

Retail Equity Research (South India Focus)

Mold-Teck Packaging Ltd

Packaging

BSE CODE : 533080

NSE CODE: MOLDTKPAC

BLOOMBERG CODE: MTEP:IN

SENSEX : 49,398

Buy

12M Investment Period

Rating as per Small Cap

CMP Rs327 TARGET Rs413 RETURN 26% ↑

(Closing: 19-01-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Strong earnings...an attractive prospect

Mold-Tek Packaging Ltd (MTEP), one of leading manufacturers' and suppliers of high quality airtight and pilfer proof containers/pails in India for Paints, Lubricants, Food and FMCG.

- Q3FY21 revenue & profitability grew by 33% & 70% YoY led by strong volume uptick post Covid-19 lockdown.
- Volumes grew by 38% YoY led paints, Lubes and Food & FMCG segment, which indicates revival in demand.
- EBITDA margins expanded by 170bps YoY to 20.8% led by scale benefits and pass through of commodity prices.
- Going ahead, we expect overall demand situation to improve further as consumption spending picks-up and economy revives.
- Introduction of new packaging for home & personal care products, capacity expansion in paints, higher in-mold sales, backward integration and revival in F&F segment will drive earnings.
- We value MTEP at a P/E of 17x as we roll forward to FY23E with a target price of Rs.413 and reiterate to Buy.

Strong volume growth ...

Q3FY21 revenue grew by 33% YoY, led by Paints, Lubes & FMCG segments which grew by 52%, 7.3% and 22% YoY respectively. Revenue growth was supported by strong volumes in Paints—59% YoY, Lubes 10% YoY & F&F 31% YoY on account of pent-up demand and revival in consumption spending. Strong volume growth in Paints segment is largely on account of higher off-take from Mysore and Vizag plants catering to Asian paints. FMCG packaging segment is on a path of revival. Recently, company has entered into high margin personal/health care packaging products. The company has started manufacturing of sweet boxes and pump for personal hygiene products, which is expected to gain momentum from FY22 onwards. Company has received some definitive interest from few FMCG players. MTEP's strong competitive moat (technological edge and customized solutions) is expected to provide long term growth opportunities aided by increasing acceptance of IML in paint & strong growth momentum in F&F segment on account of increased concern over hygiene. The CPAEX for FY21 is Rs.50cr which includes investment for moulds, pumps for sanitizer and other personal hygiene products. Expansion by 1250 tonne in Mysore & Vizag and 3000 tonne in Satara should complete by the end of Q4FY21. We upgrade our revenue estimates by 26% & 10% for FY21E & FY22E. We expect revenue to grow by 20% CAGR over FY21E-23E.

EBITDA margin expands...

Gross margins declined by 110bps YoY to 42.7% on account of delay in pass through of RM cost. EBITDA grew by 44% YoY while margins improved by 170bps YoY to 20.8% on account of cost rationalisation. Profitability grew by 70% YoY to Rs.15cr. Going ahead, we expect a broad based revival in demand across the business segments. While EBITDA margins is expected to be healthy given scale benefits, introduction of better margins products and pass through of higher RM cost. We raise our EBITDA margin estimates by 230bps & 200bps for FY21E & FY22E. Consequently, we upgrade our EPS estimates by 88% & 35% for FY21E & FY22E and we expect PAT to grow by 25% for FY21E-23E.

Valuations

MTEP is expected to capitalize on long term growth opportunities aided by higher volumes from increasing acceptance of IML in paint, strong growth momentum in F&F segment and expansion into high margin products ranges. With ramp-up of volumes from new plants (Mysore & Vizag) and strong clients additions in FMCG segment will aid earning momentum to continue in near future. We value MTEP at 17x as we roll forward to FY23E, with a target price of Rs.413 and reiterate to Buy.

