

Retail Equity Research

Mold-Tek Packaging Ltd.

Packaging

BSE CODE : 533080 NSE CODE: MOLDTKPAC
BLOOMBERG CODE: MTEP:IN SENSEX : 76,457

BUY

12 Months Investment Period Rating as per Small Cap

CMP Rs.795 TARGET Rs.957 RETURN 21% ↑

(Closing: 11-06-24)

KEY CHANGES:

TARGET ↓

RATING ↑

EARNINGS ↓

Growth revival in FY25, Pharma to boost growth...

Mold-Tek Packaging Ltd. (MTEP) is one of the leading manufacturers and suppliers of high quality airtight and pilfer proof containers/pails in India for paints, lubricants, food and FMCG.

- The long-term outlook for MTEP is promising, bolstered by the launch of new products like pharma packaging, strong client acquisition, a healthy balance sheet, and a RoE of 15% (avg. 5 years).
- FY24 revenue declined by 4.3% YoY, led by subdued volume from the largest segment, i.e., paints, and a fall in realization due to softness in RM costs.
- EBITDA/kg was down by 6.2 YoY at Rs. 37.3, while margins improved by 50bps YoY to 19.1%, led by a drop in input prices. Net profit declined by 17.2% YoY.
- The earnings miss for FY24 on account of subdued volumes from the paints segment (~50% of sales) have already factored in stock price (33% correction in the last year).
- We anticipate volume growth of 15.6% CAGR over FY24-26E, with pick-up in volumes from paints and the F&F segment, steady growth in lubes, and traction in pharma packaging.
- We value MTEP at a P/E of 31x on FY26E and upgrade to BUY from Accumulate rating with a target price of Rs.957.

Volume growth to pick-up

In Q4FY24, MTEP's revenue witnessed a 4.3% YoY, as realization fell by 2.4% YoY due to a 11% YoY drop in input costs. Overall volumes from the paints (~50% of sales) declined by 9% in Q4 and 6.8% for full year FY24, further impacted overall growth. Notably, paints were affected by reduced offtake from clients. In F&F segment, faced delays in certain projects, which are expected to see normalisation in FY25. Lubes volumes were flat in Q4 and grew by 3.4% YoY for FY24. Overall, volume grew by 4.8% YoY, led by double digit growth from Qpacks. Looking ahead, expect volume improvement, led by a revival from Asian paints, the commencement of supplies for ABG, and a better off-take from the F&F segment. Management has guided volume growth of 20% for FY25. We expect a gradual revival in volume starting in Q1FY25, from paints and F&F, and the commencement of volumes from the Pharma segment, and we anticipate 15.6% volume growth over FY24-26E. We expect revenue to grow at a 19% CAGR from FY24 to FY26E, primarily led by the F&F, Pharma, and Paints segments.

EBITDA/kg to improve in FY25...

In Q4FY24, EBITDA margins improved by 40bps YoY to 20.1%, while for FY24, margins improved by 60bps YoY to 19.1%, supported by 320bps YoY improvement in gross margins on account of a fall in input prices. EBITDA declined by 2.4% YoY in Q4 and 1.7% YoY in FY24 on account of muted volumes and lower realisation. PAT declined by 24% YoY in Q4 and 17.2% YoY for FY24 on account of higher depreciation, interest costs, and lower other income. EBITDA/kg was down by 2.5% YoY for Q4 and 6.2% on account of a fall in realisation and a weak mix. Considering earnings miss for FY24, we cut our EPS estimates for FY25E by 36%. Going ahead, we expect improvement in volumes starting from Q1FY25, led by healthy demand from the F&F segment, a revival in growth from paints, and a contribution from Pharma products. We expect PAT to grow by a 24% CAGR over FY24-26E.

Valuations

Despite the cut in our EPS estimates, the earning outlook is healthy, with a 24% CAGR over FY24-26E. We value MTEP at a P/E of 31x, on FY26E EPS and upgrade to BUY from Accumulate rating, with a target price of Rs.957.

