High Conviction Report

KEYNOTE

Mold-Tek Packaging Ltd.

13th November 2024

Driving growth through expansion and diversification

Mold-Tek Packaging Limited (MTPL) is a leading Indian manufacturer of rigid plastic packaging, specializing in injection-molded decorative containers. MTPL pioneered the use of plastic pails for paint and lubricant packaging in India, with these segments contributing 48% and 26% of its total volume in FY24, respectively. In 2011, MTPL introduced In-Mold Labeling (IML) technology to India, enabling its expansion into the Food and FMCG (F&F) packaging segment, which now accounts for 26% of its total volume in FY24. It is the only Indian packaging Company that manufactures its own molds, IML labels, and production robots, providing a significant cost advantage. As of FY24, MTPL operates 13 integrated manufacturing units across India with a combined molding capacity of ~54,600 MTPA. Additionally, MTPL entered the pharmaceutical packaging sector, with commercial production beginning in Q4FY24. Additional capacity and venture into new segments are expected to boost sales and profitability of the Company.

Levers for double-digit growth in exisiting segments

MTPL expanded its pail manufacturing capacity by adding co-located units at three of Grasim Industries' five paint plants. In Q4FY24, the Company commercialized ~4,000 MTPA of pail manufacturing capacity, with plans to add an additional 1,500 MTPA by the end of FY25. Additionally, MTPL expanded into Northern India by establishing a new F&F packaging plant in Panipat. This expansion, coupled with broader product applications and the ongoing shift of clients toward IML packaging, is expected to drive significant volume growth and improve profitability.

Venturing into pharmaceutical packaging

In Q4FY24, MTPL launched a ~1,500 MTPA pharmaceutical packaging facility at its Sultanpur plant in Telangana. Leveraging its expertise in In-Blow Molding (IBM) and IML, the Company aims to expand into pharmaceutical packaging by manufacturing products such as tablet & powder packs, effervescent tubes, and specialized caps. This sector, with its stringent regulations and high standards, offers significant opportunities to boost profitability.

View & Valuation

We believe that the Company's recent capacity expansion and its entry into pharmaceutical packaging will support sustainable volume growth. A rising share of value-added products (IML, F&F, Pharmaceuticals) is also expected to boost profitability. Additionally, favorable macro trends in the paint industry, rising domestic consumption, and advancements in packaging standards post-COVID will further support the Company's growth and expansion. As a result, we anticipate a modest improvement in EBITDA per KG, from ~Rs. 37 per KG in FY24 to Rs. ~Rs. 41 per KG in FY27, driven by better product mix and operating leverage. Consequently, we initiate coverage on MTPL with a BUY rating, assigning a PE multiple of ~35 times to reach a target share price of ~Rs. 1,047, indicating an upside of ~54%.

BUY

CMP Rs. 679

TARGET Rs. 1,047 (+54%)

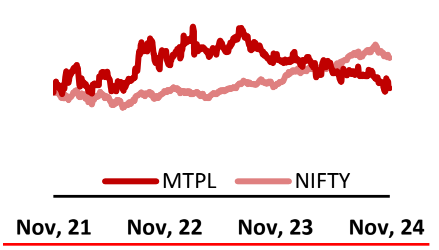
Company Data

Bloomberg Code	MTEP IN
MCAP (Rs. Mn)	22,612
O/S Shares (Mn)	33
52w High/Low	940/670
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	44

Shareholding Pattern %

	Sept 24	Jun 24	Mar 24
Promoters	32.7	32.8	32.8
FIIs	13.1	14.4	14.1
DIIs	23.7	22.7	22.2
Non-Institutional	30.6	30.0	30.9

MTPL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY24	FY25E	FY26E
Revenue	7.0	7.7	9.0
EBITDA	1.3	1.4	1.7
Net Profit	0.7	0.6	0.8
Total Assets	8.4	8.9	9.6
ROCE (%)	12%	10%	11%
ROE (%)	12%	10%	12%

Source: Company, Keynote Capitals Ltd.

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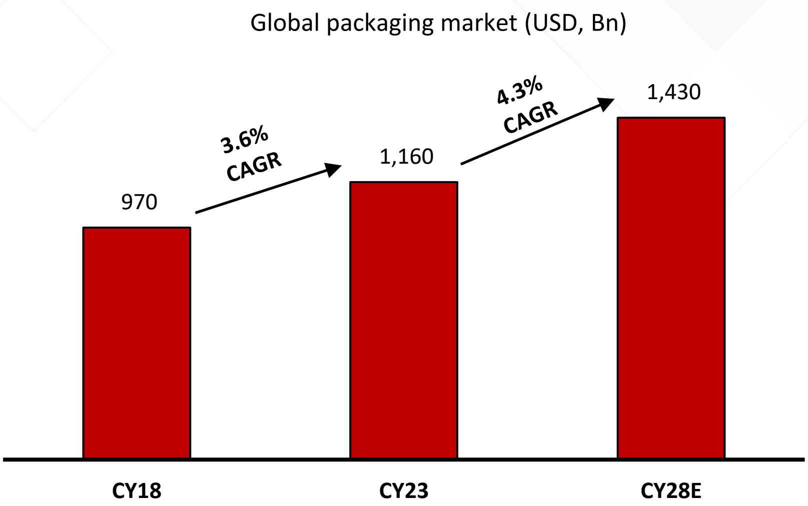
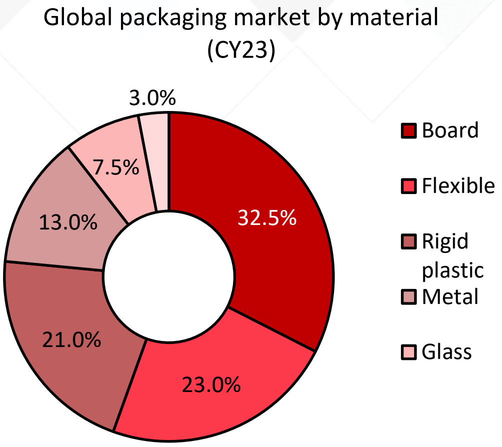
Global packaging industry

The packaging industry is crucial to the global economy, ensuring the protection, transportation, and presentation of a wide array of products across different materials and applications. In CY23, it was valued at $1,160 Bn and is projected to grow at a CAGR of 4.3%, reaching $1,430 Bn by CY28.

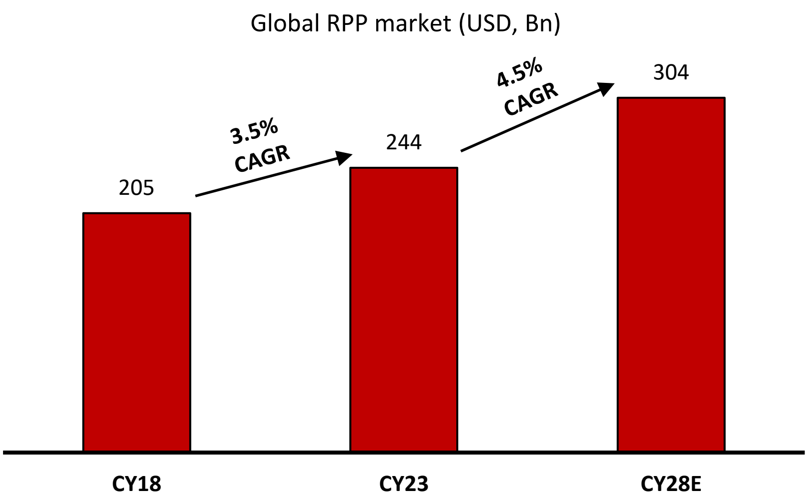




Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

Global Rigid Plastic Packaging (RPP) industry

RPP is made from durable materials like PolyEthylene Terephthalate (PET) and High-Density PolyEthylene (HDPE), offering strong protection and clarity. Common products, such as water bottles and buckets, are created through injection and blow molding processes. Rigid plastics are essential across industries, including food and beverage, personal care, alcoholic beverages, e-commerce, pharmaceuticals, and agro-chemicals, underscoring their versatility in modern packaging.

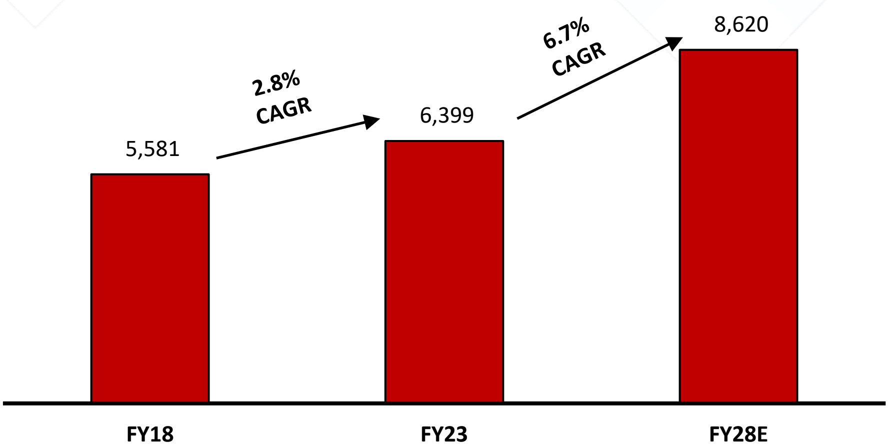


Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

Indian packaging industry

The Indian packaging industry was valued at Rs. 6,399 Bn in FY23 and is projected to grow at a 6.7% CAGR to reach Rs. 8,620 Bn by FY28. This growth will be driven by the country's expanding consumer base and industrial development, along with rising demand for processed and packaged goods, a thriving e-commerce sector, and government initiatives supporting organized retail and food safety. These factors are collectively driving the demand for high-quality, standardized packaging solutions.

