



**Mold-Tek Packaging posted a decent of results with growth on all fronts and continuing EBITDA per Kg growth to 42.36.**

- **Revenue from operations** came at 1,595.3 Mn (+19.3% QoQ) (+34% YoY)
- **EBITDA** came at Rs 320.26 Mn (+26.9% QoQ) (+24% YoY)
- **EBITDA Margins** were at 20.08% (Vs 18.9% QoQ) (Vs 21.7% YoY)
- **PAT** came at Rs 175.9 Mn (+30.3% QoQ) (+45.6% YoY)

#### Other Details

- **RM cost as percentage to Revenue** came at 59.4% (Vs 58.7% QoQ) (Vs 55.8% YoY)
- **O. Exp as percentage to Revenue** came at 14.7% (Vs 15.8% QoQ) (Vs 16% YoY)
- **Emp Cost as percentage to Revenue** came at 5.9% (Vs 6.7% QoQ) (Vs 4.1% YoY)

#### Outlook

The company has delivered a stronger performance on EBITDA per Kg which is a key metric for absolute growth. Company has raised the guidance (in terms of EBITDA per Kg) for the current year, from 38 – 40Rs per Kg to 40 – 42 Rs per Kg, keeping the RM cost inflation in mind. Volumes were lower than expected but margins wise the results have been maintained. We remain bullish on the stock with many triggers yet to play out.

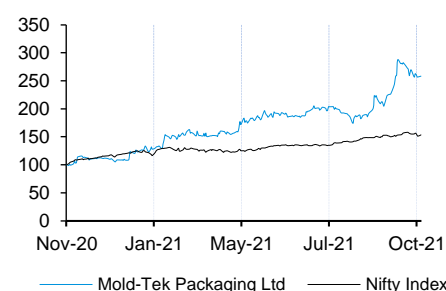
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>689</b>	<b>3</b>

#### Market data

<b>Current price</b>	Rs	<b>669</b>
Market Cap (Rs.Bn)	(Rs Bn)	19
Market Cap (US\$ Mn)	(US\$ Mn)	250
Face Value	Rs	5
52 Weeks High/Low	Rs	784 / 255
Average Daily Volume	('000)	52
BSE Code		533080
Bloomberg		MTEP.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

(%) Share	Sep-21	Jun-21
Promoter	33.7	35.1
Public	66.3	64.9
Total	100	100

Source: Bloomberg

#### Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	3,940.9	4,374.4	4,789.3	6,177.7	7,368.8
EBIDTA	719.5	800.4	959.6	1,215.5	1,564.2
Margins	18.26%	18.30%	20.04%	19.67%	21.23%
Adjusted net profit	310.4	404.2	488.8	640.0	880.3
EPS (Rs)	11.2	14.6	17.5	22.1	27.6
P/E (x)	59.8	46.0	38.3	30.3	24.3
EV/EBITDA (x)	27.0	24.6	20.5	16.8	14.1
RoCE (%)	20.39%	19.97%	20.86%	23.75%	27.39%
RoE (%)	16.29%	20.50%	19.11%	21.83%	22.49%

Source: Company

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## Conference Call Highlights

- **Q2 Volumes:**
  - Paint @ 59% (945 Mn), Lubes @ 19% (307 Mn), Food FMCG Pumps @ 21.5% (345 Mn).
  - Contribution of Paints have gone up YoY from 53% because of high demand from paint companies. This has also led to lower IML contribution because paint companies are in non-IML packaging.
  - IML contribution in value terms at 62.5% (Vs 66% YoY) and 59% in volume (62% YoY)
- **Raw Mat:**
  - RM cost remained rangebound between 90Rs per Kg (in Dec) to 135 per Kg (in Feb). September saw 125Rs per Kg which seems to be the peak. All the RM cost is passed on to the clients (prices defined by RIL on 1<sup>st</sup> of every month) except for certain big clients.

