

Hyderabad Plant Visit & Management Meet Update

We recently visited Mold-Tek Packaging's plants (Unit 1 and Unit 10) in Hyderabad and interacted with the management. Unit 1 is the company's oldest facility, housing an in-house tool room and producing food and Q-pack products. Unit 10 primarily focuses on pharma products alongside food packaging. Mold-Tek is the first company in India to introduce the "In-Mold Labeling (IML)" concept for decorating plastic containers with superior output.

The management shared insights into the company's ongoing expansion, cost-saving initiatives, and near- to medium-term growth plans. Commercial supplies in the pharma packaging segment have already commenced, and the company expects a significant uptick in pharma revenue during the quarter, which stood at Rs 2 Cr in Q3FY25.

Key Takeaways

- **Expanding Printing Capacity:** To cater to rising demand, the company is expanding its IML printing capacity by 40% in Q4FY25. Previously, bottlenecks in IML printing had impacted deliveries to F&F and paint customers. With the installation of new, advanced printing machines, the company is expected to enhance overall utilisation and streamline operations.
- **Pioneer in the field of IML technology in India:** IML offers photographic-quality decoration with fully automated and hygienic container production. During our visit, we observed Unit 10 operating at full capacity, demonstrating high accuracy and speed in its processes.
- **In-house Tool Room:** Mold-Tek is the only packaging company in India that designs and manufactures injection moulds and custom robots for IML decoration while also producing IML labels in-house. These capabilities enhance packaging aesthetics and functionality and ensure consistent quality. As a high-margin product category, IML contributed 73% (6,787 MT) of total volumes in Q3FY25. The ability to build and modify moulds internally also reduces turnaround time, giving the company a competitive edge over its peers.
- **Expanding Export Markets:** The company's exports are gaining momentum, with sales over the past nine months doubling YoY. This growth has been driven by lubricant pail exports to Total and Gulf in the Middle East, along with rising demand from the dosa batter, restaurant, food, and EV tube/canister segments, including the USA. Additionally, pharma canister exports have commenced with a significant US order, presenting strong growth potential, with volumes expected to increase nearly 4-5 times by FY26.
- **Paint Packaging Expansion:** Mold-Tek has invested Rs 10 Cr in a new plant and machinery over the last few months for capacities dedicated to Aditya Birla Group's (ABG) paint business, with an additional Rs 5 Cr planned for future investments. This expansion aims to increase overall plant capacity at Cheyyar, Panipat, and Mahad from 6,000 MTA to 10,000 MTA. In Q3, the paint segment recorded 16.5% YoY volume growth, primarily driven by higher offtake from ABG. However, Asian Paints has seen subdued growth and is redistributing volumes among vendors based on pricing, leading to a 10% YoY decline in volumes from them. The company expects stronger momentum in Q4FY25 in the paint business and anticipates 15-20% growth from ABG in the next year.
- **Food & FMCG Segment:** The management is witnessing increased competition from small players in the ice cream and dairy segments, leading to subdued growth in F&F. It acknowledges that such competition is likely to persist in this segment and is focusing on cost control and improving capacity utilisation to remain competitive.
- **Pharma Segment to be a Key Growth Driver:** Growing Market Opportunities: Management highlighted that the rising demand for pharma packaging presents a strong growth opportunity for Mold-Tek's expansion into this large sector. With the new US government imposing duties on China, export opportunities to neighboring countries are expected to increase. The management is witnessing growing interest from clients in tablet containers, EVT tubes, canisters, and CT/CRC caps for the pharmaceutical segment. The company introduced over 12 new bottle SKUs, along with two sizes in child-resistant packaging and two sizes in EV tubes based on confirmed orders. Increased business from these key customers is expected to contribute significantly to revenue growth.
- The current capacity in the pharma segment stands at around 1,800 MT, with a utilisation rate of 40%. With more contracts confirmed, Mold-Tek is expanding capacity through strong partnerships, and management plans to double production capacity in the next financial year. Mold-Tek's canisters feature a single-piece construction with laser marking, ensuring NMDA regulatory compliance. This design eliminates the risk of hazardous nitrous amines in drugs.
- **Guidance/Outlook:** EBITDA/Kg for Q3FY25 stood at Rs 37/Kg, remaining below the company's targeted levels. However, the company expects to reach EBITDA/Kg of Rs 38 by the end of FY25. Management expects the pharma division to generate Rs 7-8 Cr in revenue for FY25, with a significant increase to Rs 35 Cr in FY26 (the long-term target is Rs 60-65 Cr). The pharma products generate significantly higher margins, and the increasing contribution from this segment is likely to drive overall profitability in the near to medium term. Non-pharma volumes are also expected to improve with the addition of printing capacity, and the management has previously guided higher single-digit volume growth in FY25, with double-digit growth anticipated in FY26.