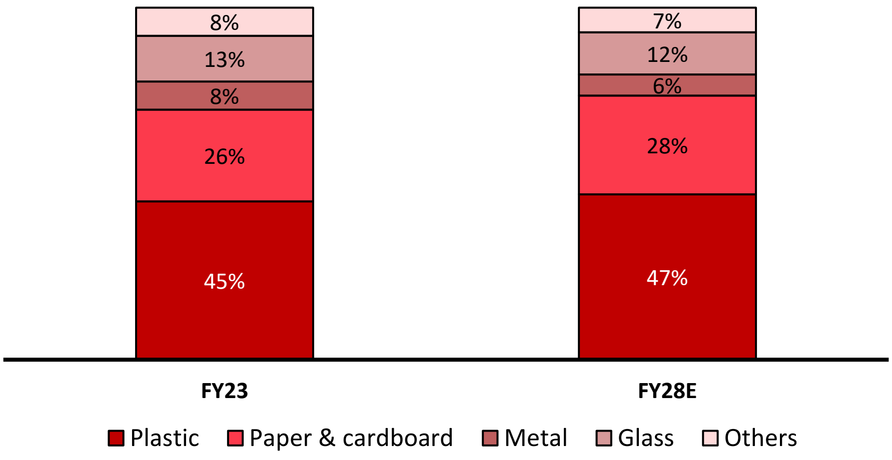
Indian packaging market (Rs, Bn)



Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

The packaging industry utilizes various materials, including paperboard, metal, plastic, wood, and glass. Among these, plastic packaging is rapidly gaining prominence due to its advantageous cost-to-performance ratio, increasingly replacing traditional materials across many applications.

Indian packaging market by marterial



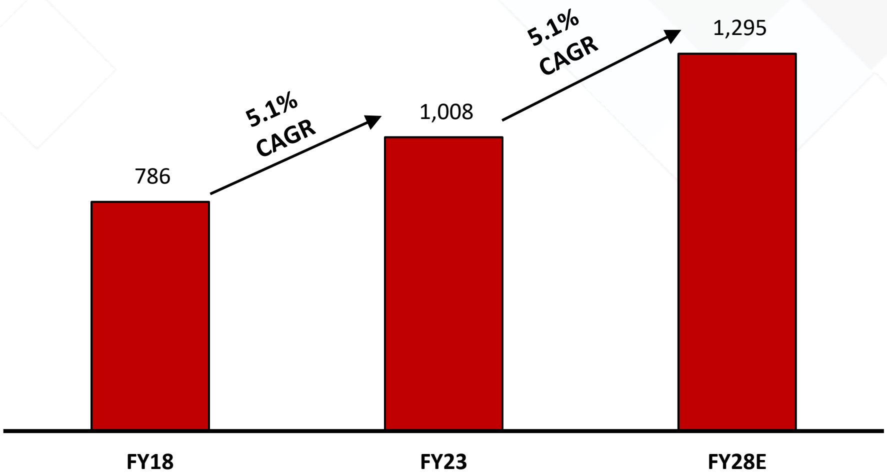
Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

In India, plastic packaging dominates the market, comprising two primary forms: flexible and rigid. As of FY23, rigid plastic represents 35% of the Indian plastic packaging market, produced through methods such as blow molding, injection molding, roto molding, and extrusion, while flexible plastic accounts for the remaining 65%.

Indian RPP industry

In FY23, the Indian RPP market represented a significant 35% of the overall plastic packaging market, valued at Rs. 1,008 Bn. The Indian RPP sector is expected to grow at a CAGR of 5.1%, reaching an estimated market size of Rs. 1,295 Bn by FY28.

Indian rigid plastic packaging (Rs. Bn)



Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

The RPP sector comprises two key segments: Consumer and Industrial. In FY23, the consumer segment dominated the market, making up 70% of the total. It focuses on visually appealing containers, tubs, and bottles that attract consumer attention at the point of sale, serving industries like food and beverage, personal care, household products, and pharmaceuticals.

Conversely, the industrial segment, while smaller, is vital for operational purposes. It includes durable solutions like drums and stackable bins, designed for the secure transport and storage of bulk materials in the supply chain.

Major contributing industries as customers

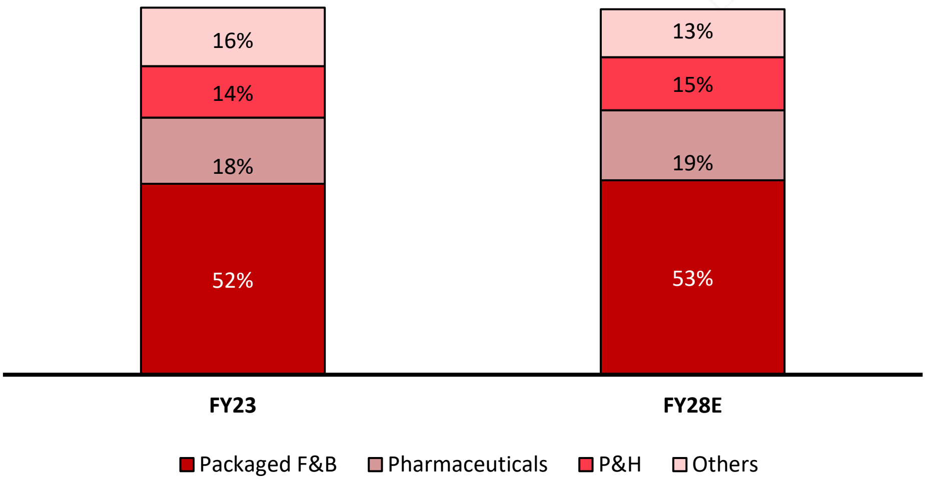
1. Food & Beverages (F&B): The packaged F&B sector led India's plastic packaging market with a 52% share in FY23. This dominance is driven by the rising demand for convenience foods, fueled by urbanization, changing lifestyles, and higher disposable incomes. The F&B segment covers products like snacks, beverages, dairy, and ready-to-eat meals, all of which require packaging that ensures freshness, safety, and longer shelf life.

2. Pharmaceutical: The pharmaceutical segment held an 18% share in FY23, ranking second. Packaging demand in this sector is driven by strict regulations and the need for secure, reliable packaging to maintain the safety and efficacy of medications. The growing healthcare industry in India continues to boost this demand.

3. Personal & Home Care (P&H): The P&H segment accounted for 14% of the plastic packaging market in FY23. This includes packaging for cosmetics, skincare, household cleaners, and detergents. The stable demand is driven by increasing consumer awareness, higher disposable incomes, and the rising preference for branded and premium personal care products in India.

Beyond the major categories, sectors like alcoholic beverages, agrochemicals, industrial chemicals, paints & adhesives, automotives, and electronics made up the remaining 16% of the market share.

Indian plastic packaging industry by end-used industry (%)



Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

Key growth drivers for the packaging industry

1. Shift to Organized Structure: The Indian packaging industry is transitioning from fragmentation to organization, with market leaders emerging. Despite unorganized players holding 60% of the consumer RPP market, consolidation opportunities exist for organized firms through mergers and acquisitions, utilizing economies of scale and advanced technologies.

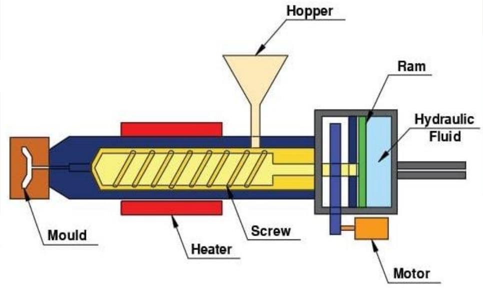
2. E-commerce Growth: The booming e-commerce sector is driving demand for rigid plastic packaging. Secure and durable rigid containers protect fragile items during transit, enhancing consumer trust.

3. Expansion of Packaged F&B: The growing packaged F&B industry boosts demand for durable packaging as consumers seek convenience and longer shelf life.

Molding techniques used in RPP

1. Injection Molding

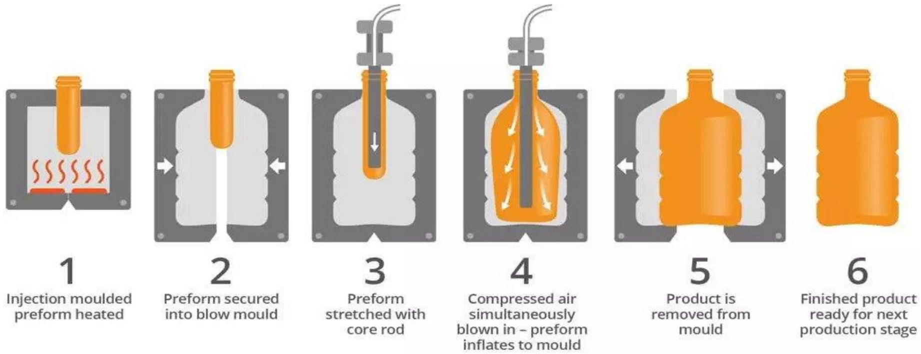
Injection molding involves injecting molten plastic into a mold under high pressure to form the desired shape. Plastic granules are first fed into the machine's hopper, where they move into a heated barrel with a rotating screw. The screw pushes the granules along the barrel, melting them as they go. The molten plastic is then injected into a temperature-controlled mold. After cooling and solidifying, the mold opens to eject the part, and the process repeats for the next cycle.



Source: IQSdirectory.com

2. Injection Blow Molding (IBM)

IBM is a process where a plastic preform is first injection molded and then transferred to the blow mold station. Air is introduced through a core rod, inflating the hot preform to match the shape of the surrounding blow mold, forming the final design under air pressure.



Source: robinsonpackaging.com

Decoration techniques used in RPP

Decoration technique	Description	Benefits	Challenges
In-Mold Labeling (IML)	Labels integrated during molding	-High-quality, durable -Hygienic, hands-free full coverage -Improved shelf life	-High setup cost -Limited design flexibility -Complex machinery unsuitable for small runs
Heat Transfer Labeling (HTL)	Transfers design onto container using heat.	-Works with various shapes -80% print coverage -Durable and seamless	-Requires extra machines -Limited to specific surfaces
Shrink Sleeving	Shrinkable label fits snugly when heated.	-360-degree coverage -Tamper-evident -Adapts to complex shapes	-Requires heat -Higher material cost -Inefficient for small runs
Screen Printing	Presses ink through a screen onto the surface.	-Long-lasting -Suitable for various materials -Cost-effective for large runs	-Limited to simple designs -Not ideal for detailed images -Slower process

Source: Company, Keynote Capitals Ltd.

Regulatory landscape in the Indian packaging industry

To address environmental issues related to plastic packaging waste, the Indian government has implemented the Plastic Waste Management (PWM) Rules, 2016, established by the Ministry of Environment, Forest and Climate Change. These rules regulate the manufacture, use, and disposal of plastic products, requiring waste generators to minimize waste and assigning responsibilities for effective management to local bodies and retailers. They also mandate the use of recycled plastics and set recycling targets.

