



MORNING FARSIGHT

Tuesday, October 16, 2018

MOLD TEK PACKAGING

CMP:RS 261

TRGT:RS 310

TIME HORIZON: 1 YEAR

Mold Tek Packaging, leader in manufacturing injection moulded rigid plastic packaging containers for Lubes, Paints, Food and FMCG products, is looking a good buy, due to better FY18 and Q1FY19 numbers, upcoming capacity expansion, market leadership status and quality management, with positive guidance over concall. For FY18, Consolidated PAT growth was at 15% at Rs 27.8 cr against Rs 24.2 cr, leading to an EPS of Rs 10 for FY18. For Q1FY19, company reported PAT of Rs 8.2 cr against Rs 6.84 cr QoQ and Rs 7.1 cr YoY, leading to an EPS of Rs 2.96. Recently, Asian Paints has commissioned new facility at Mysuru with capacity of 6 Lakh KL per annum, which is positive for company. Mold Tek is currently having capacity of 27,000 TPA in India, spread across its 7 plants and is currently setting up 2 new dedicated pail manufacturing plants at Mysuru and Vizag with total capacity of 6,000 TPA, where construction is in progress. Mysuru plant has already commissioned trial production while Vizag plant will commission trial run from December 2018, along with Asian Paints. During FY16, company started setting up a plant at Ras Al Khaimah (RAK) in UAE, with a capacity of 3,000 TPA. RAK operations are improving and it is expected to break even by December 2018, with addition of new products and orders being executed from Q1FY19. Mold-Tek has expanded and added further capacities for supply of "IML Containers" for chocolates "Dairy Milk Lickables" launched last year by 'Mondelez'. Company is also developing various new IML containers for other Food & FMCG Companies. In this year Mold Tek introduced a range of IML containers for ice creams and received excellent response from Vadilal, Lana, Heritage, Scoops and many other brands. Company expects to achieve considerable growth this year from this range of products. Company also considering to start new production unit in North India, to meet demand from that region. The management sounded optimistic about the growth outlook and has given volume guidance of 15%-18% for FY19 and above 20% for FY20, once two new plants go on stream. Robust growth in Food and FMCG (F&F) segment continued to drive both top-line and profitability of the company. Revenue share of F&F has risen from 6% in FY17 to close to 19% in FY18 and could rise to 30% in two years. New launches in the F&F segment like generic containers for ice-cream, candies, ghee and edible oil containers are getting an encouraging response. It is on track to become a decent-sized F&F IML packaging player and with visibility on earnings growth till FY21. Promoters are also holding —36% stake in the company. On an estimated EBITDA of Rs 77cr for FY19 (Rs 64 cr in FY18, Rs 52 cr in FY17), stock is trading at an EV/EBITDA of 9.5x, which though seen on higher side, is seen sustainable in view of market leadership, multiple triggers for revenue growth / margin expansion and high RoE of-20%. In current market, sticking to market leaders (be it small cap or large cap), will eventually pay out handsomely (despite cheap valuations), and hence we are focussing on market leaders from different sectors in our MW sections recently. Share ruling at Rs 261 looks a good buy and can move to Rs 310 in 1. Buy as an investor for given time horizon.

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not constitute to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.