## Segment wise:

- **Paints:**
  - Dominant influence on total sales, contribution increased on back of aggressive demand. Certain Asian Paints capacities running at 95%. Operations at Unnao, UP started in a leased facility, to cater to Kansai Nerolac.
  - Asian Paints yet to start with IML while Berger and Kansai have certain products with IML.
- **Food and FMCG:**
  - Current contribution at 120 Crs (FY21) while the capacity exists worth 3-5K crs. Current IML penetration at 5-10% of market. This should increase keeping products like spices in mind.
  - \*Edible Oil:\* Crude oil price rise has led to Edible Oil clients shifting back to metal containers as packaging costs become laggard. Q2 has lower contribution in Food & FMCG because of Edible Oil but company sees Edible Oil customers coming back in Q3 because of certain festive demand (uptick seen in Sept & Oct).
  - In touch with companies such as Coca Cola, Pepsi and PVR for IML containers.
- **Pumps:**
  - Sanitizer pump demand almost NIL. Company added 2 more clients, apart from the ones mentioned previously. Expect 1 big client to place orders worth 1Mn pumps per month from December and 0.7 Mn per month from the 2 new clients each somewhere in current FY.

- **Capacity ramp-up:**
  - Aggressive capacity ramp up needed to serve demand of Asian Paints.
  - Capacities at Vizag and Mysore were running at 95% utilisation as well as more capacity utilisation was shifted towards demand from Asian Paints (from Hyderabad).
  - Mold-Tek is responsible for 20% of Asian Paints demand (Hitech Corporation is the largest at 40%).
  
- **Capex:**
  - Current year's capex includes 38 crs already incurred plus 15 crs for Asian Paints plant expansion. Next year's base case capex expected to be 65-70 crs (includes 30 crs for IBM). If a couple of trigger deals pass through then the capex will increase to 100 crs.
  
- **New clients:**
  - Bread Basket, Visakha Dairy and The Cake World are some of the new clients.
  
- **Other news:**
  - Top 10 clients contribute to 70% of topline, Asian Paints contributing 40% and the next being HUL contributing 10%. Some other clients in top 10 are Mondelez, Nerolax, Berger and Amul.
  - New packs for butter and readymade foods to be rolled out from January. A few SKUs to be rolled out for certain Ice Cream clients.
  
- **IBM:**
  - More pharma and Nutraceutical companies have become eligible to supply products over the past few years. Packaging remains key input for these companies. Market size worth 2000-3000 Crs and aim to acquire 5-10% market share in a few years.
  - Cross selling of IBM products through existing customers like P&G, Dabur, Emami, HUL possible because of long withstanding relation with them.
  - Productivity & efficiency in process of packaging should be an advantage for Mold-Tek. Discussion with certain pharma companies already ongoing.
  - IBM contribution will be seen FY23 onwards but will be negligible
  
- **Conclusion:**
  - Company is confident of 18-20% volume growth for full year and maintaining 40-42 Rs per Kg EBITDA per Kg. Couple of undisclosed large deals which are still in process could be trigger points for aggressive expansion going forward. Next year's target stands at 20% volume growth. Company still has a long way to go within IML and IBM even after being a leader in IML

