

Company Name: Nirmal Bang Equities Pvt Ltd. Mold-tek Packaging Limited Q4 FY 2017 Earnings Conference Call

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Operator

Ladies and gentlemen good evening and welcome to Mold-tek Packaging Limited Q4 FY 2017 Earnings Conference Call, hosted by Nirmal Bang Equities Private Limited. As a reminder all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

[Operator Instructions] I now hand the conference to Mr. Akhil Parekh from Nirmal Bang Equities. Thank you and over to you sir.

Akhil Parekh

Thanks Basu, good afternoon everyone. On behalf of the Nirmal Bang Equities I welcome you all. We have with us Mr. J. Lakshmana Rao a Managing Director of Mold-tek Packaging.

We will first go ahead with the opening remarks from Lakshmanan sir and then we will move on to question-and-answer session. Good afternoon sir. Over to you.

J. Lakshmana Rao

Good afternoon everybody, thank you very much for participating in the conference of our fourth quarter and year-ending 31, March 2017 results. Let me briefly explain you what we could achieve in this quarter and the financial year. and there after we can have question and answers to clarify your doubts if any.

So this year we could grow by a overall 12% volume growth. In spite of the demonetization, in fact in the third and partially in the fourth quarter, we could end up with a 12% overall volume growth. Thanks to the stellar performance in the first six months, where we registered more than 20% volume growth.

As you all know in the third quarter the impact of demonetization, we ended with a negative growth after a long of positive growth quarters. It is about 3% downtrend in the, where as I am glad to inform in the Q4, we reasonably recovered to show about a 6.13% growth over the Q4 of the previous year. And that enabled us to register an overall annual growth of 12% in volumes.

That has resulted in sales going up by 12%. EBITDA up by 13% and net profit after tax for standalone is also up by 12% and earnings per share has gone up to 9.75 from 8.7. However there is a loss in the first

four months of operations of – unit. Obviously because of the just start-up having very little capacity utilization there.

However there is one more point which impacted the first quarter profitability, means raw material purchase during the month of March because of the indicated shortage of material and shut down of Reliance plant in April we have to buy huge amounts of raw materials during the month of march and as for the conservative policy of 12 months trailing average pricing in the stock valuation this has an impact of 95 lakhs deduction in the stock valuation compared to the market value.

Had it been not there, the profitability of the fourth quarter would have been higher by another 95 lakhs. And that would have resulted in a overall [indiscernible] and also other parameters like EBITDA percentages and all would have been more favorable impacted. However that I will discuss once we are in the Q&A.

So I am glad to inform you that – plant started getting reasonable traction. We have 25% to 30% capacity being utilized in the month of April and we hope to see it crossing the BEP level of 50% to 55% by September, October 2017. This being said company is progressing very well. One of the major launches during this quarter is the Dairy Milk Lickables by Cadbury. We are now very well established in that supply. We are giving them about three million pieces a month.

And the way they are looking at it, we expect volumes to grow. And this alone will contribute handsomely during the full financial year 2017 and 2018. It did contribute hardly Rs. 4 crore to Rs. 5 crore to the revenue in the fourth quarter. But that would be almost Rs. 30 crore to Rs. 35 crores during the current financial year, that is 2017, 2018.

Having said that we also are proceeding many other product developments for MNC's food and FMCG. Hopefully the other project should start in September, October. And ever quarter we hope to add new clients, if not of that size a reasonably a big volumes. Apart from that a company is also expanding its generic product scenario, which can result to products like Ice Creams and cheese, butter, biscuits, sweets and eatables, ready to eat stuff.

So, all this project would be going into stream by December, January, in the current financial year. It might contribute a bit in the fourth quarter, but will add to the numbers in the coming years.

So these are the plans in the anvil and company is doing well in the current, two months of the first quarter. Things are moving reasonably better, the demonetization impact is coming down. But still it is there, we don't see very huge increase in the paint and lube consumption for the demand from the clients.

But it was not as bad as the third quarter. So having said this, the future looks bright and company has plans to further invest in the financial years to come. To meet the increasing demand for IML products and for also the dedicated plans for Asian Paints and another paint company we have commitments

with. So having said this I now welcome all the participants, which ever questions you have, you can ask me now and I will try to clarify as much as possible.

Thank you.

Operator

Shall we open the Q&A line sir?

J. Lakshmana Rao

Yes, go ahead.

Question-and-Answer Session

Operator

[Operator Instructions] First question comes from Rohit Chawala from Axis Securities. Your line is unmuted.

Rohit Chawala

Good afternoon Sir, congratulations for a good set of numbers. So I wanted to firstly what is the IML revenue contributions this quarter and for this year as well.

J. Lakshmana Rao

Yeah, the overall year we have grown from 44% to close to 49%. And for this quarter we are 52.7% IML sale.

Rohit Chawala

So this is the highest number which we have achieved.

J. Lakshmana Rao

Yes this is the first time we crossed the 50% sale from IML.

Rohit Chawala

That is great sir. Sir what is the food and FMCG contribution to the overall revenues quarter wise as well as year wise?

J. Lakshmana Rao

As I told with the relation of the latest products in Q4 the scale of food allowances has gone up to 12.1%, as against 5% last quarter – last year fourth quarter. So it's almost 2.5 times increase.

J. Lakshmana Rao

For the overall year it is from about 3% to 5.7%, that's a reasonable job, but overall it is close to 6%.

Rohit Chawala

Okay. So sir do we see this number going forward again seen this number the spend in the food and FMCG unit?

J. Lakshmana Rao

Yes our plan is to reach at least 15% plus in the current year from food and FMCG, because others what we have started in March, contributed only for one, two months in this financial year, whereas for this year – sorry last year. So this financial year it will be contributing throughout the year. Apart from that new products which are launching in September and November, would be adding to the food and FMCG, that's why we are confident we should be hitting 15% plus in food and FMCG sector.

Rohit Chawala

Okay, that's great sir. Sir for the increasing IML contribution plus food and FMCG, so we should see some improvement in margins as we go ahead?

J. Lakshmana Rao

Yes, it should.

Rohit Chawala

Okay what is status on the Vizag and Mysuru plants for Asian Paints.

J. Lakshmana Rao

We have acquired the land, registered the land at one place and entered into a long-term 99-year lease data at Vizag. So both the lands are reserved and earmarked for us. Construction activity may start after the rainy season that's from October, because the plant has to go and see for Mysuru in June – June, July and by December '18 we have to start the Vizag plant. So we have ample time to go ahead with the construction plans, so we are planning to start from the second half of this year.

Rohit Chawala

Okay, so that impact on the topline will be seen from third or fourth quarter, fourth quarter?