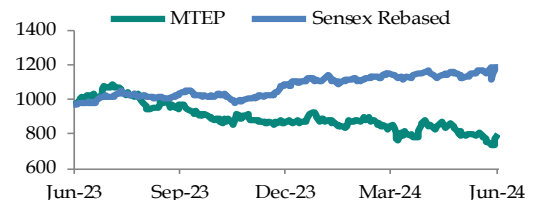
Company Data

Market Cap (cr)	Rs.2,640
Enterprise Value (cr)	Rs.2,772
Outstanding Shares (cr)	2.8
Free Float	67.2%
Dividend Yield	0.75%
52 week high	Rs.1,105
52 week low	Rs.715
6m average volume (cr)	0.01
Beta	0.92
Face value	Rs.5.0

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	33.1	32.9	32.8
FII's	17.8	16.0	14.1
MFs/Institutions	18.5	19.2	22.3
Public	30.0	31.2	30.1
Others	0.7	0.7	0.7
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.9%	-8.8%	-18.0%
Absolute Sensex	3.8%	10.0%	22.1%
Relative Return*	-8.8%	-18.7%	-40.0%

over or under performance to benchmark index*



Standalone (cr)	FY24A	FY25E	FY26E
Sales	699	824	990
Growth (%)	(4.3)	17.9	20.1
EBITDA	133	162	198
EBITDA Margin(%)	19.1	19.7	20.0
PAT Adjusted	67	80	102
Growth (%)	(17.2)	20.8	27.3
Adjusted EPS	20.1	24.3	30.9
Growth (%)	(17.2)	20.8	27.3
P/E	39.6	32.8	25.7
P/B	3.7	3.4	3.0
EV/EBITDA	20.8	17.1	14.0
ROE (%)	11.5	13.0	14.7
D/E	0.2	0.2	0.2

Anil R

Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Sales	177	185	-4.2	165	6.9	699	730	-4.3
EBITDA	36	36	-2.4	30	17.2	133	136	-2.2
EBITDA margin	20.1	19.7	0.4	18.3	1.8	19.0	18.6	0.4
Depreciation	10	8	22.1	9	5.9	38	30	27.4
EBIT	25	28	-9.6	21	22.3	94	106	-10.7
Interest	2	1	65.0	2	12.2	7	4	89.8
Other Income	0	1	-65.7	0	442.4	1	2	-5.1
Exceptional Items	-	-	-	-	-	-	-	-
PBT	24	28	-14.8	19	24.5	89	103	-14.4
Tax	6	4	43.6	5	18.3	22	22	-2.1
Profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	18	24	-24.4	14	26.6	67	81	-17.7
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	18	24	-24.4	14	26.6	67	81	-17.7
No. of Shares	62.5	62.5	-	62.5	-	62.5	62.5	-
EPS (Rs)	5.4	7.2	-24.4	4.3	26.6	20.1	24.5	-17.7

Change in Estimates

Rs. Cr	Old estimates		New estimates		Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,075	-	824	990	(23.3)	-
EBITDA	213	-	162	198	(24.0)	-
Margins (%)	19.8	-	19.7	20.0	(10bps)	-
Adj. PAT	125	-	80	102	(35.6)	-
EPS	37.7	-	24.3	30.9	(35.7)	-

Standalone Financials

Profit & Loss

Y.E March (Rs Cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	631	730	699	824	990
% change	31.9	15.6	-4.3	17.9	20.1
EBITDA	121	135	133	162	198
% change	25.8	12.2	-1.7	21.6	22.3
Depreciation	26	30	38	47	53
EBIT	94	105	95	115	145
Interest	9	4	7	10	11
Other Income	2	1	1	2	3
PBT	87	103	89	107	137
% change	35.1	18.7	-13.7	21.0	27.3
Tax	23	22	22	27	34
Tax Rate (%)	26.4	21.7	24.9	25.0	25.0
Reported PAT	64	80	67	80	102
Adj.*	0	0	0	0	0
Adj. PAT	64	80	67	80	102
% change	35.4	26.3	-17.2	20.8	27.3
No. of shares (cr)	3.1	3.3	3.3	3.3	3.3
Adj EPS (Rs)	20.4	24.2	20.1	24.3	30.9
% change	35.4	26.3	-17.2	20.8	27.3
DPS (Rs)	3.6	7.8	6.0	6.0	6.0
CEPS (Rs)	28.8	33.4	31.6	38.2	46.8