India's Extended Producer Responsibility (EPR) regime

A key element of this framework is EPR, which holds producers, brand owners, importers, and plastic waste processors accountable for the collection and sustainable disposal of plastic packaging.

EPR guidelines for plastic packaging

Key areas covered	Key components	Obligated entities
Reuse	Phased collection targets	Producers
Recycling	Financial mechanism	Importers
Use of recycled plastic content	Penalties for non-compliance	Brand owners
End-of-life disposal		Plastic waste processors

Mandatory recycled plastic content in packaging by fiscal year

Plastic packaging category	Included packaging	FY25	FY26	FY27	FY28 onwards
Category I	RPP	30%	40%	50%	60%
Category II	FPP with single or multilayer films	10%	10%	20%	20%
Category III	Multilayered plastic packaging	5%	5%	10%	10%

Source: Manjushree Technopack Ltd., Company, Keynote Capitals Ltd.

About the Company

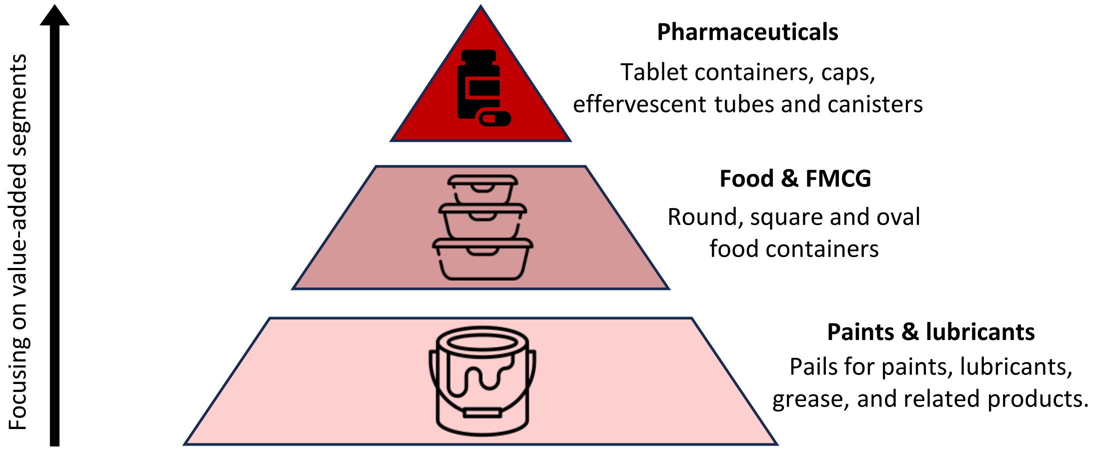
Founded in 1986 by industry experts Mr. Lakshmana Rao and A. Subramanyam, Mold-Tek Packaging Limited (MTPL) is a leading manufacturer of rigid plastic packaging in India. The Company specializes in injection-molded, decorative packaging containers, catering primarily to sectors such as paints, lubricants, food and FMCG.

MTPL was a pioneer in India, introducing plastic pail packaging with spouts and in-mold spout pails (buckets) for paints and lubricants. It was also the first in the country to implement In-Mold Labeling (IML) technology for decorating plastic containers using in-house robots, making this innovative solution more affordable.

With 13 integrated manufacturing units across India and a combined molding capacity of ~54,600 MTPA, MTPL stands out as the only Indian packaging Company with full backward integration. It manufactures its own molds, IML labels, and even the robots used in its production process, giving it a competitive advantage. Additionally, MTPL is forward integrated with a fully equipped design studio, enabling clients to visualize and explore customized packaging options.

Expanding its market reach, MTPL has recently entered the pharmaceutical industry, commencing commercial production of pharmaceutical packaging products in Q4FY24.

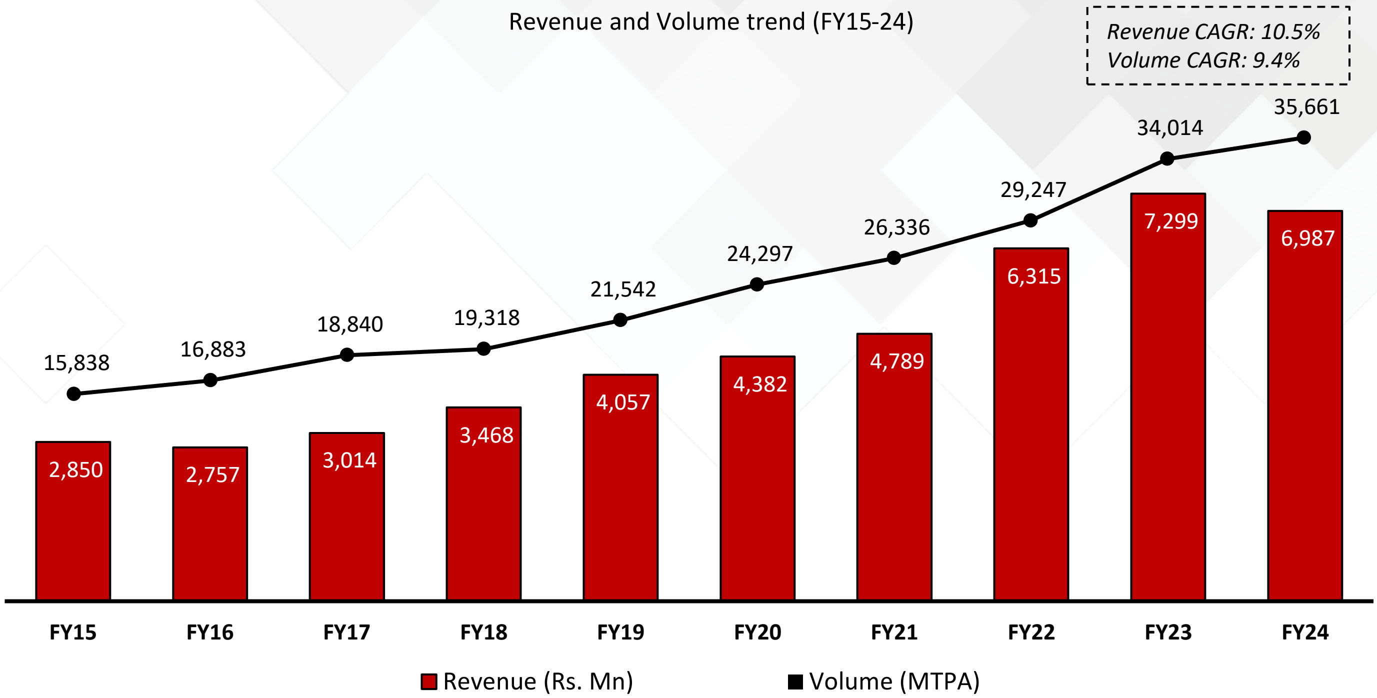
Key markets served by MTPL



Source: Company, Keynote Capitals Ltd.

The Company is also expanding into new industries, including confectionery, seeds, fertilizers, growth enhancers, and specialty chemicals. MTPL provides a versatile range of containers in various shapes, sizes, and features, customized to meet its clients' specific requirements.

Revenue and Volume trend (FY15-24)



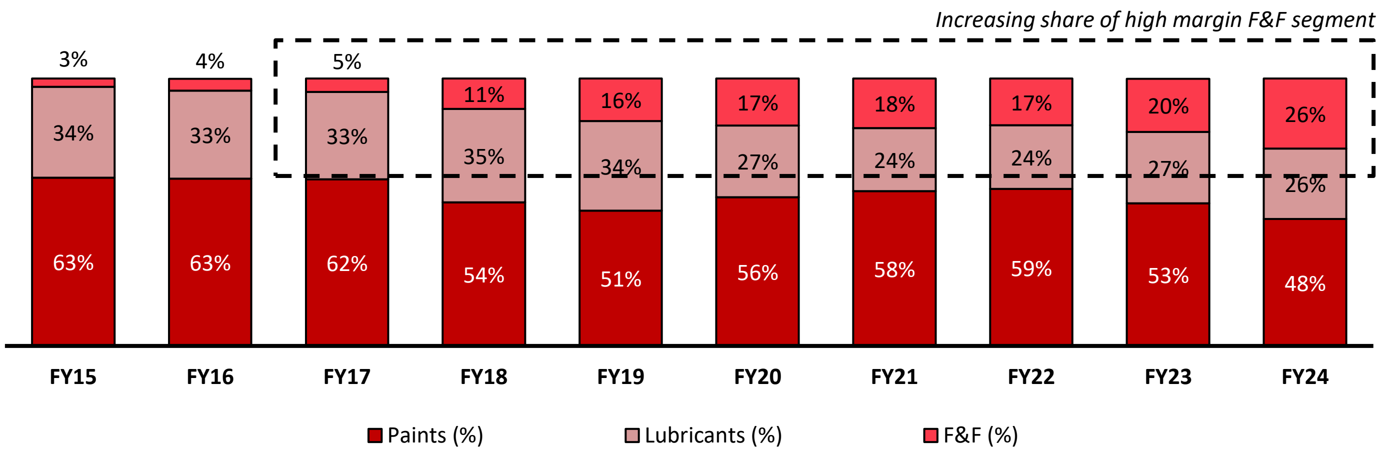
Source: Company, Keynote Capitals Ltd.

Journey of MTPL

MTPL began its journey in the early 1990s by revolutionizing the Indian paint industry with plastic packaging pails, replacing traditional tin options. This innovation quickly gained traction, enabling MTPL to secure major clients like Asian Paints and expand into lubricant packaging.

In 2011, the Company pioneered IML in India, integrating pre-printed labels into plastic containers to enhance durability and brand visibility. This advancement allowed MTPL to diversify into the food and FMCG sectors, where high-quality packaging is essential. Additionally, by developing in-house robotics and label printing, MTPL gained a significant cost advantage, distinguishing itself from competitors.

