



STRONG PERFORMANCE; ATTRACTIVE VALUATIONS

Mold-Tek Packaging (MTEP) reported numbers were an all-round beat to our and consensus estimates owing to better than expected traction in demand from its key end-user industry Paints, Lubes and F&F. Net Sales at Rs.161Cr were up 33% YoY (est Rs. 145Cr) as the volume for the quarter rose by 30% to 7982 MT. The average utilization levels for Q4 stood at ~75%. Gross Margins came in at 43% (vs. our estimate of 42.6%) expanding 184 bps on YoY basis, despite a 44% rise in raw material prices. The GMs expansion was on account of favorable product mix and ability to pass on the RM price hike to the customers. EBITDA was up 75% YoY at Rs. 32Cr (estm Rs. 27Cr) driving EBITDA Margin expansion to 32% up by ~272bps YoY versus 18.3% in Q4FY20 despite rise in RMs prices. The healthy EBITDA/kg was driven by 55% rise in F&F sales, improved product mix in favour of IML (65% in value terms), lower other expenses and some inventory gains. PAT came in at Rs.18cr up 106% YoY a 15% outperformance vs our estimate of Rs. 15cr. EBITDA/kg a key metric of profitability improved to Rs. 37/kg, led by increased sales of IML packs and is expected to stay in the range of Rs.37/kg-42/kg, depending upon easing of lockdown. We retain BUY and raise our Target Price to Rs. 585/share (Rs. 415/share earlier) valuing it at 20x PE its FY23E. Further, management guided 15-18% volume growth for FY22 indicating MTEPs leadership position in IML packaging in the industry. Key risk – uncertainty on spread of COVID, sudden spike in RM prices and inability to pass on to customers.

Our Take On Q4FY21 Results Concall

- Healthy Volumes in Q4FY21:** For Q4FY21, 30% YoY volume growth at 7,982MT was reported driven by a robust offtake recovery across segments led by Paints and F&F while Lubes was flattish in sequential basis. For Q4FY21, capacity utilization stood at 75%. Volume in Paints increased by 15% sequentially aided by significant improvement in utilization levels at Mysuru and Vizag plants aided by Asian Paints. F&F volumes grew 55% YoY on the back of a strong demand for packaged food items, traction in ice-cream thin wall pails and new product launches. Lubricant volumes were higher 21% YoY. MTEP has guided to achieve 15-18% positive growth in volumes for FY22. IML/Non-IML value mix was 67%/33% in Q4FY21, while in value terms share of IML/Non-IML was 65.4%/34.6%.
- New Product Innovation:** During Q4FY21, MTEP has seen improving traction to its innovative product - 'QR Code Printed IML' which offers traceability and anti-counterfeit solutions in the supply chain. This product has particularly gained encouraging responses from the MNC Lubricant customers. MTEP also intends to supply superior IML based packaging solution to sweet boxes, adhesive square packsetc. These innovations have widened the technological gap for MTEP versus competition thus maintaining its leadership position in our view.
- Guidance:** For FY22, the company has guided for a 15-18% volume growth and the EBITDA/Kg is to improve to Rs. 42/kg over the next 2 years on the back of increasing IML contribution and innovative product launches.

Key Financials (Consolidated)

(Rs. Cr)	FY20	FY21	FY22E	FY23E
Net Sales	438.2	478.9	628.5	716.6
EBITDA	76.8	94.5	120.0	141.9
Net Profit	34.6	48.8	67.4	82.4
EPS (Rs.)	13.5	17.2	23.9	29.2
PER (x)	36.1	28.4	20.4	16.7
EV/EBITDA (x)	19.0	15.5	12.2	10.0
P/BV (x)	6.9	5.3	4.3	3.6
ROE (%)	17.5%	19.9%	21.5%	21.5%

Source: Company, Axis Research

(CMP as of May 25, 2021)

CMP (Rs)	491
Upside /Downside (%)	19%
High/Low (Rs)	571/161
Market cap (Cr)	1,364.3
Avg. daily vol. (6m) Shrs.	30.571
No. of shares (Cr)	2.77

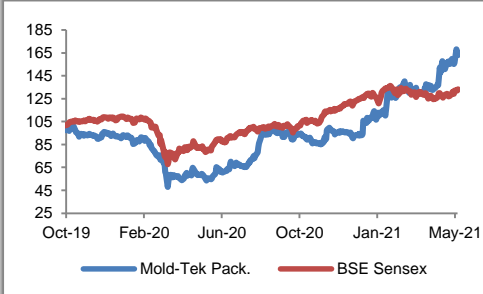
Shareholding (%)

	Sep-20	Dec-20	Mar-21
Promoter	34.8	35.1	35.2
FII's	9.4	9.3	9.1
MFs / UTI	12.2	12.2	13.2
Banks / FI's	0.0	0.1	0.0
Others	43.6	43.4	42.4

Financial & Valuations

Y/E Mar (Rs. Cr)	2022E	2023E	2024E
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Relative performance



Source: Capitaline, Axis Securities

Suvarna Joshi
 Sr. Research Analyst

Call: (022) 4267 1740
 email: suvarna.joshi@axissecurities.in

Darshita Shah
 Research Associate

email: darshita.shah@axissecurities.in

Other Key Concall Takeaways

1. Business Highlights:

- ✓ IML /Non IML breakup: 67 % / 33% in volume terms, in value terms its 65.4%/34.6% resp. in Q4
- ✓ Paints/Lubes/F&F contribution in volume terms stood at 55.5%/21.5%/23% and 61.3%/23%/15.7% in value terms in Q4FY21.

