



Farsight

MORNING FARSIGHT

Monday, July 23, 2018

MOLD TEK PACKAGING

CMP:RS 285

TRGT:RS 340

TIME HORIZON: 1 YEAR

Mold Tek Packaging, the leader in manufacturing injection moulded rigid plastic packaging containers for Lubes, Paints, Food and FMCG products, is looking a good buy with stronger FY18, upcoming capacity expansion, market leadership status and top quality management. For FY18, Mold Tek Packaging has reported Consolidated PAT growth of 15% at Rs 27.8 cr against Rs 24.2 cr, leading to an EPS of Rs 10 for FY18. Company is currently having capacity of 27,000 TPA in India, spread across 7 plants and is currently setting up 2 new dedicated pail manufacturing plants at Mysuru and Vizag with total 6,000 TPA capacity, where construction is progressing well and hope to go into trial production by July and December 2018, respectively. During FY16, company started setting up a plant at Ras Al Khaimah (RAK) in the UAE with a capacity of 3,000 TPA. RAK operations are improving and it is expected to break even by August 2018, with addition of new products and orders being executed from 01FY19. Mold-Tek has expanded and added cutler capacities for supply of "IML Containers" for the new brand chocolates 'Dairy Milk Lickables' launched last year by 'Mondelez'. Company is also developing various new MK containers for other leading Food & FMCG Companies. In this year Mold Tek introduced a range of IML containers for ice creams and received excellent response from industry leaders like Vadilal, Lazza, Heritage, Scoops and many other brands. 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' time. New launches in the F&F segment like generic containers for ice-cream, candles, 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 clear visibility on earnings growth till FY21, which should support stock price. Promoters are also holding 86% stake in the company. On an estimated EBITDA of Rs 77 cr for FY19 (Rs 64 crores in FY18, Rs 52 crores in FY17) stock is trading at an EV/EBITDA of 10.2x, is seen quite sustainable in light of market leadership status, multiple triggers for revenue growth / margin expansion and high RoE of 20%. Share ruling at Rs 285 can move to Rs 340 in 1 year. Stock has risen on Friday by about 10% on informed buying seen. Hence, buy as an investor either now or wait at Rs280 levels as a safe buy.

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