Cash flow statement

Y.E March (Rs Cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	91	111	106	127	156
Non-cash adj.	11	1	11	8	8
Changes in W.C	(100)	46	(38)	(15)	(46)
C.F. Operation	2	159	79	120	117
Capital exp.	(53)	(147)	(135)	(99)	(100)
Change in inv.	0	-	-	15	15
Other invest.CF	1	0	1	2	3
C.F - Investment	(55)	(148)	(143)	(82)	(82)
Issue of equity	138	36	2	-	-
Issue/repay debt	(64)	3	36	-	-
Dividends paid	(11)	(26)	(20)	(20)	(20)
Other finance.CF	(9)	(4)	(7)	(10)	(11)
C.F - Finance	57	(10)	59	(30)	(31)
Chg. in cash	4	1	(5)	8	4
Closing cash	4	5	0	8	12

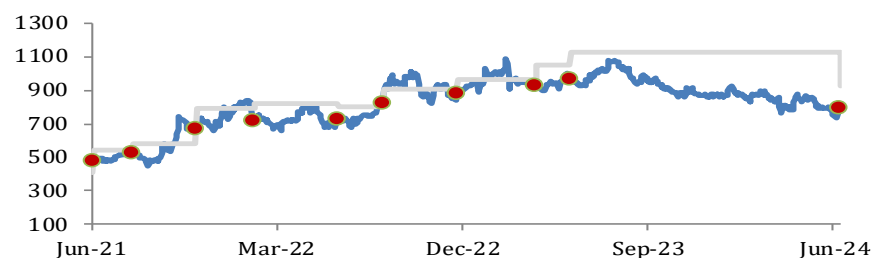
Balance sheet

Y.E March (Rs Cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	4	5	0	8	12
Accounts Receivable	143	123	136	147	176
Inventories	96	85	104	116	140
Other Cur. Assets	38	38	54	63	76
Investments	17	52	39	24	9
Gross Fixed Assets	362	505	644	744	844
Net Fixed Assets	261	373	475	528	575
CWIP	14	17	11	10	10
Intangible Assets	2	3	2	2	2
Def. Tax (Net)	(15)	(21)	(23)	(23)	(23)
Other Assets	(0)	(1)	-	-	-
Total Assets	559	675	797	876	978
Current Liabilities	64	75	63	79	97
Provisions	5	5	8	10	12
Debt Funds	33	36	132	132	132
Other Liabilities	-	-	-	-	-
Equity Capital	16	17	17	17	17
Reserves & Surplus	441	542	578	638	721
Shareholder's Fund	457	559	594	655	737
Total Liabilities	559	675	797	876	978
BVPS	165	202	215	237	266

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	19.1	18.6	19.1	19.7	20.0
EBIT margin (%)	14.9	14.4	13.6	14.0	14.6
Net profit mgn.(%)	10.1	11.0	9.5	9.8	10.3
ROE (%)	17.9	15.8	11.5	12.9	14.7
ROCE (%)	16.8	15.4	11.0	11.6	13.4
W.C & Liquidity					
Receivables (days)	67.4	66.6	67.8	62.6	59.6
Inventory (days)	80.8	75.8	86.8	85.0	82.4
Payables (days)	62.6	58.3	63.4	54.7	56.3
Current ratio (x)	4.1	3.1	4.1	3.8	3.7
Quick ratio (x)	2.3	1.7	2.2	2.0	2.0
Turnover & Leverage					
Gross asset T.O (x)	1.9	1.7	1.2	1.2	1.2
Total asset T.O (x)	1.3	1.2	0.9	1.0	1.1
Int. covge. ratio (x)	10.1	27.2	12.9	11.4	12.9
Adj. debt/equity (x)	0.1	0.1	0.2	0.2	0.2
Valuation					
EV/Sales (x)	3.5	3.7	4.0	3.4	2.8
EV/EBITDA (x)	18.5	19.8	20.8	17.1	14.0
P/E (x)	39.0	32.8	39.6	32.8	25.7
P/BV (x)	4.8	4.0	3.7	3.4	3.0

Recommendation summary (Last 3 Years)



Dates	Rating	Target
20-January-21	Buy	413
03-June-21	Accumulate	547
02-August-21	Accumulate	587
03-November-21	Accumulate	793
31-January-22	Buy	827
31-May-22	Accumulate	799
08-August-22	Accumulate	910
23-November-22	Accumulate	965
21-March-23	Accumulate	1,052
09-May-23	Accumulate	1,131
12-June-24	Buy	957

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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