

## Mold-Tek Packaging Ltd

September-14

Industry: Containers & Packaging

CMP: 174

Recommendation: Buy/Accumulate

Target Rs: 300 (12 Months)

### Key Data

BSE Code	533080
NSE Code	-
52 Week High (Rs)	177
52 Week Low (Rs)	76
Market Cap (Rs Cr)	196
Face Value	10

### About the Company:

Moldtek Packaging Ltd. (Moldtek) 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.

### Industry Snapshot

Customers	Open
Market Presence	GLOBAL
Govt Regulations	Medium
M-View	Positive

### Investment Rationale:

**Market leader in Pail Packaging:** During last two decades the Company had emerged as leaders in the country for manufacturing and supply of high quality airtight and pilfers proof pails for the Paint, Lubricant, Food, Pharmacy and Cosmetic industries in India. The company has four manufacturing units in Hyderabad and one manufacturing unit at Daman and another manufacturing unit at Hosur catering to the demand across the Indian Market.

**Pioneer in InMould Labeling (IML):** Most of the clients started shifting to IML decorated pails from traditional silk screen printing. As IML offers photographic finish and hands free operation, many paint, lube and food companies are gradually shifting to IML. This enables Mold-Tek to lead from the front, as it is way ahead of the rest of the competition in IML decoration in India. Majority of the clientele are actively considering IML containers. Going forward, this segment is likely to contribute significantly to the top and bottom lines of the Company.

**Diversified sector focus to deliver growth:** We expect steady growth would be derived from underlying strong growth in Packaged Foods, FMCG, Paints and Lubricants industry. In 2014 Paints segment contributed 57% to topline followed by Lube & Oils contributing 36% and remaining from Food, Thinwall & Others.

**Expanding capacities to meet the demand:** In order to meet increasing demand, Company has already taken up an expansion plan with an outlay of Rs 4 Cr to expand the capacity by 50% which is expected to be available from Nov 2014. The Company also plans to set up a manufacturing unit in North India with a capital outlay of Rs 10 crore to cater to some of its major clients and the same shall be operational by April, 2015.

**Healthy growth expected in India's packaging industry:** The Industry has shown CAGR of 15% over the last 3 years and expect to growth in the range of 15-18%.

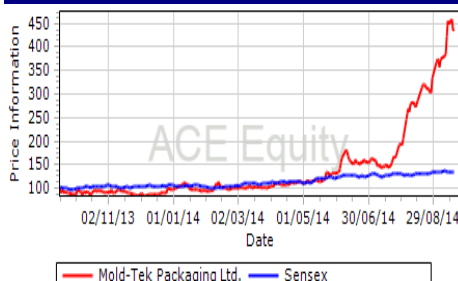
### Shareholding on June 2014

Promoters	42.5%
Foreign	4.5%
DII	0.1%
Public & Others	53.0%

### Promoters/ Management

Mr J Lakshmana Rao	CMD
Mr A Subramanyam	DMD
Mr P Venkateswara Rao	DMD
Mrs. J. Mytraeyi	Non ED

### Price Charts



### Mview

Considering the overall rationales, we believe Moldtek stands out to be the leading player to capture the rising demand of rigid plastic usages in the organised retail space. High replacement market and better utilization of assets gives a good investment opportunity for healthy returns. At the CMP, the stock is trading at a PE(x) valuation 11x FY15EPS of Rs 15.1 and 8x FY16EPS of 21.3. Hence, we recommend to "Accumulate/Buy" with a target price of Rs 280-300 with medium term investment horizon.

### Financial Performance (Rs.Cr)

	FY2013	FY2014	FY2015E	FY2016E	FY2017E
<b>Net Sales</b>	192	255	315	410	500
EBITDA	20	30	43	56	73
<b>EBITDA margin (%)</b>	10.6%	11.6%	13.5%	13.8%	14.5%
Net Profit	6	9	17	24	32
<b>PAT Margins (%)</b>	3.1%	3.6%	5.4%	5.9%	6.5%
EPS	5.3	8.2	15.1	21.3	28.8

### AVP Research

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