J. Lakshmana Rao

J. Lakshmana Rao

No, no, no, I don't see any topline adding from these two projects in this current year.

J. Lakshmana Rao

In this current year.

J. Lakshmana Rao

It will fall in this fourth quarter of the next financial year.

Rohit Chawala

Fourth quarter of the next financial year.

J. Lakshmana Rao

Yes, June, July means by the time it will be stabilized will be September, October for Mysuru and may be Jan, Feb for Vizag. So there'll be only one quarter effect in the next financial year.

Rohit Chawala

Okay, fine sir. So the demonization has been fading away, so do you see revival in demand. So in this current quarter, or do we see order picking up in?

J. Lakshmana Rao

We are noticing they are at par with the last year level. Unlike third quarter where it has dropped by 10%, 12%, they are now back to normal, I would say, with not a big growth, maybe 1%, 2% growth in current financial year.

Rohit Chawala

Okay. I think the new project in FMCG will help growing our company.

J. Lakshmana Rao

The growth will always come from food and FMCG and RAK for the current financial year, I guess. Because how the GST will act upon the paint and companies has to be seen.

Rohit Chawala

Okay.

J. Lakshmana Rao

If there is a demand pickup in India that will further add, but otherwise our growth we are obtaining mainly from food and FMCG and RAK contribution, this financial year.

Rohit Chawala

This financial year, okay. That's great sir. Thank you so much. If I have a question I will add up in the queue.

J. Lakshmana Rao

Okay, thank you.

Operator

Thank you Rohit. [Operator Instructions] Next question comes from Chinmayi from DSP BlackRock, your line is un-muted.

Chinmayi

Hello sir congrats on a good set of numbers.

Unidentified Company Representative

Thanks Chinmayi.

Chinmayi

Sir wanted to understand you mentioned model estimate about Rs. 4 crores, Rs. 5 crores in Q4 and can do Rs. 35 crores, Rs. 40 crores in FY'18, right?

J. Lakshmana Rao

Yes Rs. 35 crores.

Chinmayi

Okay. So that itself can potentially contribute about 10% to our growth.

J. Lakshmana Rao

Yes.

Chinmayi

So for the rest of the businesses what kind of growth are you see apart from this 10% there will be RAK which would be operational for the full year and the paints and lubes. So together what sort of growth is potentially possible.

J. Lakshmana Rao

See potentially it is possible to cross even 20%, but I'm not sure about how the Indian paint and lube industry will grow in the current financial year. So if they were growth actually till last September, the growth was in double digits, especially in paint industry, the growth was more than 12%. Lube was somewhat stagnant because of the drives to go for more and more efficient lubricants, the volume growth is not much. So lubricant remained always a kind of couple of 2%, 3% growth, but paint used to be a very growth segment for us.

But this year I'm doubtful because of the impact of demonetization and GST coming in July, August, how this would impact the demand and the economy. But for that we are all set with our own plan to grow in food and FMCG and RAK, because RAK I hope we should be in a position to add at least Rs. 24 crores, Rs. 25 crores to the topline, that's another 7%, 8%. So these two are the major drivers I'm banking on, the food and FMCG and RAK. Put together they should be in the tune of around 17%, 18% so I'm very sure we should cross 15% this year, assuming no growth in painted glow in India. If painted contract a bit it can be better.

Chinmayi

Okay, okay. And sir in food and FMCG what would be the margins, would that be significantly higher than the company average because of the entire...

J. Lakshmana Rao

Yes, yes, we'll do it.

J. Lakshmana Rao

In my conferences, we always aim at, at least around 25% – 24%, 25% EBITDA margins in food and FMCG compared to 15% to 18% what we can charge in pails. Pails means a big containers, the thick wall containers. So in thin wall that is used for food and FMCG we typically aim at 24% to 25% EBITDA.

Chinmayi

Okay. And sir just one last question from my end was on the tax rate so because of RAK getting operational for the full year, how should we look at the tax rate?

J. Lakshmana Rao

See the tax rate of Indian operations will continue at the peak level, but for the UAE we have the complete tax exemption, but I doubt whether the RAK can contribute to significantly to bottom-line in this year. In this year it might be close to breakeven. So it may not be significant in this year, but next financial year RAK will be certainly operating above breakeven and those profits will be non-taxable. So tax point of view, I think, the main benefit we can see from next year onwards.

Chinmayi

Okay sir. Thanks, a lot and all the best.

J. Lakshmana Rao

Thank you.

Operator

Thank you Chinmayi. [Operator Instructions] Next question comes from Pragya Vishwakarma from Edelweiss Company. Your line is unmuted.

Pragya Vishwakarma

Hello, sir. I want to understand two things, one is on raw material cost. If you can just help me understand again that part where you are trying to explain why did they shoot up because my line was disturbed that moment. So...

J. Lakshmana Rao

No, no, it didn't shoot up what happened was we follow 12 months average pricing of raw material in stock valuation. So in the month of April, sorry March let's say our typical buying is around 1500 to 1600 tons we ended up buying 3000 tons. Because there was a projected shortage in April by Reliance by the supplier, so we bought almost 3000 tons of material in March but due to the 12 month averaging of the raw material price, the pricing our valuation of the stock has to be taken at a price almost Rs. 6 below the market price that means we have to book almost Rs. 95 lakhs as a drop in stock value.

Pragya Vishwakarma

Okay.

J. Lakshmana Rao

This is only an entry which would impact the next quarter or next year in a positive way. So in this quarter, the profitability has been impacted by Rs. 95 lakhs because of this raw material purchase at a higher price than the average price.

Pragya Vishwakarma

Okay, if I just for that Rs. 95 lakhs I'm assuming our margins would improve by 100 bps or so is that correct?

J. Lakshmana Rao

If you added that Rs. 95 lakhs it is showing that our purchase realization would have been overall year would have been 28.44 and for the quarter it would have been 30.26.

Pragya Vishwakarma

Okay. And how much in ton-ish terms have we sold in RIK for the last four months of operation.

J. Lakshmana Rao

270 tons.

Pragya Vishwakarma

Sorry, 200?

J. Lakshmana Rao

270.

Pragya Vishwakarma

270? Okay and how are the realizations there compared to India when we say like I think at gross level in India we do somewhere around Rs. 65 per kg.

J. Lakshmana Rao

Yes.

Pragya Vishwakarma

Yes, so like..

J. Lakshmana Rao

Almost similar to Indian pricing the advantage would be the tax.

Pragya Vishwakarma

Okay, my next question is on the food and FMCG part, I assume that we have done around Rs. 50 crores from this segment for the entire year. And from that around Rs. 5 crore is Mondelez, right?