## Quarterly Financials

Particulars (Rs mn)	Q2FY22	Q2FY21	growth	Q1FY22	growth
Sales	1,595.32	1,190.60	33.99%	1,337.30	19.29%
Less Excise	-	-		-	
<b>Net Sales</b>	<b>1,595.32</b>	<b>1,190.60</b>	33.99%	<b>1,337.30</b>	19.29%
1. Cost of Materials consumed	928.66	663.55		819.93	
2. Change in inventory of FG & WIP	18.55	0.98		(35.18)	
<b>Total Raw Material Consumed</b>	<b>947.21</b>	<b>664.54</b>	42.54%	<b>784.75</b>	20.70%
<b>% OF OPERATING INCOME</b>	<b>59.37%</b>	<b>55.82%</b>		<b>58.68%</b>	
Employee Expenses	93.50	77.77	20.23%	88.97	5.09%
<b>% OF OPERATING INCOME</b>	<b>5.86%</b>	<b>6.53%</b>		<b>6.65%</b>	
Other Expenses	234.34	189.99	23.34%	211.14	10.99%
<b>% OF OPERATING INCOME</b>	<b>14.69%</b>	<b>15.96%</b>		<b>15.79%</b>	
<b>EBIDTA</b>	<b>320.27</b>	<b>258.31</b>	23.99%	<b>252.44</b>	26.87%
<b>Margins</b>	<b>20.08%</b>	<b>21.70%</b>		<b>18.88%</b>	
O. Inc	2.29	1.97	16.24%	1.16	97.41%
<b>EBITDA (inc. OI)</b>	<b>322.56</b>	<b>260.28</b>	23.93%	<b>253.60</b>	27.19%
Dep	65.29	55.25	18.17%	61.61	5.97%
Fin	27.54	23.59	16.74%	26.47	4.06%
<b>PBT and exceptional items</b>	<b>229.73</b>	<b>181.42</b>	26.63%	<b>165.52</b>	38.79%
Exceptional Items	-	-		-	
<b>PBT</b>	<b>229.73</b>	<b>181.42</b>	26.63%	<b>165.52</b>	38.79%
<b>Margins</b>	<b>14.38%</b>	<b>15.21%</b>		<b>12.37%</b>	
Tax	53.79	46.43	15.87%	44.71	20.32%
<i>Effective Tax Rate</i>	23.42%	25.59%		27.01%	
<b>PAT</b>	<b>175.94</b>	<b>135.00</b>	30.33%	<b>120.81</b>	45.63%
<b>Margins</b>	<b>11.01%</b>	<b>11.32%</b>		<b>9.03%</b>	
<b>Ajdusted PAT</b>	<b>175.94</b>	<b>135.00</b>		<b>120.81</b>	
Equity Share Cap	141.62	138.66		140.65	
EPS	6.21	4.87	27.61%	4.29	44.64%

Source: Dalal & Broacha Reasearch

## Outlook and Valuations

Mold-Tek Packaging has managed to maintain volume growth as well as EBITDA per Kg in a high inflationary environment. Going forward we feel many triggers are yet to play out. We remain bullish on the stock but the stock has rallied in recent times so we change our rating from Buy to Buy on Dips. At 670, the stock trades 24.3x FY23EPS of 27.6. We raise our target price to 689 from our earlier target of 612.

## Financial

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net Operating Income	3,940.9	4,374.4	4,789.3	6,177.7	7,368.8
Raw Materials	2,387.2	2,498.6	2,724.0	3,646.6	4,270.2
Employee Cost	404.5	309.0	326.9	370.7	415.1
Other Expenses	429.6	766.3	778.7	945.0	1,119.3
Total Expenses	3,221.4	3,573.9	3,829.7	4,962.2	5,804.6
<b>Operating Profit</b>	<b>719.5</b>	<b>800.4</b>	<b>959.6</b>	<b>1,215.5</b>	<b>1,564.2</b>
Depreciation	147.4	190.7	214.9	267.9	302.9
PBIT	572.1	609.7	744.7	947.5	1,261.3
Other income	13.4	11.6	6.0	11.0	11.0
Interest	70.8	101.9	99.4	102.9	95.5
Extraordinary Items	115.0	28.6	10.8	-	-
Profit before tax	399.6	490.8	640.5	855.7	1,176.8
Provision for tax	158.6	108.9	159.8	215.6	296.6
<b>Reported PAT</b>	<b>241.0</b>	<b>381.9</b>	<b>480.8</b>	<b>640.0</b>	<b>880.3</b>
Extraordinary Items	115.0	28.6	10.8	-	-
Minority Interest					
<b>Adjusted PAT</b>	<b>310.4</b>	<b>404.2</b>	<b>488.8</b>	<b>640.0</b>	<b>880.3</b>