2. All segments have been impacted due to the second wave of COVID resulting in the sales in the May month falling by 15%, however April was as good as Jan and Feb.

3. **Capacity:** In March 2020, MTEP had capacity of 37,000MTPA. This was expanded to 41,500MTPA in FY21 and from FY22E onwards it will have a capacity of 44,500MTPA with additional capacity expansion of 1500MT each at Mysuru and Vizag and 500MTPA at Satara plant for an outlay of Rs. 7-8cr.

4. **New Product Innovations:** Has helped MTEP to maintain its technological edge vs peers and thereby maintain its market leadership in rigid packaging segment.

- ✓ Hinge pack, Sweet packs, Square packs, Adhesive packs are slowly getting traction and will drive growth in the coming years. Demand for new segments for square packs is growing rapidly post COVID given higher preference for hygiene and safety.
- ✓ In Pumps business, MTEP has successfully established and started commercial production and supplies of pumps. In addition to Twist & Lock & Lockdown pumps, the company is now exploring additional range of caps & closures like trigger pumps for shampoos.

5. **Healthy EBITDA/Kg to sustain:** In Q4FY21, EBITDA/kg was Rs. 37/kg despite sharp 39% rise in RM costs. This improvement in profitability was driven by better product mix, economies of scale, new product launches, improving traction in ice-cream pails as demand shows speedy recovery QoQ. Management indicated it does not compromise on margins and thus expects to report sustainable EBITDA/kg in the range of Rs. 37/kg-Rs.42/kg in FY22 depending upon the easing of lockdown. The growth in EBITDA/kg will be seen on the back of innovative product launches, growing acceptance of IML packaging in F&F sector and Paints industry. Key drivers for improved profitability are

- ✓ QR Coded IML Labels for complete traceability and safe guarding brands against duplication and promotions/schemes
- ✓ Entry into higher margin personal/healthcare packaging products like pumps (an import substitution opportunity)
- ✓ Expanding IML product range for F&F which has better EBITDA Margins.

6. **Cautious on RM price volatility:** The price of key RM Poly Propylene increased from Rs. 90/kg to Rs. 125/kg in Q4FY21 hitting a 30 year high. However, the prices are expected to stay below those levels going forward. Management guided for lower RM prices going ahead as plants in Middle East which remained shut are likely to reopen and operate.

7. **Pumps Segment:** The segment has started to pick up as many FMCG companies have started to show interest. It is expected to reach Rs. 20 crore in FY22, doubling in next year to Rs. 40-50 crore and to reach Rs.100 crore in the next 3 years time.

8. The company has been adding 7-8 clients every month in the F&F segment.

Q4FY21 Financial Highlights:

	Quarterly Performance						
	Q4FY21	Q4FY21 Axis Estim	Var (%)	Q4FY20	% Change (Y-o-Y)	Q3FY21	% Change (Q-o-Q)
Net Sales	161.0	145.0	11.1	106.5	51.2	133.5	20.6
Expenditure							
Net Raw Material	91.8			62.7	46.5	76.5	20.1
Gross Profit	69.3	61.7	12.2	43.8	58.0	57.1	21.4
Gross Margin (%)	43.0	42.6	45bps	41.2	184bps	42.7	26bps
Employee Exp	10.3			11.8	(12.6)	14.0	(26.5)
Other Exp	27.0			13.8	95.3	15.4	75.2
Total Expenditure	129.1			88.2		105.8	
EBITDA	32.0	27.4	16.8	18.3	75.2	27.7	15.6
EBITDA Margin (%)	19.9	18.9	98bps	17.1	272bps	20.7	-86bps
Oth. Inc	0.4			0.4	8.7	0.1	203.5
Interest	2.9			2.6	10.6	2.5	15.8
Depreciation	5.8			4.9	20.1	5.3	11.0
PBT	23.7			11.2	112.0	20.1	18.0
Tax	5.6			2.4	132.0	5.1	10.0
PAT	18.0	15.1	19.6	8.7	106.4	14.9	20.8
EPS	6.5	5.5	19.6	3.2	106.4	5.4	21.1

Source: Company; Axis Securities

Valuation & Outlook

The management remains hopeful of scaling back to a positive volume growth trajectory in FY22 despite a sharp decline in volumes in Q1FY21 (impacted by pandemic). This is expected to be driven by the new opportunities presented by COVID of providing customers with quality pumps used in hand sanitizers, there exists a long term opportunity for MTEP to capitalize upon this and also ramp up production at its Paints capacities at Vizag and Mysuru. Further with improved product mix in favor of higher margin IML and value added products, we expect EBITDA/Kg to remain healthy supported by strict cost control measures despite RM price volatility. **We retain BUY with revised TP of Rs.585/share (Rs.415/share) valued at a target multiple of 20x basis FY23E.**