J. Lakshmana Rao

We did Rs. 20 crores in current year, Rs. 19.8 crore to be price from Rs. 997 lakhs that is Rs. 10 crores last year, in rupee terms it is Rs. 10 crore has become Rs. 81 crore. So out of which maybe around – not even Rs. 4 crore, Rs. 4.5 crore is from Mondelez. So you can say the rest is from the growth of other products.

Pragya Vishwakarma

Okay, so this year we are aiming around Rs. 35 crores from Mondelez itself?

J. Lakshmana Rao

Yes.

Pragya Vishwakarma

And maybe a similar figure from the rest of FMCG?

J. Lakshmana Rao

It should be that our target in fact generally target is to reach at least Rs. 70 crores, overall turnover in food in FMCG, probably we should end up between Rs. 60 crore to Rs. 70 crore.

Pragya Vishwakarma

Okay. And my last question is on your Asian paint plant, so I think one of the con call you'd mentioned that realization over there is around 200 per kg, right. And the capital outlay which we are doing for that Asian paint plant is around Rs. 35 crores. Is that correct?

J. Lakshmana Rao

200 per kg is maybe for smaller containers, on the bigger side it will end up in 145 levels, so it is very difficult to give what would be the average but it will be around 170, 175 you can take it. And yes, you are correct both the plants put together the overall investment requirement is Rs. 35 crores but probably in the Phase 1 that is 2018, 2019 we will invest around Rs. 25 crores and the Rs. 10 crores will be added gradually in the year 2019, 2020.

Pragya Vishwakarma

Okay, and my last question is on – like you had mentioned that you – who are in talks with a similar paint company for similar kind of capacity. So like during this quarter are you in a position to give some sense of it as well.

J. Lakshmana Rao

Unfortunately not yet, but the talks are going on and designs are going on and we are working with them. So hopefully by April, May they're also working as to ramp up at least startup quantity. And that may once it become a reasonable volume the end of next year that is when we wish to put up a separate plant. So current plan is to supply from our existing capacities.

Pragya Vishwakarma

Okay, okay. That's it from my side. Thanks.

J. Lakshmana Rao

Thank you.

Operator

Thank you, Pragya. Next question comes from Akhil Parekh. Your line is unmuted, sir.

Akhil Parekh

Hello, sir. First congratulations on good set of numbers. Just clarification on the IML contribution you said fourth quarter it was 52.7% right.

J. Lakshmana Rao

Yes.

Akhil Parekh

That's a value turn or volume turn?

J. Lakshmana Rao

Value.

Akhil Parekh

Okay. And sir, overall FY2017 in terms of volume how much it would be IML and non-IML?

J. Lakshmana Rao

In volume terms it is 47% is IML, close to 53% is non-IML.

Akhil Parekh

Okay. Sir, similarly for food and FMCG fourth quarter is 12.1% this is again value?

J. Lakshmana Rao

Sorry, that is yes, value 12.1% is value, yes.

Akhil Parekh

And 5.7% is value for FY2017?

J. Lakshmana Rao

FY2017, 5.7 that is...

Akhil Parekh

Sir, for FY2017 how much would be value terms?

J. Lakshmana Rao

Value terms it is 5.7% full year.

Akhil Parekh

Sorry, how much?

J. Lakshmana Rao

For the full year it is 5.7%, yes.

Akhil Parekh

5.7%, okay, okay. Sir in terms of Cadbury now you are saying its like kind of – the guidance you are giving for Rs. 30 crores to Rs. 35 crores sales next year. So have you received any other order from Cadbury apart from – Lickables order.

J. Lakshmana Rao

One more product also going for Cadbury, Mondelez.

Akhil Parekh

Okay, so like that will be market like this year, you are saying?

J. Lakshmana Rao

No, that is being going on for last 7, 8 months as volume says Lickables but both together is what I'm talking about.

Akhil Parekh

Okay, okay. So any other FMCG clients apart from what we have existing right now.

J. Lakshmana Rao

Yes, we already in talks with clients – we are in talks with Heinz, we are finally with Danone, Tata Tea there are five, six projects and what you call prototypes going around. So anything can crystallize in a month or two, or maybe in June. And then it takes three to five months to set up the molds and robots. So I hope the next big addition would be happening in the second half of this year, couple of them at least.

Alkil Parekh

Okay. And sir any progress that for this PVR sweepers which we had provided on BROMO based next to PVR.

J Lakshmana Rao

Yes.

Akhil Parekh

Have you – I mean, do we see any good traction coming from PVR or like –

J Lakshmana Rao

Yes, yes. We not only got PVR, we also got the reduction on INOX and other rival – other theater owners.

Akhil Parekh

Okay.

J Lakshmana Rao

So we will be introducing that by October. We are planning to bring those molds and make the molds and robots and everything in place by October.

Akhil Parekh

So we have already kind of received the order you're saying?

J Lakshmana Rao

Not the orders, this is a generic product we are developing because if this is an order we cannot sell to others.

Akhil Parekh

Okay.

J Lakshmana Rao

So we are developing and investing on the molds and robots ourselves and we'll be then free to sell to anybody.

Akhil Parekh

Okay, okay. Sir, on RAK side, you're saying that utilization level, what kind of utilization level should we expect for FY 2018

J Lakshmana Rao

Currently we're around 25%...

Akhil Parekh

Okay.

J Lakshmana Rao

...of the capacity – 20% – in the name of April-May, not last year, in the past two months. And we hope it will across 50% from September-October onwards. So for the full year I'll be happy if we across 50%, 55% on the overall capacity.

Akhil Parekh

Okay. And sir, clients, would we be able to select what clients we have at RAK right now?

J Lakshmana Rao

Some of the major dairies are already our clients there like Vermona, Align – and who is that other one, RAK Paints. We're also working with Agar Nobel in Oman that they're at final stage. We also have a couple of lubricant companies like Gulf and Shell.

Akhil Parekh

Okay.

J Lakshmana Rao

Most of our clients in India are again in that region they're really coming to us.

Akhil Parekh

Okay. Okay, got it. See, in terms of sales contribution like for FY 2017, would be able to select for paints and lubricants, how much it was?

J Lakshmana Rao

Okay, I agree with that. Paints in 2017 we earned Rs. 217 crore, up from Rs. 192 crore, that's a growth of 13%. Lubricants, we are up from Rs. 100 crore to Rs. 107 crore, that's 7%. Food and FMCG, we are up from Rs. 16 crore to Rs. 21 crore, that is 31%. So the overall growth is 12%.

Akhil Parekh

Okay. 13%, 7% and 31%?