Source: Dalal & Broacha Research, Company

Growth Ratios (%)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	16.09%	11.00%	9.48%	28.99%	19.28%
Operating Profit	13.35%	11.25%	19.88%	26.66%	28.69%
PAT	-23.94%	58.44%	25.88%	33.13%	37.53%
<b>Per Share (Rs.)</b>					
Net Earnings (Adj. EPS) ( FV 5)	11.2	14.6	17.5	22.1	27.6
Cash Earnings (CPS)	14.0	20.7	24.9	31.4	37.0
Dividend	4.0	5.0	7.0	9.0	9.0
Book Value	68.8	71.1	91.7	101.3	122.5
<b>Valuation Ratios</b>					
P/E(x)	<b>59.8</b>	<b>46.0</b>	<b>38.3</b>	<b>30.3</b>	<b>24.3</b>
P/B(x)	9.7	9.4	7.3	6.6	5.5
EV/EBIDTA(x)	27.0	24.6	20.5	16.8	14.1
Div. Yield(%)	0.60%	0.75%	1.04%	1.34%	1.34%
<b>Return Ratios (%)</b>					
ROE	16.29%	20.50%	19.11%	21.83%	22.49%
ROCE (Excluding Financial Liability)	20.32%	19.90%	20.79%	23.71%	25.69%
ROCE (Excluding Cash & Bank)	20.39%	19.97%	20.86%	23.75%	27.39%
ROA	9.04%	11.15%	11.20%	12.80%	14.95%

Source: Dalal & Broacha Research

Balance Sheet	FY19	FY20	FY21	FY22E	FY23E
Equity capital	138.5	138.6	139.6	144.6	159.7
Reserves	1,767.5	1,832.4	2,418.8	2,786.6	3,754.3
<b>Net worth</b>	<b>1,906.0</b>	<b>1,971.1</b>	<b>2,558.4</b>	<b>2,931.3</b>	<b>3,914.0</b>
Def. Tax Liab.+Minority Int.	130.6	116.1	120.5	120.5	120.5
Longterm Debt	169.0	278.0	201.0	241.7	172.3
Short Term Debt	740.2	814.6	822.5	822.5	822.5
Total debt	909.2	1,092.6	1,023.5	1,064.3	994.8
Other Non current Liabilities	1.7	0.9	0.3	0.3	0.3
<b>CAPITAL EMPLOYED</b>	<b>2,947.5</b>	<b>3,180.7</b>	<b>3,702.6</b>	<b>4,116.3</b>	<b>5,029.5</b>
Gross block	2,350.2	2,778.8	3,308.7	3,801.4	4,292.5
Accumulated depreciation	357.3	546.3	761.2	1,029.1	1,332.0
Net block	1,992.9	2,232.5	2,547.5	2,772.3	2,960.5
Capital WIP	160.4	115.3	113.0	130.6	148.1
<b>Total fixed asset s</b>	<b>2,153.3</b>	<b>2,347.8</b>	<b>2,660.6</b>	<b>2,902.8</b>	<b>3,108.6</b>
Goodwill					
Investments					
Inventories	438.5	500.0	708.2	799.2	935.9
Sundry debtors	663.8	579.9	901.3	1,117.1	1,332.4
Cash & bank	8.8	9.7	12.0	6.0	303.5
Loans & advances	39.1	7.6	3.2	3.5	3.9
Other current assets	116.2	167.9	65.7	160.6	191.6
Sundry creditors	178.9	180.3	322.3	449.6	351.0
O. Current Liabilities	291.0	260.1	320.4	416.8	487.6
Provisions	15.6	5.0	9.1	10.2	11.4
<b>Working capital</b>	<b>780.7</b>	<b>819.6</b>	<b>1,038.5</b>	<b>1,209.9</b>	<b>1,917.4</b>
Current Tax Assets (Net)	13.6	13.2	12.3	12.3	12.3
Current Tax Liabilities (Net)	-	-	8.7	8.7	8.7
<b>CAPITAL DEPLOYED</b>	<b>2,947.5</b>	<b>3,180.7</b>	<b>3,702.6</b>	<b>4,116.3</b>	<b>5,029.5</b>

Source:

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