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
Total Net Sales	438.2	478.9	628.5	716.6
Total Raw material Consumption	257.5	272.4	359.5	407.1
Staff costs	50.0	32.9	71.7	81.0
Other Expenditure	53.9	79.1	77.3	86.7
Total Expenditure	361.4	384.4	508.5	574.7
EBITDA	76.8	94.5	120.0	141.9
Depreciation	19.2	21.5	23.0	25.5
EBIT	57.6	73.0	97.1	116.7
Interest	10.4	9.9	9.8	9.3
Other Income	1.2	0.9	1.8	1.8
PBT	48.3	63.9	89.1	109.1
Tax	10.9	16.0	22.4	27.5
APAT	34.6	48.8	67.4	82.4
EPS	13.5	17.2	23.9	29.2

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
Share Capital	13.9	14.0	14.0	14.0
Reserves & Surplus	183.6	242.0	299.3	369.4
Net Worth	197.5	256.0	313.3	383.3
Total Loan funds	106.6	98.9	108.6	103.6
Deferred Tax Liability	11.6	12.0	12.0	12.0
Long Term Provisions	2.6	3.5	3.5	3.5
Other Long Term Liabilities	0.1	0.0	0.0	0.0
Capital Employed	318.4	370.4	437.5	502.5
Net Block	198.4	235.3	282.0	286.8
CWIP	11.5	11.3	11.3	11.3
Inventories	50.0	70.8	77.5	88.4
Sundry Debtors	58.9	90.1	108.5	123.7
Cash & Bank Bal	1.1	0.4	6.6	51.2
Loans and Advances	0.2	0.3	0.3	0.3
Other Current Assets	18.0	7.8	7.8	7.8
Total Current Assets	128.3	170.3	210.5	272.2
Total Current Liabilities	44.9	66.1	76.4	86.8
Net Current Assets	83.4	104.2	125.1	185.5
Capital Deployed	318.4	370.4	437.5	502.5

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
PBT	48.3	63.9	89.1	109.1
Depreciation & Amortization	19.6	21.9	23.0	25.2
Finance Costs	10.4	9.9	9.8	9.3
Chg in Working cap	(4.7)	(12.5)	(14.7)	(15.7)
Cash flow from operations	83.2	57.9	68.4	85.5
(Incr)/Dec in Gross Block	(41.0)	(59.5)	(69.1)	(30.0)
Proceed from sale of fixed assets	10.1	-	-	-
Cash flow from investing	(23.4)	(58.8)	(69.1)	(30.0)
Proceeds / (Repayment) of Debt	7.7	(11.1)	9.8	(5.0)
Finance Cost paid	(10.4)	(9.5)	(9.8)	(9.3)
Dividends paid	0	(8.4)	(10.1)	(12.4)
Cash flow from financing	(34.3)	(9.6)	(10.1)	(26.7)
Chg in cash	0.2	0.1	6.2	44.6
Cash at start	0.2	0.4	0.4	6.6
Cash at end	0.4	0.4	6.6	51.2

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY20	FY21	FY22E	FY23E
Growth (%)				
Net Sales	8.0%	9.3%	31.2%	14.0%
EBITDA	9.2%	23.1%	27.0%	18.2%
APAT	10.2%	40.8%	38.3%	22.2%
Profitability (%)				
EBITDA Margin	17.5%	19.7%	19.1%	19.8%
Adj. PAT Margin	7.9%	10.2%	10.7%	11.5%
ROCE	18.1%	19.7%	22.2%	23.2%
ROE	17.5%	19.0%	21.5%	21.5%
Per Share Data (Rs.)				
Adj. EPS	13.5	17.2	23.9	29.2
BVPS	71.2	91.7	112.2	137.3
Valuations (X)				
PER	36.1	28.4	20.4	16.7
P/BV	6.9	5.3	4.3	3.6
EV / EBITDA	19.0	15.5	12.2	10.0
Turnover Days				
Debtors days	53.8	56.8	57.7	55.3
Creditors days	25.7	33.7	29.2	22.6
Gearing Ratio				
Total Debt to Equity	0.5	0.4	0.3	0.3

Source: Company, Axis Securities

About the analyst**Analyst:** Suvarna Joshi**Contact Details:** suvarna.joshi@axissecurities.in**Sector:** FMCG, Consumption sector, Sp. Chemicals, Mid-Caps**Analyst Bio:** Suvarna Joshi is MBA (Finance) from Mumbai University with about 10 years of experience in Equity market and research.**About the analyst****Analyst:** Darshita Shah**Contact Details:** darshita.shah@axissecurities.in**Sector:** Specialty Chemicals, Mid-Caps**Analyst Bio:** Darshita Shah is CFA Level III candidate and has over a year experience in Equity Market and Research.**Disclosures:**

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