

Pick of the Week

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- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)	Target Price *	Potential Upside (%)	Reco
Mold-Tek Packaging	831	300	351	17%	BUY

* Note: Investment horizon Approx. 6-9 months., CMP as on 01st Nov, 2019.

Mold-Tek Packaging

Investment Rationale

- ❑ **IML key growth driver:** IML volumes/value contribution in Q2FY20 stood at 61%/65% resp. IML's healthy rise in volume/value contribution is led by robust F&F segment growth of 41%/55% YoY in both volume/value terms. F&F growth was driven by q-packs for Edible Oil packaging. Besides, growth from 2 new plants of Asian Paints at Vizag and Mysuru also contributed to growth in volume share. Management continues to maintain its guidance of 15-20% volume growth in FY20/FY21. We maintain our volume growth forecast at 14%/17% for FY20/21E given 1) utilization ramp up at its new plants; 2) strong visibility in edible oil packs and F&F segment; 3) new client additions; 4) cost rationalization measures; 5) capacity addition.
- ❑ **Strong guidance for FY20:** EBITDA improved, aided by better product mix and benign RM prices. During Q2FY20, EBITDA Margin at 17.8% was up 127bps YoY aided by 231bps GM expansion led by benign RM prices and 23% revenue contribution from higher margin F&F products. Resultantly EBITDA/kg also improved to Rs. 32.8/kg as compared to Rs. 31.5/kg in Q2FY19. We expect MTEP to report EBITDA/kg of Rs. 34.2 by FY21E (Rs. 32.6 in FY19). Management maintained its EBITDA/kg guidance of Rs. 34-34.5/kg for FY20E.
- ❑ **Outlook :** We expect F&F segment (generic pails, thin wall containers, small retail square ghee & edible oil packs) and Asian Paints oriented Mysuru and Vizag plants to be key growth triggers for MTEPs earnings delivery over FY19-21E. In view of this we believe MTEP to deliver a 15% Net Revenue CAGR over FY19-21E aided by 15% volume CAGR; further transitioning to a lower corporate tax rate of 25% shall drive 29% PAT CAGR over FY19-21E. Our confidence stems from the encouraging demand outlook for Edible Oil Packaging, F&F segment and also from Paints segment which too is expected to aid overall business growth for MTEP.
- ❑ We maintain a BUY with a target price of Rs. 351

Financial Summary

Y/E	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)
March								
FY19	406	70	32	11.3	13	27.7	16.4	17.5
FY20E	477	83	44	16.5	45	18.1	20.4	19.0
FY21E	534	95	53	19.2	19	15.3	20.7	20.4

Source: Axis Securities, Consensus Estimates

MARKET DATA

No. of Shares	: 2.76 cr
Market Cap	: Rs 831 Cr
52-week High / Low	: Rs 322/202
BSE Code	: 533080
NSE Code	: MOLDKPAC

CMP (Rs)	Target (Rs)
300	351

Performance

No of Stocks Matrix

<i>No of Stocks</i>	9m	15m
Met Target	21	33
Not Met Target	17	31

Performance Matrix

<i>% Return</i>	9m	15m
Met Target	12.52	12.04
Not Met Target	(6.80)	(15.66)

Benchmark Performance Matrix

<i>% Return</i>	9m	15m
Met Target	1.00	2.39
Not Met Target	4.11	5.62

Note : Performance of the pick of the week is calculated for stocks recommended from Feb-19 to Oct-19 for 9 Months and from Aug-18 to Oct-19 for 15 Months.

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