

16 August 2017

Initiating Coverage (BUY)

MOLD-TEK PACKAGING LTD

CMP

INR 276

Target Price

INR 332

Stock Details

Industry	CONTAINER & PACKAGING
Bloomberg Code	MTEP:IN
BSE Code	533080
Face Value (Rs.)	5.00
Market Cap. (Rs. mn)	7617.6
52wk. Low/High (Adjusted) ((Rs.)	162.00/337.00

Shareholding Pattern June '17

Promoter (%)	35.83
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	64.17
No. of Share Outstanding (mn)	27.6

Valuation Summary

	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	07.43	31.72	30.00	28.00
EV/EBITDA (x)	3.87	16.50	14.67	14.67
P/BV (x)	1.28	5.91	5.53	5.54

*TTM for Current Year

Based on Market Price as on 1st Apr is taken for Each FY

Key Financial

Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	2,850	2,757	3,363	3,868
EBITDA	408	465	551	636
Net Profit	169	241	268	328
EPS (Rs.)*	14.4	08.7	09.7	11.9

*Un adjusted

Key Ratios

	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	14.3	16.8	16.3	16.4
EBIT Margin (%)	11.4	13.8	13.5	13.6
Net Pro. Margin (%)	5.9	8.7	7.9	8.5
Debt/Equity (x)	0.09	0.05	0.05	0.04
RoNW (%)	20.1	19.7	19.5	21.1
RoCE (%)	16.0	17.5	17.7	19.2

One Year Price / Volume



We recommend 'BUY' on MOLD-TEK PACKAGING LTD for a target of INR 332 - valuing the company at P/E 28x of FY19E Earning.

INVESTMENT RATIONALE:

- Increasing IML revenue share, demonetization impacted reduced.
- Expanding revenue share in Food & FMCG space.
- Full-scale commercial production at RAK subsidiary & capacity expansion for paint company to drive volume growth.
- Market leader in Pail Packaging.
- Pioneer in InMould Labeling (IML).
- Diversified sector focus to deliver growth.
- Expanding capacities to meet the demand.
- Healthy growth expected in India's packaging industry.
- Asian Paints' plant on track, to contribute from 1QFY19

VALUATIONS AND VIEW:

Mold-Tek Packaging are pioneers in the field of In-Mold label decoration in India. Its position as market leaders in Indian plastic packaging industry is a result of various competitive advantages. The Company is a domestic leader in injection molding with esteemed clientele across the sectors. It specializes in both standard and made-to-order packaging solutions for leading brands. We value the business at 28x FY19E EPS and recommend a BUY rating on the stock with a target price of INR 332 per share.

RISK & CONCERS

- **Financial risks-** It includes foreign currency rate fluctuations, liquidity and leverage.
- **Legal and statutory risks-** It includes contractual liabilities & statutory compliances.
- **Competition risks** - New competitors may enter the markets in which your Company operates.

COMPANY BACKGROUND:

Established in 1986, Mold-Tek Packaging Limited (MTPL) is a two decade old Hyderabad-based leading manufacturer of high quality rigid plastic packaging product with over 25% market share in Lube and Paint packaging segments. The Company is a domestic leader in injection molding with esteemed clientele across the sectors. It specializes in both standard and made-to-order packaging solutions for leading brands in Paints, Lubricants, Pharmaceuticals, Cosmetics, FMCGs, etc. The Company has 6 plants with huge injection molding capacity of around 25000 TPA in 2013. It has 3 stock points spread across India to ensure shorter lead time.

As a pioneer and innovator of pail packaging in India - Mold-Tek has introduced spouts and In-Mold spout concepts for the paint and lube pails. With in-house manufacturing capability in place, we are not dependant on imports. They are pioneers in the field of In-Mold label decoration in India. Its position as market leaders in Indian plastic packaging industry is a result of various competitive advantages.

Products-

- Lube Packaging
- Paint Packaging
- Food Packaging
- Bulk Packaging

INDUSTRY OVERVIEW:

Including packaging machinery, the global packaging industry turned over around USD485bn with packaging container sales of almost USD460bn and machinery sales of around USD25bn. Used in a wide range of industries across food and drink, healthcare, cosmetics and other consumer goods as well as a range of industrial sectors, packaging has become an essential everyday item, with its usage growing broadly in line with the global economy. As such, the health of the packaging industry is linked to that of the world economy as a whole and global trade.

Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Uflex	401	8.2	2,898.5	-	93.1	8.00	1,619.8	7.51	0.78
Varun Beverages	166	20.3	659.0	-	245.6	21.32	1,633.4	(1.63)	5.24
Essel Propack	260	23.2	4,083.0	-	34.3	(8.85)	560.7	6.19	3.80
Time Technoplast	176	26.2	3,971.1	0.29	36.3	13.82	680.6	9.79	3.07
Manaksia	72	4.7	471.0	2.78	18.8	(34.26)	394.4	33.07	0.36
HSIL	351	26.2	2,535.8	-	11.8	(44.45)	480.4	0.19	1.73
Mold-Tek Pack.	277	30.0	8,042.3	1.17	7.0	(3.72)	81.4	15.52	5.91

*TTM

FINANCIAL OVERVIEW

Q2 FY17 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	704.96	832.54	758.89	686.87	912.23	29.40%	32.81%
Other Income	2.95	2.84	1.32	--	4.75		
Total Income	707.91	835.38	760.21	686.87	916.98	29.53%	33.50%
Expenditure	-573.66	-687.07	-631.12	-575.63	-783.71		
As a % of Sales	81.37%	82.53%	83.16%	83.80%	85.91%		
Interest	-2.02	-4.75	-3.6	-4.11	--	#VALUE!	#VALUE!
PBDT	132.12	143.56	125.48	107.14	107.57		
As a % of Sales	18.74%	17.24%	16.53%	15.60%	11.79%		
Depreciation	-22.2	-23.86	-24.58	-25.1	--		
PBT	109.92	119.7	100.9	82.04	107.57	-2.14%	31.12%
As a % of Sales	15.59%	14.38%	13.30%	11.94%	11.79%		
Tax	-37.41	-41.33	-34.7	-26.51	-37.76	0.94%	42.44%
Net Profit	72.51	78.37	66.2	55.53	69.8	-3.74%	25.70%
As a % of Sales	10.29%	9.41%	8.72%	8.08%	7.65%		
Equity	138.46	138.46	138.46	138.46	138.46	0.00%	0.00%
EPS (Rs)	2.62	2.83	2.39	2.01	--	#VALUE!	#VALUE!
CEPS (Rs)	3.42	3.69	3.28	2.91	2.52		
OPM %	19.04	17.81	17.01	16.2	11.79		
NPM %	10.29	9.41	8.72	8.08	7.65		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	1,919	2,551	2,850	2,757	3,363	3,868	4,448
Other Operating Income	3	5	8	7	9	10	12
Expenditure	1,719	2,256	2,451	2,299	2,822	3,241	3,719
EBITDA	203	300	408	465	551	636	741
Depreciation	55	70	82	85	96	108	122
EBIT	148	231	325	380	455	528	619
Interest Expenses	58	84	73	10	49	35	52
PBT	90	147	253	371	406	494	567
Tax	30	48	85	127	138	166	189
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(2)	(8)	1	(3)	-	-	-
Net Income Before Adjustment	58	91	169	241	268	328	378
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
Adjusted PAT	58	91	169	241	268	328	378

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	113	113	138	139	139	139	139
Reserves & surplus	378	412	1,018	1,151	1,316	1,518	1,750
Share Warrants	-	-	-	-	-	-	-
Net worth	491	525	1,157	1,290	1,455	1,656	1,889
Minority Interest	-	-	-	-	-	-	-
Loan Funds	218	195	110	66	68	66	64
Net deferred tax liability	12	44	44	54	54	54	54
Other Long-term Liabilities	2	2	3	3	4	5	5
Long-term Provisions	10	12	13	17	21	24	28
Total Liabilities	734	779	1,328	1,432	1,603	1,807	2,042
Net block	729	745	743	895	1,128	1,340	1,437
Investment, Loan & Adv.	56	60	73	85	61	68	79
Total Current Assets	664	850	877	1,060	1,314	1,387	1,622
Current Liabilities & Provisions	715	879	367	610	900	990	1,099
Net Current Assets	(51)	(28)	510	450	413	396	524
Total Assets	734	779	1,328	1,432	1,603	1,807	2,042

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
Operating Cash Flow	379	165	324	394
Cash Flow from Investments	(243)	(40)	(328)	(229)
Cash Flow from Financing	(138)	(102)	(116)	(149)
Net Changes in Cash	(2)	23	(119)	15
Opening Cash	10	8	31	(88)
Closing Cash Balance	8	31	(88)	(73)

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1.Analyst ownership of the stocks mentioned above	No
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