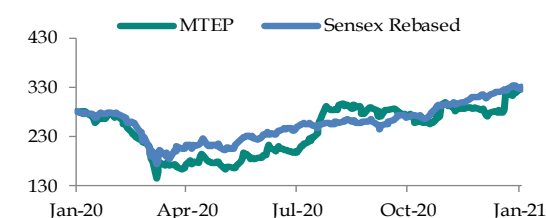
Company Data

Market Cap (cr)	Rs.906
Enterprise Value (cr)	Rs.1011
Outstanding Shares (cr)	2.8
Free Float	65.0%
Dividend Yield	1.5%
52 week high	Rs.349
52 week low	Rs.143
6m average volume (cr)	0.1
Beta	1.2
Face value	Rs.5.0

Shareholding (%)	Q1FY21	Q2FY21	Q3FY21
Promoters	34.8	34.8	35.1
FII's	9.5	9.4	9.3
MFs/Institutions	12.6	12.9	12.8
Public	38.5	38.4	36.4
Others	4.6	4.6	6.4
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	21.9%	51.3%	17.4%
Absolute Sensex	21.3%	29.5%	18.9%
Relative Return*	0.5%	21.8%	-1.6%

over or under performance to benchmark index*



Standalone (cr)	FY21E	FY22E	FY23E
Sales	459	550	658
Growth (%)	4.9	19.8	19.7
EBITDA	89	107	128
EBITDA Margin(%)	19.3	19.5	19.5
PAT Adjusted	43	54	67
Growth (%)	13.2	24.8	24.7
Adjusted EPS	15.6	19.5	24.3
Growth (%)	13.2	24.8	24.7
P/E	21.0	16.8	13.5
P/B	4.0	3.4	2.8
EV/EBITDA	11.4	9.4	7.9
ROE (%)	20.4	21.9	22.9
D/E	0.0	0.0	0.0

Anil R
Research Analyst

Quarterly Financials

Profit & Loss

	Q3FY21	Q3FY20	YoY Growth %	9MFY21	9MFY20	YoY Growth %
Sales	134	101	32.6	318	331	(3.9)
EBITDA	28	19	44.4	63	61	3.5
EBITDA margins	20.8	19.1	+170bps	19.7	18.3	+140bps
Depreciation	5	5	7.1	16	14	10.3
EBIT	23	14	57.2	47	46	1.4
Interest	2	3	(5.7)	7	8	(6.9)
Other Income	-	-	-	0	1	(63.7)
Exceptional Items	-	-	-	-	-	-
PBT	20	11	80.2	40	39	4.5
Tax	5	2	118.5	10	8	22.2
Share of profit from Associate	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Reported PAT	15	9	70.0	30	30	-
Adjustments	-	-	-	-	-	-
Adjusted PAT	15	9	70.0	30	30	-
No. of Shares	2.8	2.8	-	2.8	2.8	-
EPS (Rs)	5.3	3.2	66.2	10.6	10.9	(2.7)

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	363	501	459	550	26.4	9.8
EBITDA	62	88	89	107	43.5	21.6
Margins (%)	17.0	17.5	19.3	19.5	+230bps	+200bps
Adj. PAT	23	40	43	54	87.0	35.0
EPS	8.3	14.4	15.6	19.5	88.0	35.4

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	394	437	459	550	658
% change	16.1	11.0	4.9	19.8	19.7
EBITDA	72	80	89	107	128
% change	13.3	11.3	10.6	21.0	19.7
Depreciation	15	19	22	26	29
EBIT	57	61	67	81	99
Interest	7	10	10	10	10
Other Income	1	1	1	1	1
PBT	51	52	58	72	90
% change	6.0	0.9	10.9	24.8	24.7
Tax	16	11	14	18	22
Tax Rate (%)	30.8	25.0	25.0	25.0	25.0
Reported PAT	24	38	43	54	67
Adj.*	-	-	-	-	-
Adj. PAT	24	38	43	54	67
% change	(23.9)	58.4	13.2	24.8	24.7
No. of shares (cr)	2.8	2.8	2.8	2.8	2.8
Adj EPS (Rs)	8.7	13.8	15.6	19.5	24.3
% change	(24.0)	58.4	13.2	24.8	24.7
DPS (Rs)	4.1	5.0	4.9	4.9	4.9
CEPS (Rs)	14.0	20.7	23.0	28.2	34.1

CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	51	58	65	80	97
Non-cash adj.	(2)	-	9	9	9
Changes in W.C	27	(12)	(8)	(23)	(40)
C.F. Operation	76	45	66	66	66
Capital exp.	(82)	(36)	(39)	(37)	(39)
Change in inv.	11	-	-	-	(2)
Other invest.CF	1	2	1	1	1
C.F - Investment	(71)	(28)	(39)	(36)	(40)
Issue of equity	-	1	-	-	-
Issue/repay debt	15	22	(2)	-	-
Dividends paid	(13)	(30)	(14)	(14)	(14)
Other finance.CF	(7)	(10)	(10)	(10)	(10)
C.F - Finance	(6)	(18)	(25)	(24)	(24)
Chg. in cash	(0.0)	0.1	1.3	6.1	1.6
Closing cash	0.1	0.2	1.8	8.0	9.6

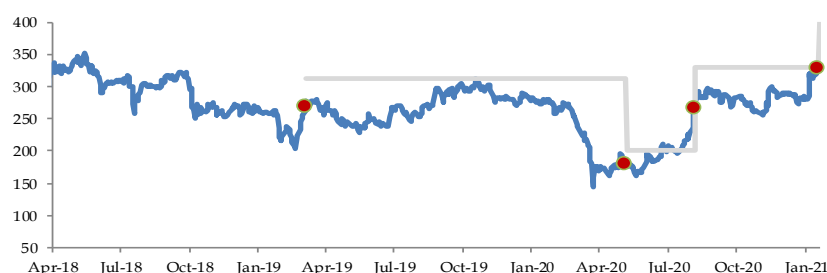
BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	0.1	0	2	8	10
Accounts Receivable	66	58	75	83	103
Inventories	1	50	51	61	73
Other Cur. Assets	24	33	34	48	68
Investments	10	7	7	7	9
Gross Fixed Assets	218	256	296	336	371
Net Fixed Assets	183	202	220	234	240
CWIP	16	12	11	8	12
Intangible Assets	0	1	1	1	1
Def. Tax (Net)	(13)	(12)	(12)	(12)	(12)
Other Assets	-	-	-	-	-
Total Assets	330	351	390	438	504
Current Liabilities	47	44	54	62	73
Provisions	4	3	4	5	6
Debt Funds	89	107	105	105	105
Other Liabilities	-	-	-	-	-
Equity Capital	14	14	14	14	14
Reserves & Surplus	177	183	213	253	306
Shareholder's Fund	191	197	227	267	320
Total Liabilities	330	351	390	438	504
BVPS	69	71	82	96	116

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	18.3	18.3	19.3	19.5	19.5
EBIT margin (%)	14.5	13.9	14.6	14.8	15.0
Net profit mgn.(%)	6.1	8.7	9.4	9.8	10.2
ROE (%)	13.0	19.7	20.4	21.9	22.9
ROCE (%)	10.9	15.8	15.9	17.5	18.8
W.C & Liquidity					
Receivables (days)	68.9	51.9	53.1	52.5	51.5
Inventory (days)	72.1	66.7	70.0	64.7	64.0
Payables (days)	58.4	64.7	67.9	66.9	64.4
Current ratio (x)	2.7	3.1	2.8	3.0	3.2
Quick ratio (x)	1.4	1.3	1.4	1.5	1.5
Turnover & Leverage					
Gross asset T.O (x)	2.2	1.8	1.7	1.7	1.9
Total asset T.O (x)	1.3	1.3	1.2	1.3	1.4
Int. covge. ratio (x)	8.1	6.0	6.9	8.2	9.9
Adj. debt/equity (x)	0.5	0.6	0.5	0.4	0.4
Valuation					
EV/Sales (x)	2.5	2.3	2.2	1.8	1.5
EV/EBITDA (x)	13.8	12.7	11.4	9.4	7.9
P/E (x)	37.6	23.7	21.0	16.8	13.5
P/BV (x)	4.8	4.6	4.0	3.4	2.8

Recommendation summary



Dates	Rating	Target
06-March-19	Buy	312
07-May-20	Accumulate	202
07-August-20	Buy	317
20-January-21	Buy	413

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		-	

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.

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.

Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, Anil R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.



FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein 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. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I Anil R Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padiyattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