J Lakshmana Rao

31%, yes.

Akhil Parekh

Sir, CapEx guidance, what would be for FY 2018 and FY 2019?

J Lakshmana Rao

Yeah, FY 2018-2019 or FY 2017-2018?

Akhil Parekh

2017 is like – 2017 how much we spent and how much we incurred CapEx; and 2018 and 2019 if possible. A rough ballpark number will do both.

J Lakshmana Rao

Yeah, yeah, ballpark only. 2017-2018, we think we have to invest at least Rs. 25 crore and the year 2018-2019 will major because both the plants of Asian Paints or machinery buildings, everything has to be in place, and also expansion of our tool capacities. This year we are spending mainly – enhancing our Reimer printing and die coating operations and we are also investing on food and FMCG buildings which require kind of food safety and cleanliness, hygienic conditions. So that is going on.

So there are the major investments this year, and of course, Mysore and Vizag there could be some construction activity might start in the second half of the year. But Mysore and Vizag investments on planted machinery will mainly happen after March, that is the next financial year. So next financial year could be Rs. 30 crore, Rs. 35 crore kind of investment year. So this financial year 2017-2018 will be around Rs. 25 crore.

Akhil Parekh

Okay.

J Lakshmana Rao

And year 2018-2019 it must be – it should be close to Rs. 35 crore.

Akhil Parekh

Okay. And as of now it's completed non-IML, Vizag and Mysore?

J Lakshmana Rao

As of now they are after – inducting to go for HTL, heat transfer level.

Akhil Parekh

Okay.

J Lakshmana Rao

So that is also similar to IML in terms of margins and automation to some extent, but Margin5 we enjoy that because we make the HTL labels also ourselves in-house.

Akhil Parekh

Okay.

J Lakshmana Rao

So that's why they are ready to go for HTL. I guess by the time they really start off by end of the year, they might go for some branch in IML.

Akhil Parekh

Okay.

J Lakshmana Rao

They are not yet sure – conform.

Akhil Parekh

Okay. And as of now it is completed screen for Asian Paints. Like in India...

J Lakshmana Rao

No, no, no, partially HTL. 5%, 10% – 10% I can say in this year.

Akhil Parekh

Okay.

J Lakshmana Rao

And the going trends are they are moving more into more HTL.

Akhil Parekh

Okay. My last question in IML terms, for your paint clients and lubricant clients, how much would be IML and how much would be non-IML? Like roughly.

J Lakshmana Rao

IML in paint you mean?

Akhil Parekh

Yeah, IML in paint clients and IML in lubricant clients.

J Lakshmana Rao

I have to furnish that detail.

Akhil Parekh

Okay.

J Lakshmana Rao

Can you send an e-mail and I'll...

Akhil Parekh

Sure, no worry, sir. Thank you so much. In case if I have question I will get back in queue.

J Lakshmana Rao

Okay. Thank you.

Operator

Thank you. [Operator Instructions] Next question comes from Shaili Parekh from Prabhudas Liladhar (0:30:10). Your line is unmuted.

Shaili Parekh

Good evening, sir.

J Lakshmana Rao

Good evening.

Shaili Parekh

Sir, I had a question on raw material. If you could just help me understand what kind of inventory do we maintain for a raw material, A, and also when we are coating, do we coat on a cost level basis or how does it work, if you could shed some light on that.

J Lakshman Rao

Yeah. For raw material, generally we keep around 10 to 20 days stocks.

Shaili Parekh

Okay.

J Lakshman Rao

And for semi-finished and finished, it's around 7 to 10 days.

Shaili Parekh

Okay.

J Lakshman Rao

These are stock level. And coming to your question on the pricing, pricing per generic per head – if it's from company to company, based on volumes, based on our association with the form; volumes because mainly I would say volumes because our initial molding is mass production.

Shaili Parekh

Okay.

J Lakshmana Rao

And there are volumes we can be competitive in pricing. So obviously it works of better because of mold setting time, change overtime or raw material wastage will be minimum when you are learning continuously.

Shaili Parekh

Right.

J Lakshmana Rao

So if there are volumes, we generally find ourself making better margin itself. So pricing is individual in nature, case to case basis, and it cannot – and we work out our EBITDAs – other guidelines...

Shaili Parekh

Okay.

J Lakshmana Rao

...with relevant to pricing. But the pricing has been revised for paint and lubricant companies or even for food and FMCG.

Shaili Parekh

Yeah.

J Lakshmana Rao

Reviewing every month based on the raw material moment.

Shaili Parekh

Okay.

J Lakshmana Rao

If the raw material price moves up, we ask them to enhance the price. And similarly, we reduce the price when the raw material comes down.

Shaili Parekh

Right. So prices are basically reset once a month.

J Lakshmana Rao

Sorry?

Shaili Parekh

So you would be resetting your prices once a month.

J Lakshmana Rao

In majority of the case. Very few cases we have quarterly reviewed.

Shaili Parekh

I see. Okay. And for food, I mean, since you mentioned EBITDA per ton, would you be able to tell us what the – would you be able to share what the EBITDA per ton was in the your FY2017 as a whole?

J Lakshmana Rao

As a whole for the entire year, it is 27.94, but if you add that Rs. 95 lakhs raw material valuation...

Shaili Parekh

Right...

J Lakshmana Rao

...it would have been 28.44.

Shaili Parekh

And how is this – what the previous year sir?

J Lakshmana Rao

Its about 27.55.

Shaili Parekh

27.55 is that what you said?

J Lakshmana Rao

Yes, 27.55.

Shaili Parekh

55, okay. And sir, any guidance on this, I mean going forward how do you see this number move as – revenue from IML will increase and within that as FMCG contribution goes up. How does one look at the EBITDA per ton moving?

J Lakshmana Rao

This third quarter itself I predicted that we should keep a target of 30.

Shaili Parekh

Okay.

J Lakshmana Rao

I'm glad to say that with the addition of that Rs. 95 lakhs entry.

Shaili Parekh

Right.

J Lakshmana Rao

We already crossed 30.26 in the fourth quarter.

Shaili Parekh

For that...

J Lakshmana Rao

So I think [indiscernible] (33:09) near 2017, 2018.

Shaili Parekh

So next day, you say it will be above Rs. 30.

J Lakshmana Rao

That's what our target.

Shaili Parekh

Okay, okay. And sir, on the CapEx front, could you please tell me what your gross block was as of March 31, 2017?

J Lakshmana Rao

Gross block...

Shaili Parekh

Or if you could tell me what your CapEx was in FY2017.

J Lakshmana Rao

Yeah, yeah. CapEx was Rs. 244 crore.