Volume-Mix by segment (%)



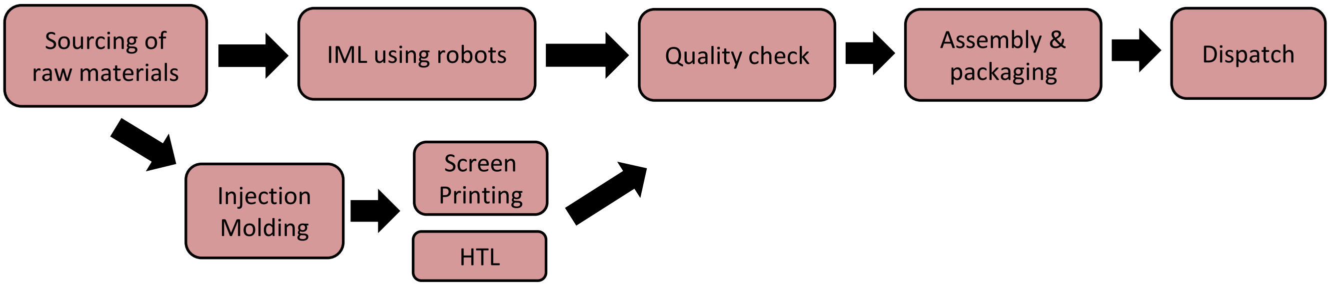
Source: Company, Keynote Capitals Ltd.

In FY22, MTPL introduced Injection-Blown Molding (IBM) technology, combining it with IML for the first time in India. This advancement effectively addressed safety and counterfeiting concerns, enabling MTPL to enter the high-potential pharmaceutical packaging market, which is known for its stringent quality standards.

MTPL's commitment to innovation and its fully backward-integrated model have solidified its leadership in the rigid packaging industry. By leveraging in-house technology and expertise, MTPL consistently delivers high-quality, value-added packaging solutions with speed and cost efficiency.

Value Chain

MTPL has equipped its facilities with a variety of machinery featuring different technologies to suit specific manufacturing processes based on the product. The Company offers key decoration options, including IML, Screen Printing, and Heat Transfer Labels (HTL), to meet customer needs.



Source: Company, Keynote Capitals Ltd.

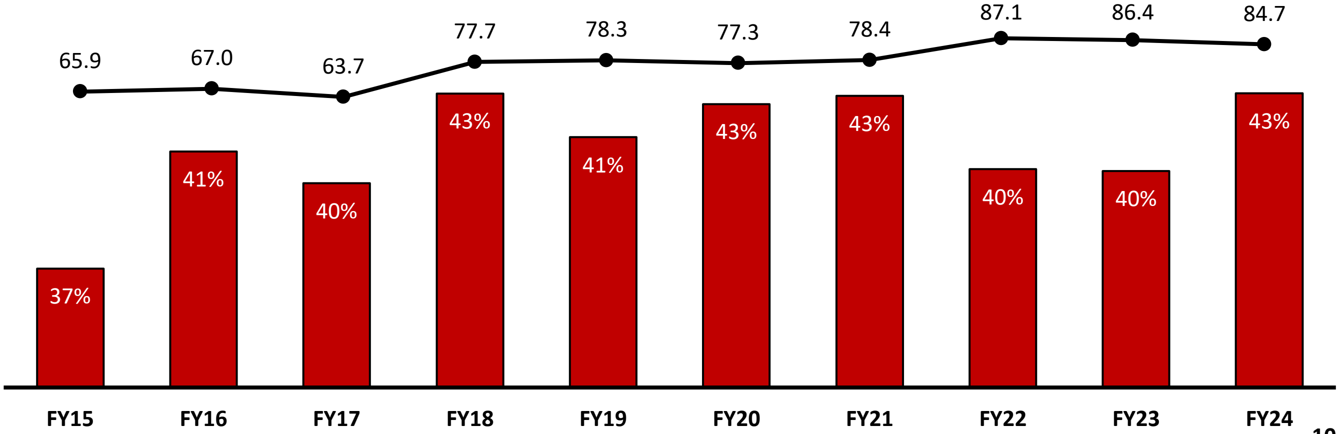
Raw material

MTPL primarily uses Polypropylene Co-Polymer (PPCP) and various types of Polyethylene, including High-Density PolyEthylene (HDPE), Low-Density PolyEthylene (LDPE), and Linear Low-Density Polyethylene (LLDPE), in its manufacturing process. These materials are mostly sourced domestically, with Reliance Industries Ltd being the primary supplier.

To effectively manage cost fluctuations, MTPL has established flexible pricing arrangements with its customers, allowing the Company to adjust raw material prices typically on a monthly basis.

While the gross margin remains volatile, the gross profit/kg is on an upward trend.

Gross profit margin (%) & gross profit/Kg (Rs.)



Source: Company, Keynote Capitals Ltd.

Business segment: Paint & lubricant

Since its inception in 1986, MTPL has established itself as a major player in decorative pail packaging. It revolutionized the Indian paint industry by introducing plastic pails, replacing traditional metal ones. This innovation not only reduced material and logistics costs with maintained durability, but also helped MTPL secure Asian Paints Ltd. (APL) as a major client early on.

Building on this success, MTPL soon expanded into the lubricants sector by introducing the “Pull-Up Spout” concept and single and double-lock pails with enhanced tamper evidence and leak-proof features.

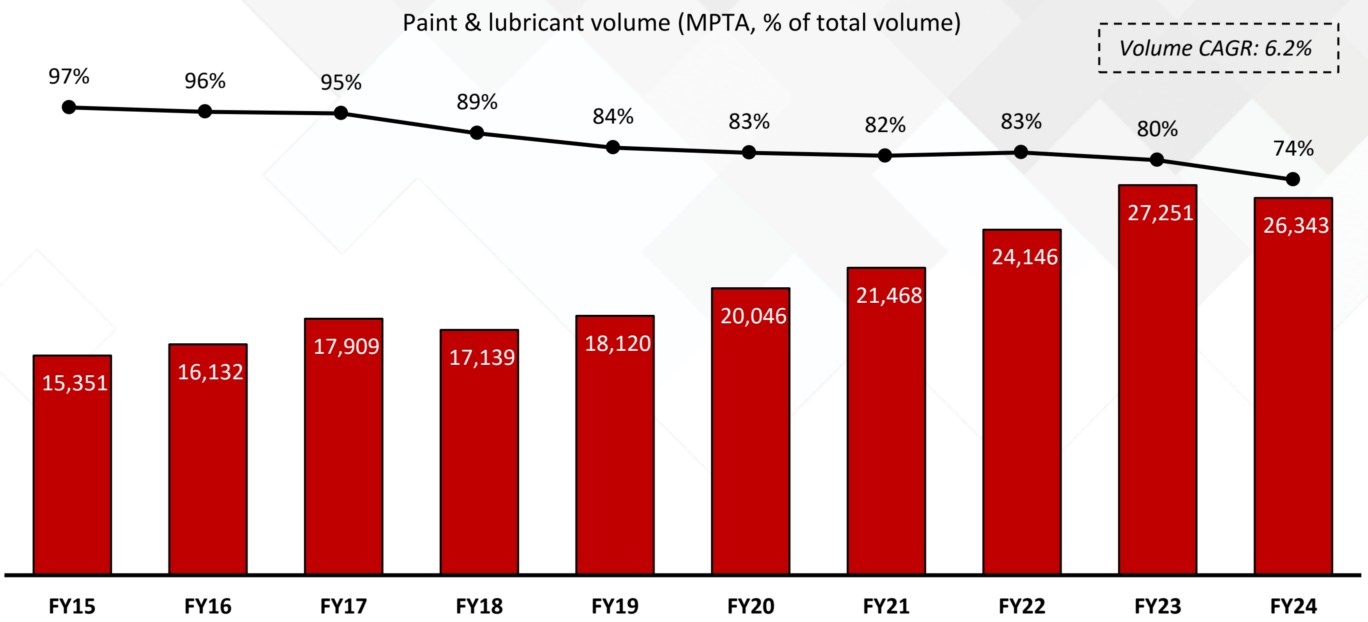
With over three decades of experience, MTPL has consistently evolved to meet the changing needs of its customers and manufacturing high-quality products. In 2011, The Company further distinguished itself by adopting IML technology, enabling high-quality decorative printing on packaging products.

Product offerings

MTPL offers a variety of pails to meet customer needs. For paints, it provides 1-20 liter pails with flat or tamper-proof lids, mainly used for emulsions and distempers. In lubricants, it supplies 5-25 liter pails with flat or spout lids.

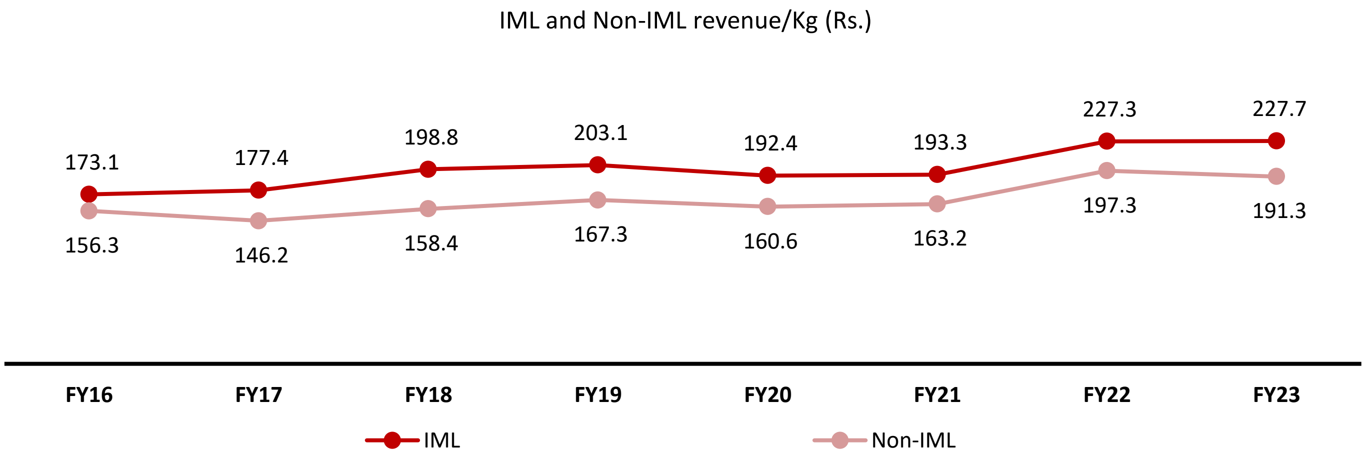
Source: Company, Keynote Capitals Ltd.

