin improvement. Accordingly, we now value the stock at 18x FY27E earnings (down from 25x FY26E earnings), resulting in a revised target price of Rs 600/share, implying an upside of 8% from the current market price (CMP). **We maintain our HOLD rating on the stock.**

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	191	15%	0%	197	-3%
EBITDA	34	12%	1%	36	-7%
EBITDA Margin	17.7	-58bps	19bps	18.5	-76bps
Net Profit	14	-4%	-3%	17	-22%
EPS (Rs)	4.1	-4%	-3%	5.3	-22%

Source: Company, Axis Securities Research

(CMP as of 7th February 2025)

CMP (Rs)	558
Upside /Downside (%)	8%
High/Low (Rs)	907/482
Market cap (Cr)	1,829
Avg. daily vol. (1m) Shrs.	80,995
No. of shares (Cr)	3.32

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	32.8	32.7	32.9
FII's	14.4	13.1	12.2
DII's	22.7	23.7	22.0
Retail	30	30.5	32.9

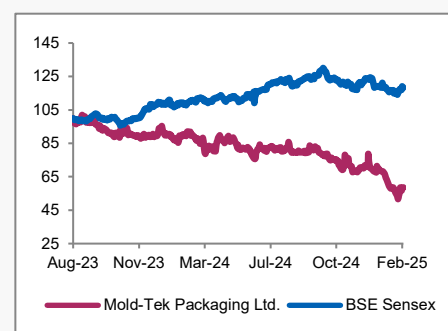
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	699	792	982
EBITDA	133	138	182
Net Profit	67	58	88
EPS (Rs)	20.6	17.8	27.1
PER (x)	27.1	31.3	20.6
P/BV (x)	3.1	2.9	2.6
EV/EBITDA (x)	14.9	14.4	10.8
ROE (%)	9.1%	9.1%	12.3%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-1%	2%	2%
EBITDA	-4%	-3%	-3%
PAT	-12%	-8%	-6%

Relative Performance



Source: Ace Equity, Axis Securities Research

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Key Concall Highlights

- **Financial Performance:** Sales increased by approximately 15.25% YoY and remained flat sequentially, at around Rs 191 Cr, with sales volume growth of 7.5% YoY. Realisations improved due to increased raw material prices and an improved product mix. EBITDA for the period increased by 12% YoY to Rs 34 Cr, up from Rs 30 Cr in the comparable period last year. Net profit declined by 4%, impacted by increased interest and depreciation costs due to investments exceeding Rs 250 Cr made over the last two years.
- **Volumes:** Mold-Tek delivered a decent overall volume growth of 7.55% during this quarter. Food & FMCG-Packs achieved a 12.02% volume growth, followed by Paints-Packs with a growth of 16.53%. Lubes-Packs registered a growth of 0.5%, and Pharma Pack saw a growth of 0.63% (Rs 2.27 Cr in Q3 and Rs 1.02 Cr in Q2), resulting in an overall sales volume growth of 7.55% on a Q3 YoY basis.
- **New Capacities:** The company has invested Rs 10 Cr in new plant and machinery over the last six months for capacities dedicated to Aditya Birla Group's paint business, with an additional Rs 5 Cr planned for future investments. This expansion aims to increase the overall plant capacity at Cheyyar, Panipat, and Mahad from 6,000 MTA to 10,000 MTA. The new capacity is expected to commence commercial production in Q2 of FY26. Utilisation levels at the Panipat and Cheyyar plants are slowly improving, currently around 60% of initial capacity (less than 50% in Q1). The company is also setting up a new printing machine to meet the growing demand by the end of Mar'25.
- **Pharma Packaging:** The company has started commercial supplies in the Pharma Packaging segment, increasing revenue to Rs 2.27 Cr during the quarter (compared to Rs 1.02 Cr). Additionally, the company is forming partnerships with some large pharma players both domestically and internationally.
- **New Customers:** The company received new orders from Vijetha Hospitality, Thennan Enterprises, Byte and Gulp Restaurants, The Connoisseurs, Swadeshi Disha, Thanco Natural Food, Aanchal Cashew, and Narsina Cashew, among others.
- **Guidance/Outlook:** Lower-than-ideal capacity utilisation levels are currently impacting EBITDA margins. However, the company expects EBITDA/Kg to reach close to Rs 38 in Q4FY25, with a target to exceed Rs 40/Kg over the next year as capacity utilisation improves and the contribution from Pharma increases. Volumes are expected to grow at a higher single digit during FY25, with double-digit growth anticipated in FY26. The company expects strong momentum from FY26 onwards, driven by increasing contributions from Pharma and other new products. Management expects to spend Rs 60-65 Cr in capex during FY26.