Shaili Parekh

Okay.

J Lakshmana Rao

Because majority of the RAK was capitalized in this year. The gross block is now Rs. 132 crores.

Shaili Parekh

Okay.

J Lakshmana Rao

...for the 115.

Shaili Parekh

Okay, right. And so what was the debt?

J Lakshmana Rao

Sorry, closing is 149.

Shaili Parekh

149, all right.

J Lakshmana Rao

149 is the closing.

Shaili Parekh

Yeah, okay.

Shaili Parekh

And previous year...

J Lakshmana Rao

115.

J Lakshmana Rao

115, so around Rs. 34 crore as a [indiscernible] (34:05)

Shaili Parekh

Okay. And so what about debt, long-term debt?

J Lakshmana Rao

Excuse me, one second.

Shaili Parekh

The debt as on March 2017?

J Lakshmana Rao

Debt is around Rs. 9.9 crore, around Rs. 10 crore. There is for the RAK plant, we've taken because of the interest advantage.

Shaili Parekh

Okay.

J Lakshmana Rao

That is a only long-term debt we have.

Shaili Parekh

Okay. And sir my last question was on Asian Paints again, as of now Asian Paints would be what percentage of our revenue sir?

J Lakshmana Rao

They are our largest client as of today.

Shaili Parekh

Okay.

J Lakshmana Rao

Almost 30% plus of sale goes to them.

Shaili Parekh

30%.

J Lakshmana Rao

Yeah.

Shaili Parekh

Okay, all right, sir. I think that those are all the questions that I have. Thank you so much and wish you all the best.

J Lakshmana Rao

Thank you.

Operator

Thank you, [indiscernible] (34:51). Next question comes from Arjun Sanger (34:55) from Reliance Mutual Fund. Your line is unmuted.

Arjun Sanger
Good evening, sir.

J Lakshmana Rao

Hi, good evening.

Arjun Sanger

Sir, can you throw some light on the competitive scenario right now.

J Lakshmana Rao

Yeah, competition only a generic market, I already explained last time also is there from couple of players in Delhi and West, that is Bombay. There is – they are mainly in the generic products that means product which are not made for any specific client. But they can be sold for any ice cream company or any butter company or any kind of obligation in general. So that products, there is a company called [indiscernible] (35:36) in Delhi, couple of companies like Milan and others in West. That totally known companies three or four are there.

Arjun Sanger

Okay.

Unidentified Company Representative

There I believe among them [indiscernible] (35:47) is reasonably big. They have some 20, 25 generic products.

Arjun Sanger

So are there any players who make these specialty products like you?

L Lakshmana Rao

As of now I don't see anybody, because two things, one is the ability to handle specific products there, MNCs where they demand a lot of controls on your – I think the way of manufacturing process, contamination free production. And the ability to handle, maintenance the issues by virtue of having multiple robots, multiple machines, so that they will not have any interruption in their supplies. So in that crown that there is no major player as of now other than Mouldtech.

Arjun Sanger

Sure. And like you said this IML packaging seems to be the future. So if you look at the mature markets and your old friend U.S. is there significant IML penetration there?

J Lakshmana Rao

Oh yes, its already there in the huge numbers.

Arjun Sanger

Okay.

J Lakshmana Rao

Just give you an idea recently I was in inter pack and this is the where I was in talking to some of the film supplier. So I could gather that the IML film consumption in Europe. I don't know about rest of the world. In Europe alone means almost 45,000 to 50,000 tons.

Arjun Sanger

Okay. By film you mean label.

J Lakshman Rao

Label film, yeah.

Arjun Sanger

Okay.

J Lakshman Rao

There our film consumption as of today in the FY2017, in hardly 200 tons, maybe it will go up to 300 tons next year. So the film consumption for IML [indiscernible] (37:34) I think other two, three players

put together, they maybe hardly 100 tons. So currently the IML consumption of film – IML film consumption as a country maybe to that 400 tons, whereas in country like Europe, it is 40,000 tons. So you can understand how well the IML penetrated in those markets and how far behind we are.

Arjun Sanger

Sure, sure, sure. Also, thank you very much to answer that question.

J Lakshmana Rao

Thank you.

Operator

Thank you, Arjun. [Operator Instructions] Next question comes from Manish Mahavir from Religare (38:36) Company. Your line is unmuted.

Manish Mahavir

Yeah. Good evening, Mr. Rao.

J Lakshmana Rao

Good evening.

Manish Mahavir

Yes. I just wanted to check you set a guidance for the next year would be around 20% topline growth right for the next year?

J Lakshmana Rao

That our target, I'm confident it should be between 15% to 20%.

Manish Mahavir

Okay. But it is the more or less, it is a volume growth right.

J Lakshmana Rao

Volume growth I'm talking about, yeah.

Manish Mahavir

Okay. And secondly, one of the question you said, RAK plant the EBITDA more or less remains same at a India label right, and more or less at it is a – is a text differential actually right in a RAK plant in absolute terms.

J Lakshmana Rao

Exactly.

Manish Mahavir

But I think so in RAK plant, you are making IML container, right?

J Lakshmana Rao

Yeah.

Manish Mahavir

Okay. So it should ideally your EBITDA should be higher than your Indian operation.

J Lakshmana Rao

Yeah. I cannot commit on it as of now, because we've not to see a full month stage, only in April, May, we reached 20%, 25% capacity utilization. So talking about EBITDA makes no sense today, because the employee cost per kg or power cost, selling cost, everything is much higher than what is it going to be? So today, it would be wild guess, if I talk about bigger numbers.

Manish Mahavir

That I can understand that current moment it could be possible, but going forward at a optimal utilization [indiscernible] (39:54) basically your EBITDA should be higher than your Indian operation, right?

J Lakshmana Rao

Yes, yes. It should be, it should be.

Manish Mahavir

Okay. And RAK facility, how long be – we have this tax exemptions.

J Lakshmana Rao

As of today, I mean, no limit. There's no time limit as of now.

Manish Mahavir

Okay, okay.

J Lakshmana Rao

Unless we change the quality, as of exempted that's it.

Manish Mahavir

Okay. And second what is our capacity in India right now and FY2017...

J Lakshmana Rao

Indian capacity is almost 27,000 tons. And we have added recently few machines I need to add that. And 3,000 tons...

Manish Mahavir

Okay, 3,000 in – and 27,000 – right.

J Lakshmana Rao

Yes.

Manish Mahavir

Okay, sure sir. Thanks and all the best.

J Lakshmana Rao

Thank you.

Operator

Thank you, Manish. Next question comes from Suvarna Joshi SMC Global Security. Your line is unmuted.