In FY24, the paints and lubricants segments accounted for 48% and 26% of MTPL’s total volume, respectively. While their share of total volume has declined since the Company's expansion into F&F packaging, both segments continue to grow at a healthy pace of and remain significant contributors to overall volume.



Source: Company, Keynote Capitals Ltd.

Moreover, MTPL has successfully transitioned some of its pail customers from the traditional HTL technique to the more advanced IML technology. This shift not only improves realization and capacity utilization but also enhances customer loyalty by providing a superior product.



Source: Company, Keynote Capitals Ltd.

Customers

MTPL has built strong, long-term relationships with major players in both the paint and lubricant sectors. In the lubricants segment, MTPL collaborates with prominent companies and has long-term contracts with industry giants such as Gulf and Shell.

Paint Industry

Lubricant Industry

Source: Company, Keynote Capitals Ltd.

Major client additions

In Q4FY23, MTPL was selected as the packaging supplier for Grasim Industries Ltd’s Birla Paints Division. To meet demand, MTPL established co-located packaging facilities at three of Grasim's five paint plants in Panipat (Haryana), Cheyyar (Tamil Nadu), and Mahad (Maharashtra). The Panipat and Cheyyar plants, with a total capacity of 4,000 MTPA, began production in Q4FY24, while the 1,200 MTPA Mahad facility is expected to start operations in FY25.

MTPL plans to nearly double its capacity for Grasim in FY25, with additional volumes expected by Q3FY25. This expansion will drive MTPL’s growth in the paint segment, with Grasim’s contribution projected to account for 8-9% of the Company's total volume in FY25.

Future outlook

MTPL is realigning its focus in the pails segment toward major players, reducing its reliance on smaller companies to better navigate competition and pricing pressures.

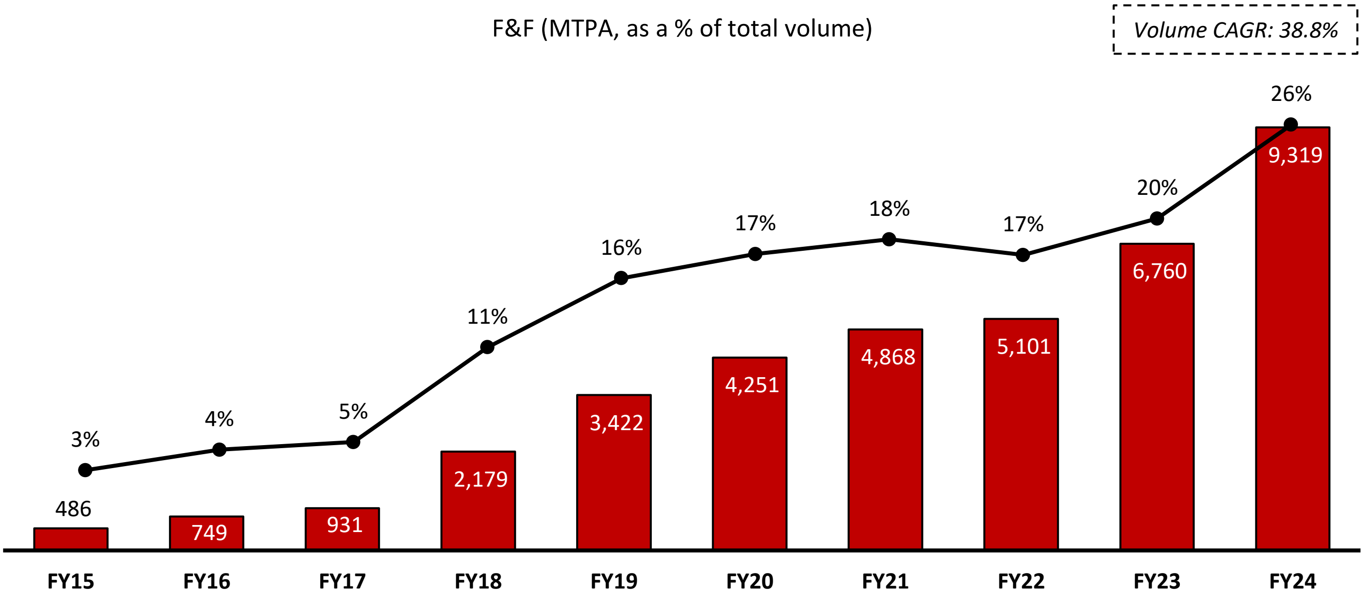
According to Mr. Rao, "*We are targeting double-digit growth, primarily driven by our partnership with ABG* (Grasim Industries)*, which is expected to contribute 8-10% growth. Even if other segments, such as Asian Paints, only achieve 2-3% growth, we anticipate 1 or 2 significant additions in the IML segment that will further enhance our growth. With these factors in play, we aim to achieve 10-12% growth in the paint sector this year.*"

Business segmentL Food and FMCG (F&F)

MTPL has significantly expanded its presence in the F&F sector, producing rigid plastic containers for products like edible oil, ice cream, and dairy. By leveraging IML technology with in-house robotic systems, the Company delivers hygienic, contactless packaging solutions that meet the growing demand for tamper-proof and leak-proof packaging, especially in the wake of COVID-19.

Since adopting IML, the F&F segment's share of MTPL's total volume has risen from 3% in FY15 to 26% in FY24. As an IML pioneer in India, MTPL is well-positioned to leverage the growing F&F sector while reducing its dependency on the paints and lubricants markets.

The F&F segment also benefits from offering customized packaging options, leading to higher margins and realizations. Additionally, the sector's less seasonal demand and bulk purchasing trends further enhance MTPL's profit.



Source: Company, Keynote Capitals Ltd.

Product Offerings

In the F&F segment, MTPL offers a diverse range of containers in various shapes—round, oval, square, and rectangular—ranging in size from 50 ml to 17 liters, each featuring different sealing options. These containers are designed for products such as ice cream, dairy, edible oils, ghee, jams, spreads, and nuts.

MTPL also provides highly customizable packaging solutions, working closely with clients to meet their specific needs. With a fully equipped design studio, the Company helps customers visualize and create unique packaging designs, enhancing client relationships through tailored solutions.

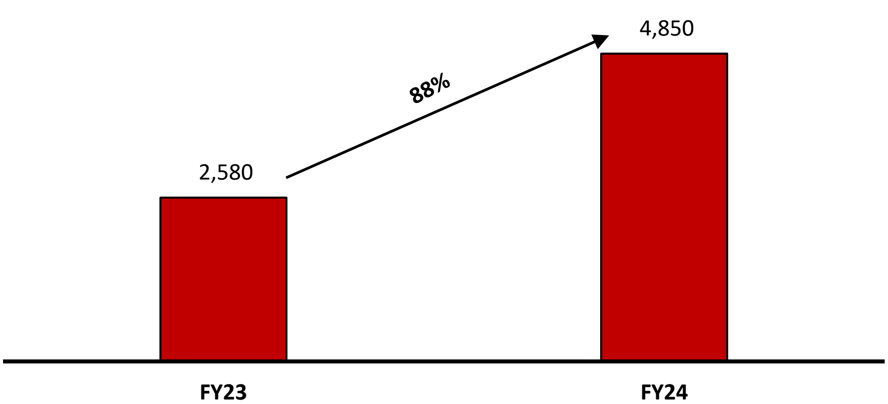
Source: Company, Keynote Capitals Ltd.

Square Packs (Qpacks)

Qpacks are square shaped plastic containers with handles and square or rectangular lids. While their usage is similar to other thin-walled F&F products, Qpacks offer lower margins but are favored for their space-saving design compared to round pails. Made from heavy-duty, durable plastic, they are ideal for storing both dry and liquid products and are increasingly being used in sectors such as seeds, fertilizers, and growth enhancers. Their versatility and cost-effectiveness are driving greater adoption across various industries.

In Q1FY25, MTPL saw strong demand for Qpacks and is actively seeking intellectual property rights to protect their designs from competitors. Significant demand from major players in the edible oil and ghee sectors is also contributing to the growth of this product line.

Qpacks volume (MTPA)



Source: Company, Keynote Capitals Ltd.

Diversification across products

MTPL's presence in the F&F segment has grown steadily in recent years, establishing itself as a premium packaging vendor for major ice cream brands like Amul, Vadilal, and Arun. The Company has also expanded into packaging for ready-to-eat breakfasts, snacks, ghee, oil, restaurants, online food delivery, confectionery, and sweets, successfully launching tailored packaging solutions across these categories.

Strengthening Customer Loyalty through Custom Solutions

MTPL enhances customer loyalty by collaborating with clients to create tailored and differentiated packaging solutions. By leveraging its advanced technological capabilities and competitive edge in IML, MTPL offers cost-effective options that provide clients with superior value. This approach not only increases the Company's share of customer spending but also fosters long-term, strategic partnerships.

Customized packaging solutions made by MTPL for Mondelez India Foods Pvt. Ltd.

Source: Company, Keynote Capitals Ltd.

Future outlook

According to Mr. Rao,*"With the addition of the Panipat thin wall facility getting into production by August—probably we thought of June or July, but it'll likely be July or August—this will add to our numbers for sweet boxes and other products. If we miss the ice cream season, we may face challenges, but other product trends will start contributing from July onwards.*

We are still confident that we'll be aiming at 20% volume growth in Food & FMCG and thin wall, along with a good jump of 30% to 40% in Qpacks."

The launch of the F&F plant in Panipat during Q1FY24, aimed at tapping into the northern market where MTPL previously had limited presence, is anticipated to drive this expansion. Moreover, the introduction of new products is broadening applications within the F&F segment, further fueling demand.

KEYNOTE

Business segment: Pharmaceutical

In Q4FY24, MTPL launched its pharmaceutical packaging segment by commissioning a ~1,500 MTPA facility at its Sultanpur plant in Telangana, strategically located near Hyderabad, India's pharmaceutical hub. The Company pioneered the use of IBM with IML in India at this facility. This advanced process combines the superior dimensional accuracy of injection molding with the lighter weight and narrow-neck shapes achieved through blow molding. Initially focused on packaging for sanitizers, hand washes, and disinfectants, the Company quickly diversified into more high-value products, including tablet and powder packs, Effervescent (EV) tubes, and specialized caps such as Child-Resistant (CR) and Continuous Thread (CT) caps by Q1FY25.