Key Risks to Our Estimates and TP

- Slower ramp-up or de-growth in customer industries, more specifically at the clients where Mold-Tek is highly concentrated
- Delay in setting up new facilities affecting the ROCE
- Lower volume off-take could have a negative effect on operating leverage

Change in Estimates

	Revised			Old			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	792	982	1,092	798	962	1,069	-1%	2%	2%
EBITDA	138	182	210	144	188	216	-4%	-3%	-3%
PAT	58	88	108	66	95	115	-12%	-8%	-6%
EPS	17.8	27.1	33.4	20.4	29.5	35.6	-12%	-8%	-6%

Source: Company, Axis Securities Research

Q3FY25 Results Review

	Q3FY24	Q2FY25	Q3FY25E Axis Estm	Q3FY25	YoY	QoQ	Axis Variance
Net Sales	165	191	197	191	15.2%	-0.3%	-3.2%
Expenditure							
Net Raw Material	94	108	112	105	10.8%	-3.2%	-6.9%
Gross Profit	71	83	85	86	21.2%	3.5%	1.6%
Gross Margin (%)	42.9	43.5	43.0	45.1	221bps	165bps	214bps
Employee Expenses	12	15	15	16	25.8%	1.6%	6.4%
Other Exp	28	34	33	37	29.4%	7.0%	9.1%
Total Expenditure	135	158	161	157	16.1%	-0.6%	-2.3%
EBITDA	30	34	36	34	11.6%	0.8%	-7.2%
EBITDA Margin (%)	18.3	17.5	18.5	17.7	-58bps	19bps	-76bps
Oth. Inc	0	1	1	0	204.2%	-71.7%	-73.6%
Interest	2	4	3	3	78.4%	-2.4%	3.8%
Depreciation	9	12	11	12	30.6%	3.7%	17.9%
PBT	19	19	23	18	-4.1%	-2.7%	-21.8%
Tax	5	5	6	5	-4.8%	-0.8%	-22.0%
PAT	14	14	17	14	-3.9%	-3.3%	-21.8%
EPS	4.3	4.3	5.3	4.1	-3.9%	-3.3%	-21.8%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Total Sales	730	699	792	982	1,092
Total RM Consumption	436	397	450	555	615
Staff Costs	44	50	62	74	80
Other Expenses	115	119	143	172	188
Total Expenditure	594	565	654	800	882
EBITDA	135	133	138	182	210
Depreciation	30	38	49	56	60
EBIT	105	95	89	126	150
Interest & Finance charges	4	7	14	11	8
Other Income	1	1	2	2	2
EBT (as reported)	103	89	77	117	144
Tax	22	22	19	29	36
PAT	80	67	58	88	108
Other Comprehensive	30	(13)	1	1	1
APAT	111	54	59	89	109
EPS	24	21	18	27	33

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	17	17	17	17	17
Reserves	542	578	628	703	796
Net worth	559	594	644	720	812
Total loans	47	126	161	126	91
Deferred tax liability (Net)	21	23	23	23	23
Long Term Provisions	4	5	5	5	5
Other Long-Term Liability	0	6	6	6	6
Capital Employed	597	677	751	810	887
Net block	366	467	508	502	492
CWIP	17	11	11	11	11
Inventories	85	104	119	148	173
Sundry debtors	123	136	148	188	215
Cash and bank	5	0	27	21	45
Loans and advances	1	1	1	1	1
Other Current Assets	24	31	31	31	31
Total Current assets	239	274	328	391	467
Total Current liabilities	99	143	162	160	150
Net Current assets	141	130	165	231	317
Capital Deployed	597	677	750	810	887

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
PBT	103	89	77	117	144
Depreciation & Amortization	31	39	49	56	60
Finance costs	4	7	14	11	8
Changes in WC	46	(38)	(19)	(53)	(43)
Net Cash Flow from Operations	3	159	79	102	103
(Incr)/ Decr in Gross PP&E	(145)	(141)	(88)	(50)	(50)
Proceeds from the sale of fixed asset	-	-	-	-	-
Cash from Investing Activities (B)	(148)	(143)	(88)	(50)	(50)
(Decr)/Incr in Debt	(4)	(12)	35	(35)	(35)
Payment of finance costs	(4)	(7)	(14)	(11)	(8)
Dividend	(26)	(20)	(9)	(13)	(16)
Cash From Financing Activities (C)	(10)	59	12	(59)	(59)
Incr/(Decr) in Balance Sheet Cash	1	(5)	27	(6)	24
Cash at the Start of the Year	4	5	0	27	21
Cash at the End of the Year	5	0	27	21	45