Suvarna Joshi

Sir, good evening and thank you for the opportunity. Many congratulations on decent set of numbers as well. Sir you mentioned something about planning to start manufacturing generic product and you also just mention in one of the questions about that – as one of the larger players in the generic product segment. So I just wanted to understand, when you say generic product, what is the margin profile of these kind of product, one. The second point is what kind of volumes are we estimating from these generic products. Because I believe this is for any and every company which wants to know have some sort of packaging for their products. So do we have any concrete numbers in terms of the kind of volume grow that we can expect from this segment that is the second question.

J Lakshmana Rao

Yeah. The generic products certainly we'll have EBITDA margin similar to our food and FMCG. All the thing is as you correctly said, you have to sell it to many people to get reasonable volume. It's not that one client like MNC client, who can buy millions of thesis in a year. Here you need to find – but if you look at our product profile, our paint and – similar we sell the same paint containers to many paint companies, similarly look containers – so many look companies. But of course, they're being big place, their volumes are reasonably high. But here also, we don't want to get into kind of a bazaar sale, we would be certainly looking at reasonable volumes and we are gearing up with our IML manufacturing capacity, which has to have short run. That investment is going on now, and hopefully by July, August will have those machines ready. That's why said from September, hopefully we'll be introducing one by one those products.

Suvarna Joshi

So what is the kind of revenue estimate or volume estimate that we have in mind in the second half of this financial year from generic products? Because I don't think...

J Lakshmana Rao

This year, we are not...

Suvarna Joshi

...this can add to big to the volumes that we are expecting.

J Lakshmana Rao

No, gradually they'll become big. It will not be very big right in the beginning that's why – for the current year I've not taken much cognizant from the number. It cannot be less than say, Rs. 550 crores in the six

months period in the second half. And that can grow even Rs. 20 crores, Rs. 25 crores per annum, if we concentrate with dedicated team of marketing efforts.

Suvarna Joshi

Okay, okay. Fine, sir. Sir, my second question was on, you mentioned that we are developing some new product for some of the food and FMCG companies. So are they going to be different from what we are currently doing or are they going to be just some value adds in the existing product of – as it is right now.

J Lakshmana Rao

As you said, it is a same products, but in a different design and adding lot of value in terms of decoration in terms of what it called – opening or better consumers delight. So like say sippers. Even the sipper is one product, which will replace paper sippers which are currently used in our industry. We are looking at sippers for not only for beverages, but also for coffee and tea. So those will be launch very soon in the next three to four months. So once those products come in, they will be also generic, I can sell to Coffee Day, we can sell to Tata Tea, we can sell to Bru or PVR whichever want to use a coffee cups also. So those kind of products we will be aiming at reasonable volumes like 50,000 pieces in one, 25,000 not 5,000 and 3,000. So it will be more like a middle size consumers.

Suvarna Joshi

Okay, great. Sir, any update on the proctor and gamble order that we had got for ariel, I mean, have you seen any traction there or is the company still test marketing on that front.

J Lakshmana Rao

No. We have made bulk supplies during the current year itself. Even still – summer. They had picking up volumes about five to six months in year they are picking up in the last 12 months. And I think going forward, it will continue to be the same trend. And reasonable sales we achieve with the proctor and gamble this year. I think we'll made almost 35 lakhs, 40 lakhs containers with around 10 crores maybe, 7 crores, 8 crores. Annual sales we are expecting 7 crores to 8 crores from P&G alone.

Suvarna Joshi

Great, sir. That's put to your. And just last question from my end is, what is the trend in the raw material price that we are seeing currently. And I believe in the last con call, you're indicated that prices had gone up to plus 88, 89 per kg or so. So have you seen some correction there, because crude has now corrected back to around 50 odd levels. And given that correction has happen, do we see an opportunity to again, open our prospects in the edible oil market segment as such.

J Lakshmana Rao

So they told you crude has definitely bearing on the RM price, but not necessarily direct impact like diesel and petrol. Here last four, five months there's not much variation. Having gone up in the month of Jan onward – December, Jan onwards, they're more or less stable in the last four, five months. It around Rs. 93 or so.

Suvarna Joshi

Okay. So currently, it trades at about Rs. 93 per kg or so.

J Lakshmana Rao

Yeah.

Suvarna Joshi

So it does not leave any scope for us to think back on the edible oil market for that we had been looking towards when crude prices were really low.

J Lakshmana Rao

Yes. As of today, it still much high, Rs. 71 was the price when we introduce no it is Rs. 93, which is a big recurrent for them.

Suvarna Joshi

Right.

J Lakshmana Rao

But we are slowly get interaction in that products also, other applications.

Suvarna Joshi

Sure, sir. That's good to hear. Wish you all the best sir. And if I have any further question, I just come back in the queue. Thank you so much.

J Lakshmana Rao

Thanks.

Operator

Thank you, Suvarna. Next question comes from Prdnya Vishwakarama (47:34) Edelweiss Company. Your line is unmuted.

Prdnya Vishwakarama

I just want to know one thing, like, in one of our con calls we are mention that in – during fourth quarter, we receive some kind of discount from Reliance or someone.

J Lakshmana Rao

Yeah, we get all – raw material discount for the annual discount in the last quarter, which have been every fourth quarter.

Prdnya Vishwakarama

Okay. And what is the quantum if you can specify?

J Lakshmana Rao

It's about 30 paisa per kg something like that which we brought throughout the year, 30 paisa, Rs. 80 lakhs in the value. So it is around Rs. 80 lakh.

Prdnya Vishwakarama

Okay, for this year.

J Lakshmana Rao

This year, yes.

Prdnya Vishwakarama

Okay. And I just wanted to confirm thing, you said for FY2017, SMCG was Rs. 31 crore in contribution right?

J Lakshmana Rao

Can you say that once again?

Prdnya Vishwakarama

Rs. 31 crore or Rs. 19.8 crore I just wanted to confirm that.

J Lakshmana Rao

It is Rs. 21 crore.

Prdnya Vishwakarama

Okay, Rs. 21 crore is SMCG and then you have Rs. 217 crores from PINs right?

J Lakshmana Rao

Correct, correct Rs. 107 crore from loops.

Prdnya Vishwakarama

Okay. And Rs. 107 from loop. Okay, yes thanks. That's it from me.

J Lakshmana Rao

Okay.

Operator

Thank you, Prdnya Vishwakarama (48:57). Next question comes from Dhiral Shah from Asit C. Mehta. Your line is unmuted.

Dhiral Shah

Thank you, sir. Sir you just spoke about – which is going to achieve a revenue of Rs. 20 crore to Rs. 25 crore in FY2018. But you said, it will be breakeven by FY2018. But in the presentation you are – you are very confident that it will be breakeven by September 2017.