Source: Company, Keynote Capitals Ltd.

Overcoming Challenges and Delays

MTPL initiated its entry into pharmaceutical packaging in FY21 by introducing IBM technology integrated with IML, becoming the first in India to leverage this innovation. This advanced technology ensured high hygiene standards and aesthetic appeal, positioning MTPL for value-added packaging in sectors such as regulated pharma, cosmetics, and OTC pharmaceuticals.

The Company focused on OTC packaging due to lower regulatory hurdles. However, high setup costs for regulated molds and client hesitation regarding facility audits presented challenges, prompting a temporary shift to other products like edible ghee packaging.

To establish a stronger foothold in the pharmaceutical sector, MTPL planned a dedicated facility at Hyderabad Pharma City, initially targeting packaging for sanitizers and hand washes, then expanding to tablet and powder packs. Despite delays in regulatory approvals and equipment delivery, MTPL began operations with imported molds. By Q1FY25, after completing facility audits and overcoming construction delays, the Company launched four new products, marking a significant milestone in its pharmaceutical packaging journey.

Current scenario

As of Q1 FY25, MTPL has completed ISO audits and received DMF certification for CT caps, tablet pails, and effervescent tubes, with an application for CR caps pending. This certification enables Indian pharmaceutical Companies to export products to the U.S. using MTPL’s packaging solutions.

The Company’s laser-printed canisters and IML effervescent tubes continue to attract strong interest. Leading pharmaceutical firms, including MSN Laboratories, Fuillife Healthcare, Desano Pharma, and Kopran, have audited the facility and begun commercial supplies of effervescent tubes and caps. Significant growth in commercial supply is expected from Oct’24, alongside the development of 4-5 new products.

Future outlook

Looking ahead, MTPL plans to expand its product offerings and strengthen its market presence in the pharmaceutical packaging sector. The Company is committed to leveraging its technological capabilities and establishing strong customer relationships to drive growth and innovation in this competitive landscape.

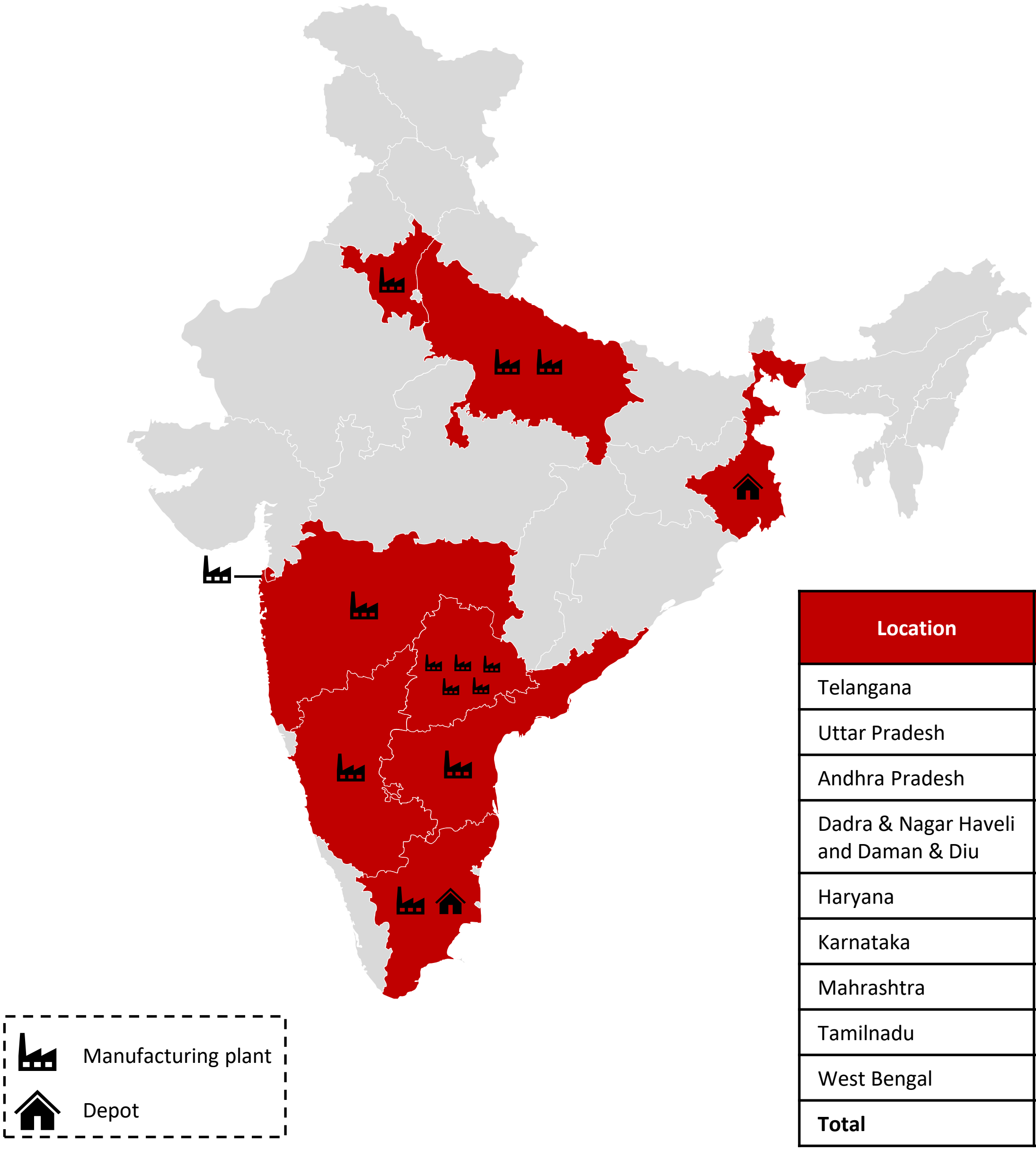
In Q1FY25, MTPL's pharmaceutical segment generated ~Rs. 80 Mn in revenue, operating at lower capacity utilization. Management projects potential growth in this segment to reach Rs. 150-200 Mn by year-end, driven by improved capacity utilization and an increased range of products sold. By FY26, revenue from the pharmaceutical segment is expected to nearly double. If demand continues to rise, MTPL plans to invest an additional Rs. 700 Mn in FY25 to further expand its capacity.

Manufacturing capabilities

As of FY24, MTPL operates 13 manufacturing units and 2 stock points across India, boasting a total installed molding capacity of ~53,000 MTPA, along with an additional 1,500 MTPA dedicated to pharma packaging.

The machinery and robots in MTPL's facilities are highly fungible, providing significant flexibility in production. This capability allows the Company to relocate resources as needed; for example, if growth in the paint industry does not meet expectations, these resources can be redirected to produce F&F packaging.

Additionally, MTPL plans to invest Rs. 750-800 Mn in FY25, following Rs. 1,400 Mn in FY24, to expand capacity for Grasim and its pharma unit, contingent upon volume uptake.



Location	Number of plants/depots
Telangana	5
Uttar Pradesh	2
Andhra Pradesh	1
Dadra & Nagar Haveli and Daman & Diu	1
Haryana	1
Karnataka	1
Mahrashtra	1
Tamilnadu	2*
West Bengal	1*
Total	**15**

(*) includes 1 depot each.
Source: Company, Keynote Capitals Ltd.

Dedicated manufacturing facilites

MTPL operates strategically located manufacturing facilities across India, positioned close to clients' production sites to optimize economies of scale, reduce logistics costs, and streamline operations. This setup helps in acquiring new customers and securing repeat business.

Key clients like Asian Paints benefit from dedicated pail facilities in Vizag (Andhra Pradesh), Mysuru (Karnataka), and Khandala (Maharashtra).

Enhancing efficiency through backward integration

MTPL provides a comprehensive packaging service that combines in-house IML labeling, custom robot manufacturing, and centralized product development, all within a single facility. Its dedicated R&D division and tool room are equipped with advanced machinery, enabling the design and development of intricate molds, including options with 2 to 8 cavities. This infrastructure also supports the maintenance and repair of molds and robots, allowing MTPL to respond swiftly to customer needs and innovate new packaging solutions.

By manufacturing its own robots, molds, and labels, MTPL significantly reduces production costs and lead times. This integration leads to substantial savings compared to sourcing components externally, enhancing operational efficiency. The Company's commitment to minimizing mold costs and optimizing raw material usage enables competitive pricing without compromising quality, thereby fostering strong customer loyalty.

Innovations

MTPL continuously collaborates with customers to develop advanced packaging solutions, such as leak-proof designs, no-gasket construction, tamper-evident mechanisms, and lightweight materials. Its in-house design and tool room enhance innovation, enabling tailored solutions to meet customer needs.

In FY21, MTPL introduced digital packaging in India with dynamic QR-coded IML containers, ensuring supply chain traceability. Each container has two QR codes—one for identity and another for loyalty benefits—enhancing product tracking and anti-counterfeiting measures while fostering customer relationships and expanding market share.

The surface QR code will be used for Trace & Track / pushing information content

After purchase, the Buyer peel off & Scan the QR code on the reverse of the label.

Peeled => Used once Replace coupons & manage promotions

Source: Company, Keynote Capitals Ltd.

Management Analysis

Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with MTPL (Yrs.)
Mr. J. L. Rao	Chairman & Managing Director	Promoter	16+
Mr. A. Subramanyam	Deputy Managing Director	Promoter	16+
Mr. P. Venkateswara Rao	Deputy Managing Director	Promoter	16+
Mr. M. Srinivas	Whole Time Director	Promoter	6+

Source: Company, Keynote Capitals Ltd.

Compensation and Skin in the Game

Particulars	FY20	FY21	FY22	FY23	FY24
% Promoter Holding (~)	35%	35%	34%	33%	33%
C&MD's salary (Rs Mn)	14.3	16.8	20.5	23.7	25.7
As a % of PAT (~)	3.8%	3.5%	3.2%	2.9%	3.8%

Source: Company, Keynote Capitals Ltd.

