

17th October 2023

Mold-Tek Technologies – BUY

CMP : Rs. 340.0
Target Price : Rs. 430.0
Upside : 26%
Stop Loss : Rs. 306.0 (Closing basis)

Investment Thesis

- Claiming to be an established business in mechanical engineering services (MES), Mold-Tek Technologies Ltd. (Mold-Tek) Tier-1 clients for niche gasoline & electric vehicle (EV) and, body in white (BIW) services are increasing. A small percent of revenue also comes from the power and utilities business, where it does transmission tower design. The narrative is similar for the civil engineering services (CES), where it does detailing and connection designing in USA for skyscrapers and warehouses.
- Mold-Tek has Amazon among its clientele in CES. In MES, it has FFT PRODUKTIONSSYSTEME GMBH (FFT) and VDL Groep (VDL) among its clientele, where it does designing work on robots used by car manufacturing companies. It is among the first companies to do BIW works for EV manufacturer Tesla in 2018.
- In MES, it recently entered into press tools designing & drafting services and wire harnesses business and expects those to emerge as a new segment of business and revenue. In the civil engineering business, it is finding traction in warehouses, data centers, and high-rise buildings. It also caters to special purpose machines (SPM), bus bodybuilding, and wishes to enter embedded electronics business.
- It has an order book of \$4.1 million in CES and around \$1.1 million (up 500% YoY) in MES as of August 2023. Invoicing in MES is expected to pick up from Q2FY24. Last financial year, it executed \$13 million worth of orders in CES.
- It is looking to acquire at least one small structural designing and architectural firm in the USA having revenue of less than US\$10mn by the end of calendar year 2023.

Financials

- Mold-Tek's revenues increased at a CAGR of 7.80% over four years. Operating and net profit have increased at a CAGR of 16% and 21.40%, respectively, over the same period.
- CES contributed 80% (up 25.5% YoY) whereas MES contributed 20% (up 124% YoY) to FY23 revenues.

Particulars	FY20	FY21	FY22	FY23	FY24E
Revenue (Rs in Crs)	101	83	98	147	185
EBITDA (Rs in Crs)	20	15	20	42	58
Adj. PAT (Rs in Crs)	11	10	13	29	37.8
Adj. EPS (Rs.)	3.8	3.5	4.7	10.3	13.3
PE Multiple (x)	9.1	11.4	17.1	23.5	32
RoE (%)	20.9	16.3	18.3	28.2	26.8

Stock Data

Market Cap (Rs. Crs)	965.0
Market Cap (\$ Mn)	115.9
Shares O/S (in Mn)	28.39
Avg. Volume (3 month)	2,17,357
52-Week Range (Rs.)	399 / 88

Shareholding Pattern

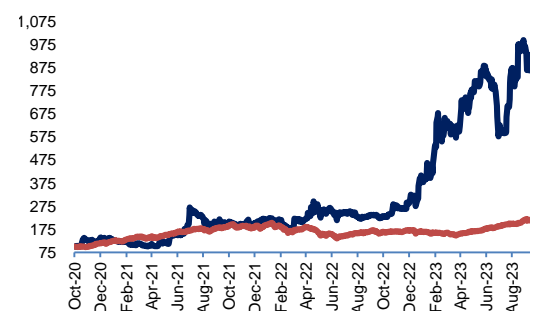
Promoters	48.90 %
FII's	0.21 %
Institutions	0.61 %
Others (incl. body corporate)	50.28 %

Key Ratios

Div Yield	0.95%
TTM PE	31.4x
ROE	33.2 %
TTM EPS (Rs.)	11.5 /-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	-6.4	47.8	293.6
NIFTYMIDCAP	1.4	39.6	32.5



- A significant increase in demand and improved capacity utilization in MES are responsible for the 94.4% YoY growth in EBITDA in FY23. The EBITDA margin increased significantly from 23% to 30% during the same time period.
- In Q1FY24, Mold-Tek reported revenue and net profit of Rs.26.68Cr and Rs.6.68Cr, up 27% YoY and 102% YoY, respectively. The excellent quarterly performance was on the back of robust growth in both CES and MES divisions. It has maintained its revenue mix at 80%:20% from CES and MES divisions.
- It acquired two American detailing firms Crossroads Detailing Inc., Farmersburg, Indiana and RMM Global, Inc. State of Indiana.