Source: Company, Axis Securities Research

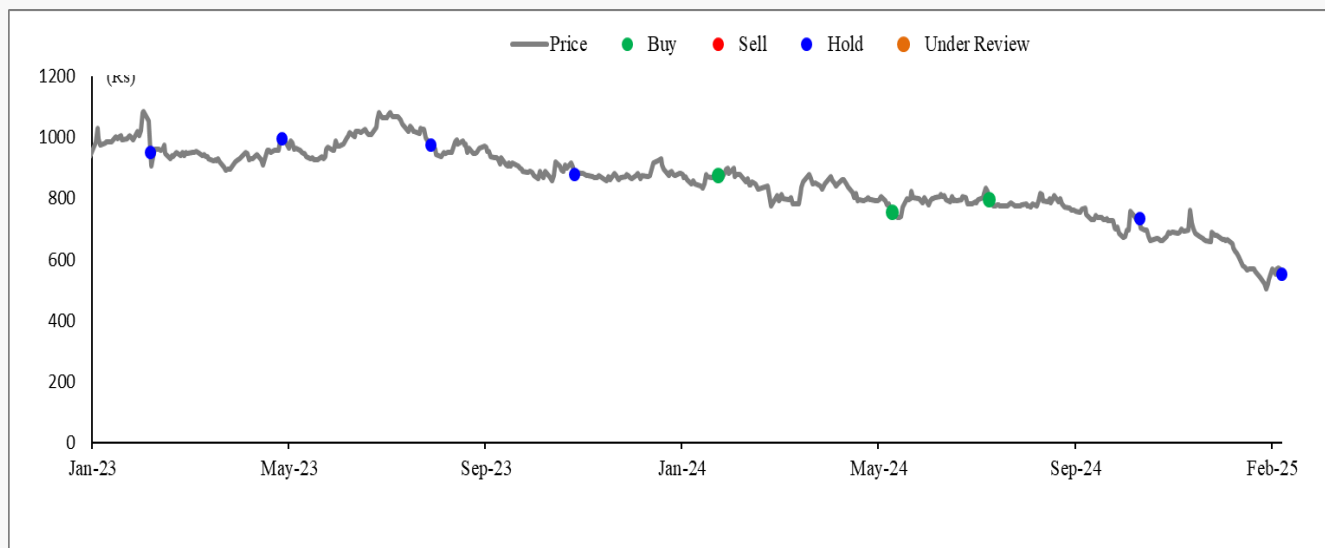
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
Total Sales	15.6%	-4.3%	13.4%	24.0%	11.2%
EBITDA	12.2%	-1.7%	3.5%	31.8%	15.4%
APAT	54.5%	-51.3%	8.7%	51.3%	22.8%
Profitability (%)					
EBITDA Margin	18.6%	19.1%	17.4%	18.5%	19.2%
Net Profit Margin	15.2%	7.7%	7.4%	9.0%	10.0%
ROCE	17.6%	14.0%	11.8%	15.5%	16.9%
ROE	19.8%	9.1%	9.1%	12.3%	13.4%
Per Share Data (Rs)					
EPS	24.4	20.6	17.8	27.1	33.4
BVPS	172.9	178.9	193.9	216.6	244.4
Valuations (x)					
PER (x)	22.9	27.1	31.3	20.6	16.7
P/BV (x)	3.2	3.1	2.9	2.6	2.3
EV/EBITDA (x)	13.6	14.9	14.4	10.8	9.1
Turnover days					
Debtor Days	67	88	63	55	63
Payable Days	26	39	27	25	28

Source: Company, Axis Securities Research

Mold-Tech Pack. Price Chart and Recommendation History



Date	Reco	TP	Research
08-Feb-23	Hold	1,000	Result Update
04-May-23	Hold	990	Result Update
08-Aug-23	Hold	990	Result Update
09-Nov-23	Hold	950	Result Update
12-Feb-24	BUY	1,030	Result Update
03-Jun-24	BUY	928	Result Update
03-Aug-24	BUY	882	Result Update
08-Nov-24	HOLD	785	Result Update
10-Feb-25	HOLD	600	Result Update

Source: Axis Securities Research

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