J Lakshmana Rao

Yes. It will breakeven from September 2017 even now I stand on that, but overall year when you end up the first six months might not make profit. So whatever profits we can make in the second half – so we will offset in the first six months.

Dhiral Shah

So it will contribute, maybe in the second half, but it will contribute to the margins, right?

J Lakshmana Rao

Yes, yes.

Dhiral Shah

Okay. Sir I just wanted to know, are these general product is better than IML product.

J Lakshmana Rao

No it is IML products only.

Dhiral Shah

Okay, it's IML product only.

J Lakshmana Rao

Using IML as a recordation we will be making low volume general product with IML not without IML.

Dhiral Shah

Okay, okay. And sir lastly sir, whatever we are supplying to food and FMCG is it IML or non-IML sir.

J Lakshmana Rao

Non-IML.

Dhiral Shah

It's a non-IML.

J Lakshmana Rao

All IML, everything IML.

Dhiral Shah

Everything IML. And sir lastly, sir your contribution of IML has now touched almost 49%, so what could be the peak level you can expect it can touch up to...

J Lakshmana Rao

As I told you unless Asian Paints shift completely to even HDL we will continue to have screen printing at our around 45%. If Asian Paints shift to at least HDL and IML screen printing can come down from current 51% to even 10%, 15% also. So the major person or company to decide the direction of screen printing in the overall sale is Asian Paints. Their shift will find the numbers of screen printing coming down very drastically.

Dhiral Shah

Okay. And sir lastly, sir how much IML contribution in PINs and how much is the IML contribution in dukes overall.

J Lakshmana Rao

That's what I'd said, I will send a mail because I don't have the data readily.

Dhiral Shah

Okay, okay I'll then send you a mail. Okay, sir. Thank you, sir.

Operator

Thank you, Mr. Dhiral. Next question comes from Ankit Gaur from Systematics. Your line is unmuted.

Ankit Gaur

Good evening, sir.

J Lakshmana Rao

Good evening.

Ankit Gaur

I'm heartening to hear 15%, 20% volume growth for next year. My question with regards to Reliance RM shutdown, the Reliance shutdown. So is it annual activity happened at Reliance or how it is...

J Lakshmana Rao

Yes, it is generally annual activity but not necessarily to happen in April. Last year I'd remember it happen in December or so.

Ankit Gaur

Correct.

J Lakshmana Rao

So it can happen – based on their own internal planing I don't know what it is. So it happened – indicated that in March made big volume and in fact we have material shortage in April. So I think that material has certainly helped us to tied over shortage in April.

Ankit Gaur

Okay. And sir would mind telling what is the monthly requirements for – in that case you see PPCPs from Reliance. What is the monthly requirement...

J Lakshmana Rao

No I would condemned it close to 19,000 ton so, 1,500 tons per month in that the 90% is BVCB rest is LNT, PLD and all that per handles and all folks, caps we use other products. So you can say 1,300 tons a month.

Ankit Gaur

1,300 tons a month.

J Lakshmana Rao

1,200 ton to 1,300 ton.

Ankit Gaur

Okay, and of which...

J Lakshmana Rao

In the current level.

Ankit Gaur

Okay. In current level. And of which how much we procured in the month of March at...

J Lakshmana Rao

March, we generally as I told you our stock levels are about two weeks, that means we should have held around 700 tons, we bought almost 2,200 tons.

Ankit Gaur

Okay, 2,200 tons I understand. And that's pretty clear. And sir now in – if you can give us a volume break up in terms of pains, loops and FMCG for 2017 and Q4 that will be great.

J Lakshmana Rao

IML, send a mail I will ask my finance people to provide that.

Ankit Gaur

Okay, sir no problem. Thank you.

J Lakshmana Rao

Thank you.

Operator

Thank you, Ankit. [Operator Instructions] Next question comes from Aditya Jadhav from Individual Investor. Your line is unmuted.

Aditya Jadhav

Thanks a lot for the opportunity and congratulations Lakshmana Rao.

J Lakshmana Rao

Thank you.

Aditya Jadhav

Yes. I have three questions for you, right? My first question is regarding a increase in staff cost, if I look at your standalone income statement that on a year-on-year basis in the fourth quarter our staff cost have increased by 18%. So just wanted to understand do we provide a pay raise to our employees in the final quarter or something and what is the reason?

J Lakshmana Rao

You are talking about raw material cost or you are talking about employee cost?

Aditya Jadhav

No, employee cost – staff cost.

J Lakshmana Rao

Staff cost, okay, okay I got it.

Aditya Jadhav

It has increased by 18.66%...

J Lakshmana Rao

In the fourth quarter, yes there are increments that happened towards the end of the year, beginning of the new financial – I mean the calendar year we have increments. And we also taking people to train them in IML, getting ready for our plants that are coming up at Vizag and Mysore. Because they cannot be ready overnight, they need at least six to nine months before they are employed, deployed in a those new plants. So we're started taking employees to fill there or to handle the new plants that are coming up in the next year.

Aditya Jadhav

Okay. My second question is – I can see that okay, over the last couple of quarter, you as a promoter has been increasing your stake in the company. And that so good reason to be bullish about this company, right. And that's a good way to give a good signal to market. I know that but consign that you all stake is too low compared to other because you're just holding around 35% and at the same time, you'll also give a heavy dividend. So do we see any kind of buyback from the company which is a more tax efficient way to increase the – your stake or something like that.

J Lakshmana Rao

Whether it is to increase our stake or not. There was session from our auditors also to look at share buybacks. But with given our continuous investment plans and ramping up capacity, sizable buyback cannot be possible at this stage. But I'm certainly open to that advice to have the buyback, if not for increasing our stake, just to make the consolidation of equity and also reward the shareholder. Yes, indirectly it may improve our stake also. But that need is sizable quantum of funds to deploy. We can't

do it in small amount like 10 crores or 12 crores. So I'm against the idea. We'll certainly discuss this in future plans.

Aditya Jadhav

Okay. And my third question is regarding a branding, IML plays important role in any kind of product branding and that's why whether FMCG company or other companies are ready to pay higher price for that. If I look at a beverages industry, which comprises fruits and juices, at the same time alcohol right, over the last couple years, fruits and beverages have increased or I would say that, evolved over the period wherein they have shifted from the glass bottles to a flexi pack, even curtain packs, right. We have seen even paper bottle coming up with a different packaging all together right.