Valuation & Recommendation

We continue to value the stock at 18x FY27E earnings and maintain our target price of Rs 600/share. This implies an upside of 30% from the current market price (CMP), with an attractive valuation post the recent price correction. **Accordingly, we upgrade our rating from HOLD to BUY.**

Key Financials (Consolidated)

(Rs Cr)	Net Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	699	133.2	54.0	20.6	22.4	12.4	9.1%	14.0%
FY25E	792	137.8	58.6	17.8	25.8	12.1	9.1%	11.8%
FY26E	982	181.7	88.7	27.1	17.0	9.0	12.3%	15.5%
FY27E	1,092	209.6	109.0	33.4	13.8	7.5	13.4%	16.9%

Source: Company, Axis Securities Research

(CMP as of 10th March 2025)

CMP (Rs)	461
Upside /Downside (%)	30%
High/Low (Rs)	886/423
Market cap (Cr)	1,533
Avg. daily vol. (1m) Shrs.	69,603
No. of shares (Cr)	3.32

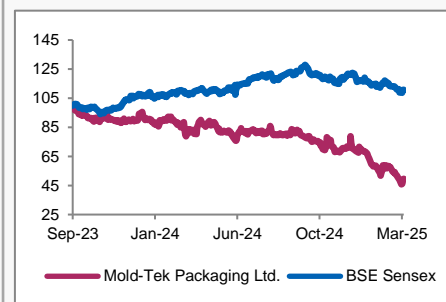
Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	32.8	32.7	32.9
FIIIs	14.4	13.1	12.2
DIIIs	22.7	23.7	22.0
Retail	30	30.5	32.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	699	792	982
EBITDA	133	138	182
Net Profit	67	58	88
EPS (Rs)	20.6	17.8	27.1
PER (x)	22.4	25.8	17.0
P/BV (x)	2.6	2.4	2.1
EV/EBITDA (x)	12.4	12.1	9.0
ROE (%)	9.1%	9.1%	12.3%

Relative Performance



Source: Ace Equity, Axis Securities Research

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Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Total Sales	730	699	792	982	1,092
Total RM Consumption	436	397	450	555	615
Staff Costs	44	50	62	74	80
Other Expenses	115	119	143	172	188
Total Expenditure	594	565	654	800	882
EBITDA	135	133	138	182	210
Depreciation	30	38	49	56	60
EBIT	105	95	89	126	150
Interest & Finance charges	4	7	14	11	8
Other Income	1	1	2	2	2
EBT (as reported)	103	89	77	117	144
Tax	22	22	19	29	36
PAT	80	67	58	88	108
Other Comprehensive	30	(13)	1	1	1
APAT	111	54	59	89	109
EPS	24	21	18	27	33

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	17	17	17	17	17
Reserves	542	578	628	703	796
Net worth	559	594	644	720	812
Total loans	47	126	161	126	91
Deferred tax liability (Net)	21	23	23	23	23
Long Term Provisions	4	5	5	5	5
Other Long-Term Liability	0	6	6	6	6
Capital Employed	597	677	751	810	887
Net block	366	467	508	502	492
CWIP	17	11	11	11	11
Inventories	85	104	119	148	173
Sundry debtors	123	136	148	188	215
Cash and bank	5	0	27	21	45
Loans and advances	1	1	1	1	1
Other Current Assets	24	31	31	31	31
Total Current assets	239	274	328	391	467
Total Current liabilities	99	143	162	160	150
Net Current assets	141	130	165	231	317
Capital Deployed	597	677	750	810	887

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
PBT	103	89	77	117	144
Depreciation & Amortization	31	39	49	56	60
Finance costs	4	7	14	11	8
Changes in WC	46	(38)	(19)	(53)	(43)
Net Cash Flow from Operations	3	159	79	102	103
(Incr)/ Decr in Gross PP&E	(145)	(141)	(88)	(50)	(50)
Proceeds from the sale of fixed asset	-	-	-	-	-
Cash from Investing Activities (B)	(148)	(143)	(88)	(50)	(50)
(Decr)/Incr in Debt	(4)	(12)	35	(35)	(35)
Payment of finance costs	(4)	(7)	(14)	(11)	(8)
Dividend	(26)	(20)	(9)	(13)	(16)
Cash From Financing Activities (C)	(10)	59	12	(59)	(59)
Incr/(Decr) in Balance Sheet Cash	1	(5)	27	(6)	24
Cash at the Start of the Year	4	5	0	27	21
Cash at the End of the Year	5	0	27	21	45