Key Business Highlights

- Mold-Tek is a civil and mechanical design engineering services firm catering to major North American and European clients. It is part of USD500mn Mold-Tek Group; which also owns Mold-Tek Packaging.
- It is lead by professionals with vast experience in engineering and project management
- Headquartered in Hyderabad, its delivery centres are located in Hyderabad, Chennai, Vijayawada, Nasik, and Pune with sales offices in Georgia, USA and France & Germany, Europe. Its core expertise is in automotive, poles & towers, oil & gas, petrochemicals, industrial, precast and aerospace domains.
- It specializes in designing and detailing of structural steel, miscellaneous metals, building information modelling (BIM) services, in-house connection design and pre-engineered metal buildings design and detailing services to steel fabricators, architects and general contractors.
- In the USA, it is not into residential, but into commercial and industrial buildings including airports, stadiums, multistoried high-rise buildings, warehouses, etc.
- Revenue mix in future quarters is expected to be similar. Management has a target to achieve an EBITDA of Rs.55-60Cr in FY24, which is quite ambitious.

Valuation

According to the management, CES is expected to grow at least 25% and MES is expected to grow 30% in FY24. Hence, it can report a revenue of Rs.185Cr for the whole of FY24 as compared to Rs.98Cr in FY23. Assuming a profit after tax (PAT) margin of 20% and a P/E of 32x, the expected market capitalization comes to Rs.1,220Cr.

Therefore, in light of above, we ascribe a **BUY** rating to Mold-Tek Technologies Ltd. (Mold-Tek) with a **target price** of **Rs. 430**, translating to an **upside** of **~26%**.

Risk & Concern

- Mold-Tek may face difficulties as a result of unfavorable currency movements due to its high export revenue.
- The mobilization of the workforce, the company's profitability, and its growth may be impacted by the increasing protectionist measures imposed by some economies, changes in immigration laws, or any local regulations that result in an increase in H-1B visa denials.
- High attrition rates of employees
- It may face direct and indirect competition from Tata Technologies and AXISCADES Technologies.

Graphs & Charts

Figure 1: Net Sales Trend (Rs. in Crs)

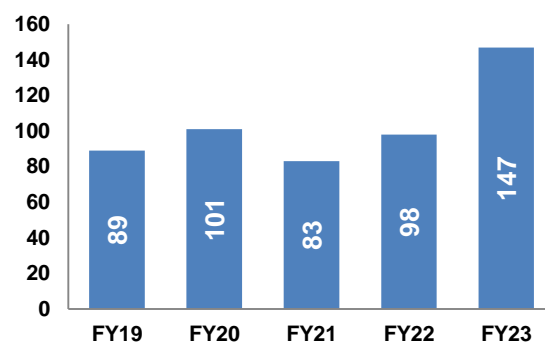


Figure 2: EBITDA & EBITDA margin trend

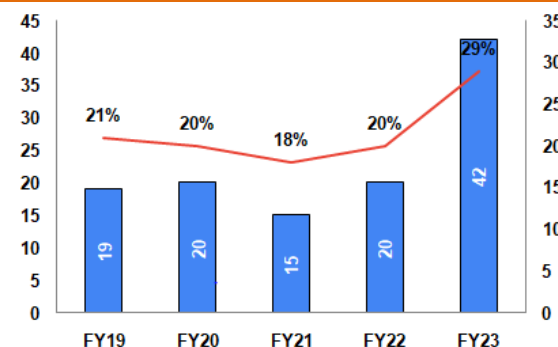


Figure 3: PAT & PAT margin trend

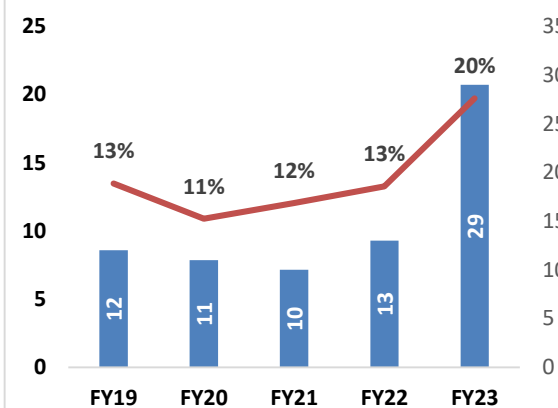
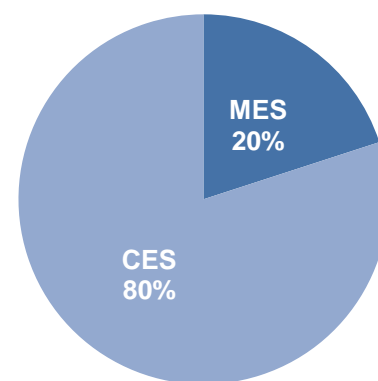


Figure 4: Vertical-wise Revenue (FY23)



Name
Omkar Kamtekar

Designation
Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently send or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |

| CDSL: | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186