Top Shareholders with >3% stake (%)

Stakeholders	FY20	FY21	FY22	FY23	FY24
Ashish Kacholia	3.4%	3.4%	3.1%	-	-
Canara Robeco Mutual Fund	-	-	-	-	3.0%
DSP Small Cap Fund	6.5%	6.5%	6.2%	5.3%	5.7%
ICICI Prudential Fund	-	-	-	3.3%	6.0%
Kitara India Fund	3.0%	3.0%	-	-	-
Madhulika Agarwal	3.7%	3.6%	3.3%	-	-
Principal Mutual Fund	3.7%	3.8%	-	-	-
Sundaram Mutual Fund	-	-	3.3%	2.8%	2.9%
Verdipapirfondet Odin Emerging Markets	4.0%	3.9%	3.1%	2.7%	2.8%

Source: Company, Keynote Capitals Ltd.

Peer Analysis

For peer comparison, we consider Manjushree Technopack Ltd. (MTL) and Alpla India Pvt. Ltd. (AIPL). MTL specializes in rigid plastic packaging for the F&B, pharmaceuticals, and agrochemicals sectors in India. In parallel, AIPL, a subsidiary of the global Alpla Group, provides high-quality plastic packaging solutions across various markets, including P&H, F&B, oil and lubricants, etc.

Metrics	MTPL	AIPL*	MTL
Major end-user industry	Paint, lubricant, food & FMCG	F&B, P&H, lubricants	F&B, P&H, paint & adhesive
Key products	Pails & food containers	Containers, caps & closures	Containers, preforms, caps & closures
Manufacturing facilities	13	8	23
Manufacturing capacities (MT)	53,000[1]	117,000	269,000
Revenue (Rs. Bn)	7.0	12.7	21.2
Gross margin (%)	43.2%	34.0%	41.6%
EBITDA margin (%)	19.1%	8.8%	17.6%
PAT margin (%)	9.5%	1.9%	6.6%
Volume (MT)	35,661	NA	163,995
Realization (Rs./Kg)	195.9	NA	129.1
Gross profit/Kg	84.6	NA	53.7
EBITDA/Kg	37.4	NA	22.8
PAT/Kg	18.8	NA	8.6
Top 10 customer concentration (%)	65%	NA	42%
ROA (%)	8.2%	2.7%	4.6%
ROE (%)	11.2%	10.6%	14.0%
ROCE (%)	14.7%	5.2%	17.0%

(*) FY23 data for AIPL
(1) Excluding pharmaceutical capacity
Source: Company, MTL, AIPL, Keynote Capitals Ltd.

Opportunities

Venturing into Pharma Packaging

MTPL is well-positioned to capitalize on the expanding pharmaceutical packaging market. The competitive landscape favors the Company, as stringent regulations limit new entrants while existing players operate on a smaller scale. MTPL offers a comprehensive portfolio of canisters, EV tubes, tablet containers, and caps, reinforcing its role as a one-stop supplier.

With its backward-integrated tool room, MTPL can quickly develop custom solutions tailored to the needs of pharmaceutical companies. The pharmaceutical packaging segment is expected to experience strong growth, with FY25 serving as a foundational year for customer acquisition and increased capacity utilization. Substantial growth is projected for post-FY25. Management remains optimistic about the potential for significant pharmaceutical-related revenue and healthy profit margins, driven by robust market demand in the coming years.

End-user industry	Paint & lubricant	F&F (ex-Qpacks)	Qpacks	Pharmaceuticals
Average EBITDA/Kg	30-35	80+	~35	80-100

Note: Company-specific figures
Source: Company, Keynote Capitals Ltd.

Comparison with Shriji Polymers India Ltd. (SPIL)

Metrics	MTPL	SPIL
Industry	Paints, lubricants & FMCG packaging	Pharmaceutical packaging
Manufacturing facility	13	5
Revenue (Rs. Bn)	7.0	5.4
Material margin (%)	43.2%	51.7%
EBITDA margin (%)	19.1%	25.4%
PAT margin (%)	9.5%	10.1%
ROA (%)	8.2%	6.9%
ROE (%)	11.2%	10.7%
ROCE (%)	14.7%	16.3%

Source: Company, SPIL, Keynote Capitals Ltd.

Exisiting growth levers

Paint segment

MTPL serves as a proxy for the paint industry, set to benefit from growth in the Indian decorative paint indusrty.

A substantial portion of MTPL's growth in the paints segment is expected to come from Grasim Industries. Management anticipates that Grasim will contribute 3,000-4,000 MTPA of volume in FY25, which is projected to drive an 8-9% increase in MTPL's overall volume.

This growth is supported by strong capacity utilization at MTPL's Panipat and Cheyyar plants, along with the anticipated commencement of the Mahad plant in Q3FY25. Additionally, capacity expansions are planned for the Panipat and Cheyyar facilities, aiming to increase their capacity by 60-75%. The Mahad plant is also set to ramp up operations during this period, further enhancing overall production capacity.

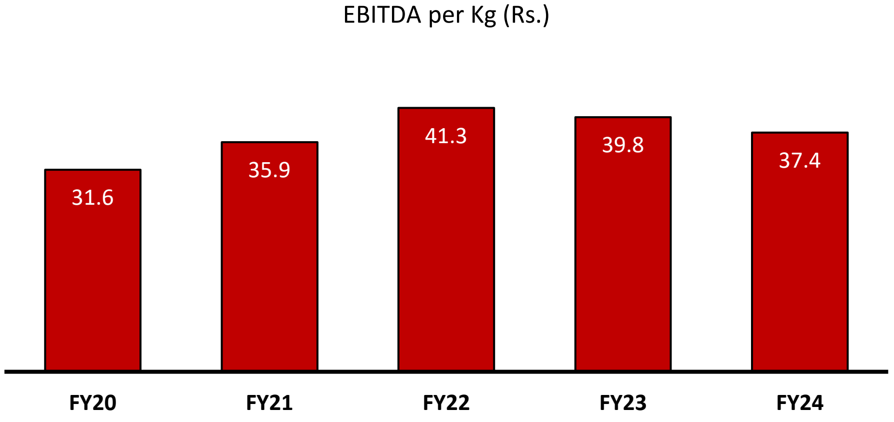
Food & FMCG

The growth in MTPL's F&F segment is projected to outpace its paints segment, with anticipated growth of 20% in F&F and 40% in Q-packs for FY25. This growth will be driven by the operational launch of the Panipat facility in Q2FY24 and the introduction of 10 new products from March to July, including packaging for nuts, oils, cheese, fertilizers, and sweets.

Additionally, custom molds developed for various client products, which are still in the adoption phase, are expected to contribute to further volume growth in the near future.

Enhanced unit economics through product-mix changes

MTPL's management projects a minimum volume growth of 15% for FY25, supported by ~Rs. 2.8 Bn in capital expenditures made in FY23 and FY24. The near-term target is to achieve an EBITDA of Rs. 40 per Kg, driven by improved capacity utilization and strong growth. Risks to this target are mitigated by expected volume increases in the paint segment, where MTPL has a strong presence, along with anticipated growth in the F&F and Pharmaceutical segments, which should positively impact margins.



Source: Company, Keynote Capitals Ltd.

Looking ahead, MTPL plans to emphasize its F&F and Pharma segments to avoid pricing pressure associated with traditional screen printing, aiming to transition to IML. This shift is motivated by the added value, greater market potential, and the agility and technical capability of Mold-Tek, which currently sets it apart from competitors.

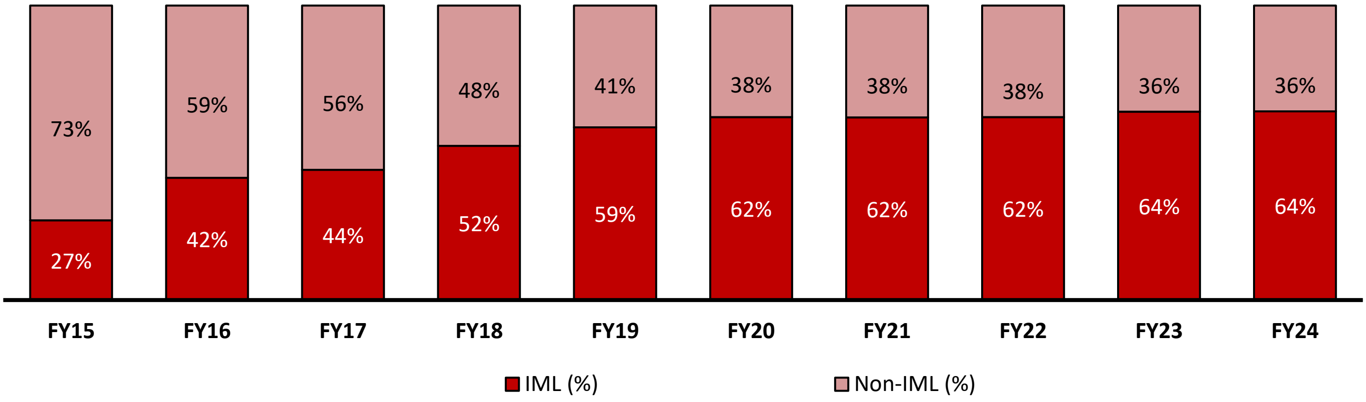
Technological Leadership Driven by Expert Promoters

MTPL has positioned itself as a leader in the packaging industry through continuous innovation, spearheaded by its visionary promoters, Mr. Lakshman Rao and Mr. A. Subramanyam. With nearly three decades of combined experience in the packaging sector, they have driven significant advancements, including the introduction of plastic pails in the 1990s, the pioneering of IML technology in 2012, and the development of patented tamper-evident seals. By establishing in-house robotics and IML label printing by 2013, they have further enhanced operational efficiency and cost-effectiveness.

Product differentiation resulting in margin improvement

MTPL is strategically focusing on value-added products to drive margin growth, exemplified by its pioneering of IML technology in India. This innovation has helped the Company gain traction in the F&F sectors, enhancing value addition and margins while reducing reliance on a single market segment. Additionally, MTPL is encouraging customers currently using screen printing and heat transfer labeling to transition to IML packaging solutions.

Volume-Mix by technology (%)



Source: Company, Keynote Capitals Ltd.

Continuing this strategy, the Company is expanding into new industries with niche offerings, including IBM with IML. This expansion targets growing segments such as regulated pharma packaging, FMCG, cosmetics, and OTC pharma, presenting significant opportunities for enhanced engineering and value addition, ultimately leading to improved margins, growth, and diversification.