Source: Company, Axis Securities Research

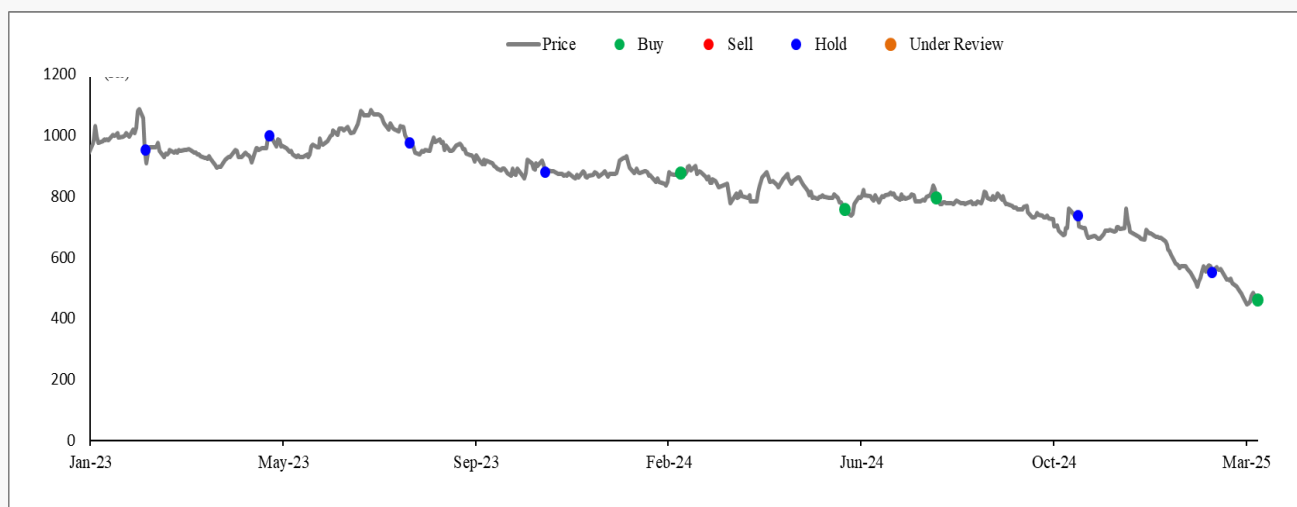
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
Total Sales	15.6%	-4.3%	13.4%	24.0%	11.2%
EBITDA	12.2%	-1.7%	3.5%	31.8%	15.4%
APAT	54.5%	-51.3%	8.7%	51.3%	22.8%
Profitability (%)					
EBITDA Margin	18.6%	19.1%	17.4%	18.5%	19.2%
Net Profit Margin	15.2%	7.7%	7.4%	9.0%	10.0%
ROCE	17.6%	14.0%	11.8%	15.5%	16.9%
ROE	19.8%	9.1%	9.1%	12.3%	13.4%
Per Share Data (Rs)					
EPS	24.4	20.6	17.8	27.1	33.4
BVPS	172.9	178.9	193.9	216.6	244.4
Valuations (x)					
PER (x)	22.9	27.1	25.8	17.0	13.8
P/BV (x)	3.2	3.1	2.4	2.1	1.9
EV/EBITDA (x)	13.6	14.9	12.1	9.0	7.5
Turnover days					
Debtor Days	67	88	63	55	63
Payable Days	26	39	27	25	28

Source: Company, Axis Securities Research

Mold-Tek Pack. Price Chart and Recommendation History



Date	Reco	TP	Research
08-Feb-23	Hold	1,000	Result Update
04-May-23	Hold	990	Result Update
08-Aug-23	Hold	990	Result Update
09-Nov-23	Hold	950	Result Update
12-Feb-24	BUY	1,030	Result Update
03-Jun-24	BUY	928	Result Update
03-Aug-24	BUY	882	Result Update
08-Nov-24	HOLD	785	Result Update
10-Feb-25	HOLD	600	Result Update
11-Mar-25	BUY	600	Company Update

Source: Axis Securities Research

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