So that particular segment has evolved over the last couple of years from glass bottles to a flexible packaging or curtain packaging right. But unfortunately, when it comes to other segment something like alcohol, which heavily invest into branding has still stick to a something like a glass bottles or something like that right. So have you given any thoughts towards that, how we as IML manufacturer can help them in increasing the branding, at the same time providing kind of packaging solutions to them?

J Lakshmana Rao

Let's see, the fruit pulp and juices, what you're talking about, there are shifted to blow molded containers and pet bottle. Basically of convinces and breakage hesitant to plastic. So coming to alcohol, the problem is alcohol is – you needed to have completely an intake and oxygen carrier. Otherwise the product can get diluted or get lose its flavor or whatever. So that kind of plastic bottles are again possible mainly in blow molding that is why some people are using pet, if you notice.

Some other brands are using pet. Even Chivas Regal and other top brands were in their small packs are still going for pet bottles – they call it. So that is possible in the blow molded containers and pet bottles. Coming to injection molding, it will be too difficult because you need to have a small narrow mouth to in order to serve the drink and that is possible only in blow molding, not possible in injection molding.

Aditya Jadhav

Okay. Thanks a lot.

J Lakshmana Rao

Thank you.

Operator

Thank you, Adhithya. Next question comes from [indiscernible] (59:29) from Prabhudas Lilladher. Your line is unmuted.

Adhithya

Thanks for the opportunity, again. Just a very quick data points, sir. Could you just share the [indiscernible] data of in terms of volume sold in FY2017.

J Lakshmana Rao

The overall volume.

Adhithya

Yes. The overall volumes, please.

J Lakshmana Rao

Overall volume of 2017 is 18,830.

Adhithya

And so how would this compared to last year?

J Lakshmana Rao

It was 16,880.

Adhithya

16,880?

J Lakshmana Rao

Yes. We're up by almost 12%, close to 12%.

Adhithya

And so would you by any chance have the FY2015 that got handy.

Adhithya

One second. FY2015 do you have figure or not?

J Lakshmana Rao

Yes. I am unable to give that. Do you have any other question remains?

Adhithya

Just one reconfirmation on the 270 tons that you have sold at RAK, that's in this year, right. I mean in April and May of this fiscal or was this last fiscal?

J Lakshmana Rao

No, four months, 267 tons,

Adhithya

Yes. That was last year, is it?

J Lakshmana Rao

Last four months. November to March.

Adhithya

Okay. So that is in FY2017.

J Lakshmana Rao

Yes. For your FY2015, it was 15,800 tons.

Adhithya

15,800. All right, sir. That's all I need. Thanks so very much.

J Lakshmana Rao

Thank you.

Operator

Thank you, Shirley. Next question is comes from Dhruv Bhatia from AUM Advisors. Your line is unmuted.

Dhruv Bhatia

List out clarity the number that you've mentioned of each of the segment. You said INR 217 crores on the and INR107 crores from loops, and whole things 21. This adds up to almost around INR340 odd crores, where as the total revenue was around INR310 crores. So are these gross numbers or these net numbers that you mentioned us?

J Lakshmana Rao

345 is gross number.

Dhruv Bhatia

345 is gross, right?

J Lakshmana Rao

Yes, yes

Dhruv Bhatia

Okay, fine. And just secondly, just wanted to understand is that – with rupee appreciating, do you anticipate any – and the prices being stable. Do you anticipate any benefits on the gross margin front?

J Lakshmana Rao

It should improve, if the raw material prices come down, because whenever raw material price come down we gain in that particular month. We enjoy the previous month higher price. So in generally is a good sign for us, if the trend is downwards. But that is a temporary phenomena. And coming to the other benefits of rupees strengthening is, or import cars come down. We also have some import raw material. Not so significant, maybe 3% to 4% which can go up to 5% as we go into more and more exotic food product. So probably, that much we benefit, like the raw material costs will be indirectly less for us, if they will be single. And also capital roots cost will come down, like see we are now importing machineries for enhancing our IML printing capacity, die cutting capacity and moulds. All these cost will come down indirectly the capital cost will come down.

Dhruv Bhatia

Sure. So and one question on, since you've mentioned the CapEx for next two years for the – almost 25 crores and 30 odd crores. I believe probably your free cash flow for I mean, up cash from a patient would roughly around 35 odd crores. Do you expect or you looking to increase the debt from current levels?

J Lakshmana Rao

It does not need, suppose, because our cash flows are reasonably healthy, and in spite of paying a decent dividend, we still good have somewhere close to 30 crores of free funds available for investment. And as I told you earlier, we have not compliance is the working capital even to the extent of 30%. You have almost 100 crores limit based on our datas and raw materials 75, 80, 90 may be now. We are using only 30 crores.

Dhruv Bhatia

The last question from my end would be, just your capital utilization on the India business would be around 70%. What can be the peak utilization for these plants?

J Lakshmana Rao

You mean which plant?

Dhruv Bhatia

I mean the India operations having a 27,000 tone capacity, you have done almost around 18,500 tones in FY2017. That would be on 70% of utilization. What would be the peak utilization that you can double from this current capacity?

J Lakshmana Rao

Peak, I would say 80%. We can't go beyond 80%, because these capacities are calculated as an idealistic product mix. And in a situation and practically reaching 75% to 80%, I would consider as best.

Dhruv Bhatia

So I mean for FY2018 growth, you have enough capacity, but from FY2019 onwards you will need the Mysore and Vizag plant to be commissioned?

J Lakshmana Rao

Not only that, this year we have plans to invest 25 crores, in that there will be considerable capacity addition in Indian plants.

Dhruv Bhatia

And what would be the numbers in tonnage?

J Lakshmana Rao

Tonnage, we're not yet worked out. It should be in my opinion around 3,000 tons to 4,000 tons. Recently in food and FMCC, so the volume look less in terms of capacity.

Dhruv Bhatia

Sure. Thank you so much, sir.

J Lakshmana Rao

Thanks.

Operator

Thank you, Dhruv. As there are no further questions from the participants. I'll now hand the conference over to Mr. Akhil Parekh for closing comments.

Akhil Parekh

Thanks, Basu, thanks everyone for participating. Thank you Lakshman, sir for answering all the questions patiently. So what you have in case if you have any closing remarks.

J Lakshmana Rao

Thank you, very much, Nirmal Bang and also the conference conductor. And also thank all the participants for their keen interest in our company. I wish you all the best and you investments. Thank you, bye.

Operator

Shall we conclude the call, sir?

J Lakshmana Rao

Yes.

Operator

On behalf of Nirmal Bang Equities, that does concludes this conference. Thank you for joining us. And you may now disconnect you lines. Thank you all.

Akhil Parekh

Thank you, bye.

{End of Transcript}