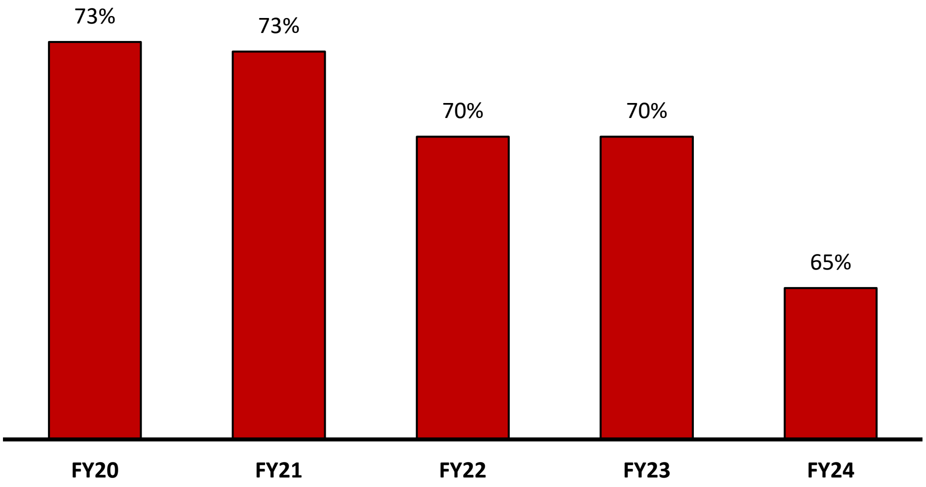
Challenges

Customer concentration risk

In FY24, the top 10 customers accounted for ~65% of MTPL's revenue, with Asian Paints alone contributing about one-third (~12,000 MTPA) of this volume. Any slowdown in demand from these customers could significantly impact the Company. For instance, in Q3FY24, Asian Paints' volume growth lagged behind its peers, resulting in underutilization of the dedicated plant in Satara due to a lack of nearby major customers.

However, MTPL's robust customer base, which includes prominent clients like Asian Paints Ltd, Gulf Oil Lubricants Ltd, Grasim Industries Ltd, and Castrol, helps mitigate this risk. Additionally, the Company actively collaborates with its customers on product development, fostering loyalty and further reducing concentration risk.

Concentration of top 10 customers (%)



Source: Company, Keynote Capitals Ltd.

Regulatory challenges in recycled plastic utilization

MTPL faces challenges under the Extended Producer Responsibility (EPR) framework, which mandates increasing use of post-consumer recycled (PCR) content in plastic packaging—30% by 2025 and 60% by 2028. While MTPL has already achieved 20% PCR utilization in Q1FY25, meeting future requirements may increase raw material costs, with uncertainty about its ability to pass these costs to customers.

The incorporation of recycled plastic (RCP) also results in higher initial rejection rates (from 2% to 5%), raising costs further. Additionally, RCP can cause increased wear and tear on equipment, leading to higher maintenance and energy expenses. Effective management will be crucial as MTPL adapts to these regulatory changes.

Delays in volume pick-up

A significant part of MTPL's success hinges on the performance of its recent initiatives, including the establishment of three facilities for Grasim Industries and its entry into the pharma packaging sector. Any delays in volume uptake from Grasim Industries could negatively impact MTPL's growth and profitability. While the machinery in these plants is fungible, challenges may arise if the Company fails to utilize the new facilities effectively or attract nearby customers. A similar situation occurred at the Ras Al-Khaimah (RAK) plant, where unmet projected demand forced the relocation of machinery to other domestic units.

Additionally, MTPL's foray into pharma packaging presents its own challenges, as evidenced by initial delays in this area. Regulatory scrutiny, initial setup obstacles, and competition from Chinese products could hinder the growth of pharma packaging volumes, potentially affecting the overall success of this strategic initiative for the Company.

KEYNOTE

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**7,299**	**6,986**	**7,714**	**8,979**	**10,450**
Growth %		-4%	10%	16%	16%
Raw Material Expenses	4,303	3,896	4,397	5,091	5,904
Employee Expenses	437	503	555	611	679
Other Expenses	1,204	1,255	1,373	1,598	1,860
EBITDA	**1,355**	**1,333**	**1,389**	**1,679**	**2,006**
Growth %		-2%	4%	21%	20%
Margin%	19%	19%	18%	19%	19%
Depreciation	302	385	481	535	587
EBIT	**1,053**	**948**	**908**	**1,144**	**1,420**
Growth %		-10%	-4%	26%	24%
Margin%	14%	14%	12%	13%	14%
Interest Paid	40	75	107	107	107
Other Income & exceptional	14	13	13	13	13
PBT	**1,027**	**886**	**814**	**1,051**	**1,326**
Tax	223	220	204	263	331
PAT	**804**	**666**	**611**	**788**	**994**
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	**804**	**666**	**611**	**788**	**994**
Growth %		-17%	-8%	29%	26%
Shares (Mn)	33.2	33.2	33.2	33.2	33.2
EPS	**24.25**	**20.04**	**18.37**	**23.72**	**29.93**

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	64	16	114	147	349
Current Investments	0	0	0	0	0
Debtors	1,234	1,361	1,466	1,706	1,986
Inventory	852	1,036	1,011	1,171	1,358
Short Term Loans & Advances	480	485	485	485	485
Other Current Assets	13	19	19	19	19
Total Current Assets	2,642	2,918	3,096	3,528	4,197
Net Block & CWIP	3,927	4,877	5,167	5,396	5,541
Long Term Investments	517	385	385	385	385
Other Non-current Assets	120	202	202	202	202
Total Assets	**7,206**	**8,381**	**8,849**	**9,511**	**10,324**
Creditors	333	339	350	420	487
Provision	265	210	210	210	210
Short Term Borrowings	219	694	694	694	694
Other Current Liabilities	419	372	372	372	372
Total Current Liabilities	1,236	1,615	1,626	1,696	1,763
Long Term Debt	135	484	484	484	484
Deferred Tax Liabilities	210	228	228	228	228
Other Long Term Liabilities	40	110	110	110	110
Total Non Current Liabilities	384	822	822	822	822
Paid-up Capital	166	166	166	166	166
Reserves & Surplus	5,421	5,778	6,236	6,827	7,573
Shareholders' Equity	5,587	5,944	6,402	6,993	7,739
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	**7,206**	**8,381**	**8,849**	**9,511**	**10,324**

Source: Company, Keynote Capitals Ltd. Estimates,

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,027	886	814	1,051	1,326
Adjustments	343	462	575	628	681
Change in Working Capital	389	-378	-69	-330	-399
Total Tax Paid	-241	-182	-204	-263	-331
Cash flow from operating Activities	**1,517**	**788**	**1,116**	**1,087**	**1,276**
Net Capital Expenditure	-1,452	-1,404	-771	-763	-732
Change in investments	0	0	0	0	0
Other investing activities	44	-24	13	13	13
Cash flow from investing activities	**-1,408**	**-1,429**	**-758**	**-750**	**-719**
Equity raised / (repaid)	168	18	0	0	0
Debt raised / (repaid)	32	849	0	0	0
Dividend (incl. tax)	-260	-199	-153	-197	-249
Other financing activities	-42	-73	-107	-107	-107
Cash flow from financing activities	**-102**	**595**	**-259**	**-304**	**-355**
Net Change in cash	8	-46	98	33	202

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	24	20	18	24	30
Growth %		-17%	-8%	29%	26%
Book Value Per Share	168	179	193	210	233
Return Ratios					
Return on Assets (%)	12%	9%	7%	9%	10%
Return on Equity (%)	16%	12%	10%	12%	14%
Return on Capital Employed (%)	15%	12%	10%	11%	13%
Turnover Ratios					
Asset Turnover (x)	1.1	0.9	0.9	1.0	1.1
Sales / Gross Block (x)	1.7	1.2	1.1	1.2	1.2
Working Capital / Sales (%)	23%	19%	18%	18%	20%
Receivable Days	67	68	67	64	64
Inventory Days	77	88	85	78	78
Payable Days	27	30	29	27	27
Working Capital Days	117	126	123	116	115
Liquidity Ratios					
Current Ratio (x)	2.1	1.8	1.9	2.1	2.4
Interest Coverage Ratio (x)	26.9	12.8	8.6	10.8	13.4
Total Debt to Equity	0.1	0.2	0.2	0.2	0.2
Net Debt to Equity	0.1	0.2	0.2	0.1	0.1
Valuation					
PE (x)	37.2	39.0	37.9	29.3	23.2
Earnings Yield (%)	3%	3%	3%	3%	4%
Price to Sales (x)	4.1	3.7	3.0	2.6	2.2
Price to Book (x)	5.4	4.4	3.6	3.3	3.0
EV/EBITDA (x)	22.4	20.4	16.8	13.9	11.7
EV/Sales (x)	4.2	3.9	3.0	2.6	2.2

MTPL's Valuation

Valuation	
Expected (in Rs. Mn , otherwise stated)	**FY27E**
Revenue	10,450
EBITDA	2,006
EBITDA Margin %	19%
Net Profit	994
Net Profit Margin %	10%
EPS (Rs.)	30
P/E (x)	35
Target Price (Rs.)	1,047
Current Market Price (Rs.)	679
% Upside/(Downside)	~54%

Source: Company, Keynote Capitals Ltd. estimates

We believe that the recent expansion of the Company's capacity, including the addition of Grasim Industries, F&F's growth into Northern India, and its entry into pharmaceutical packaging, will drive sustainable volume growth. A rising share of value-added products (IML, F&F, Pharmaceuticals) is also expected to boost profitability. Furthermore, favorable macro trends in the paint industry, increasing domestic consumption, and post-COVID advancements in packaging standards will reinforce the Company's continued growth and expansion. Consequently, we initiate coverage of MTPL with a BUY rating. We anticipate revenue growth of ~10% in FY25, largely driven by volume growth in the paint segment. Additionally, we expect growth of ~16% in both FY26 and FY27, as capacity utilization improves and the pharmaceutical packaging segment contributes more. As a result, we anticipate a modest improvement in EBITDA margins, increasing from ~19.1% in FY24 to ~19.2% in FY27, driven by enhanced unit economics. Consequently, we initiate coverage on MTPL with a BUY rating, assigning a PE multiple of ~35 times to reach a target share price of ~Rs. 1,047, indicating an upside of ~54%.

KARAN KAMLESH GALAIYA

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Our Recent Reports

Affle (India) Ltd.

CCL Products (India) Ltd.

DFPCL Ltd.

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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