



MOLD-TEK
Packaging Limited
(Formerly known as Moldtek Plastics Ltd.)

Date: 31st July, 2021

To, The Manager, Department of Corporate Services, BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. Scrip Code : 533080	To, The Manager, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051. Ref: MOLDTKPAC - EQ
--	---

Dear Sir,

Sub: Outcome of Investors Conference Call held on 28th July, 2021.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 28th July, 2021.

This is for your kind information and records.

Thanking you,

For Mold-Tek Packaging Limited


Thakur Vishal Singh
(Company Secretary)



Corporate Office :

Plot # 700, Road No. 36, Jubilee Hills, Hyderabad - 500 033, Telangana, INDIA.
Phone : +91-40-40300300, Fax : +91-40-40300328, E-mail : ir@moldtekindia.com
Website : www.moldtekgroup.com CIN No: L21022TG1997PLC026542



“Mold-Tek Packaging Limited
Q1 FY2022 Earnings Conference Call”

July 28, 2021



ANALYST: MR. ABHISHEK NAVALGUND – NIRMAL BANG EQUITIES

**MANAGEMENT: MR. LAXMAN RAO – CHAIRMAN & MANAGING
DIRECTOR – MOLD-TEK PACKAGING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited, Q1 FY2022 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. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you, Sir!

Abhishek Navalgund: Thanks Malika. Hello everyone. On behalf of Nirmal Bang Institution Equities, I welcome you all to the Mold-Tek Packaging Limited for Q1 FY2022. We have with us Mr. Laxman Rao, the Chairman and Managing Director of the company along with the entire finance team of Mold-Tek, so without further ado I would request Mr. Laxman Rao to start with the opening comments post which we can open the floor for question and answers. Thank you and over to you, Sir!

Laxman Rao: Thanks Abhishek and Malika. Thank you all for showing your interest in participating in this call. I am glad to inform you that in spite of severe COVID second wave, company could post good results of course based on a weaker Q1 last year, however, the revenues are up by about 104% and in volume terms it is around 63% up, whereas the PAT has gone up by almost 7.7 times, thanks to the revenue mix and price realization. The profits have gone up from 1.52 Crores to 12.08 Crores PAT. That is a considerable increase considering the kind of second wave, which all of us have faced, especially we were also hit in May, couple of our tool room engineers were infected and unfortunately we lost them due to COVID and in spite various medical care and attention given that had happened, but the rest of the 200 odd people who were affected at all eight units completely recovered and company has taken steps to provide family insurance, free medicines and all kind of support during those two months especially May and then followed June to take care of our employees and their near family.

I hope that this COVID will be under control going forward and countries can look forward to normal life for normal economic activity. If that is so the company is well poised in all its segments, paints are growing because there is a lot of pent-up demand and the major leaders in the paint industry are indicating very good next couple of quarters until Deepavali and then followed by food segment where we also anticipate our new sweet boxes will be taking off, already we have received couple of decent orders, which can take those segments forward in Food and FMCG and pumps division, we have already received orders from Wipro and couple of medium sized companies, but Reckitt Benckiser audit has given us the green channel client selection, so hopefully some business from the Reckitt Benckiser and

Hindustan Lever are also anticipated in the pumps division going forward, so all segments are well set and we hope that future will be brighter for us with QR Coded IML containers concept has been well received by Asian Paints and Castrol, they both are showing interest to pursue that proposal, which will offer 100% anti-counterfeit feature in the supply chain. So, this is from the board as of now and I think we can discuss more in our question and answers, so I hand over the call back to Malika to arrange for the questions and answers.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Kushal Shah from Dhanki Securities. Please go ahead.

Kushal Shah: Thank you for the opportunity. I had a few questions, the first one was if you can share the volume numbers over three segments in paints, lubes, food and pumps?

Laxman Rao: Yes, volume wise is 58% in paints, 24% in lubes and around 18% between food and pumps, pumps is just 0.4%, overall it is 18%.

Kushal Shah: Alright, Sir, some colour on our expansion plans, we were planning to do a de-bottlenecking in Mysore and Vizag, so from that also if we have begun any work on the Sultanpur-Hyderabad plant, and also how our pumps businesses, we were I think doing 1 million production, so how is it currently and what is the ramp-up likely?

Laxman Rao: Yes, Vizag and Mysore already capacity have been added, efficient buildings are also completed and new machinery has been installed and in fact Vizag is growing more rapidly, there too the machinery and buildings are ready and ready to go. The plant at Hyderabad and new plant for further enhancing the food packaging production has been in place, inaugurated it in a month of June, so that is adding additional capacities in Food and FMCG products, coming to Kanpur though we were to start in June because of this second wave we deferred it by a couple of months and by September, we will be starting our production at commercially, I mean use this premises in Kanpur and meanwhile we had procured about 2.7 acres of land at Chandauli Industrial Estate in Uttar Pradesh which is next door to Berger Paints upcoming plant, so that plant we will construct in the year 2022-2023 and go to production simultaneously when Berger is ready to go. Meanwhile, our plant near Kanpur the leased premises will be serving mainly Goodlass Nerolac and couple of our edible oil clients in and around UP, so this is how we are planning to ramp up the capacities. Already they installed capacity, currently it is almost 42000 up from 34000 to 35000 in the beginning of last year, so we are about 20% capacity has been already added and going forward in this year, there will be further addition at Kanpur, mainly Kanpur, so probably the capacity would go up to 44000 to 45000 by end of this financial year.

- Kushal Shah:** Sir, within the pumps, what is our current run rate on a monthly basis?
- Laxman Rao:** Pumps, yes, we started only in the month of March-April, I think from February-March a little bit quantity, but going forward, currently the order for around 1.5 million a month. We have recently concluded Reckitt Benckiser's two days of audit and we got a green channel clearance, so hopefully some volumes can be expected from them in the month of August-September going forward and Levers are also in touch with us for a separate type of pumps, ITC and Godrej, who have also committed to buy from us, have stocks till June-July, so they also start buying from August, going forward I think by third quarter of this year starting from October, at least a capacity ratio will go up to 2 million to 2.5 million a month and can reach probably 3 million in the fourth quarter of the current financial year, which will be touching our 50% of the capacity set up. The capacity is close to 6 to 7 million so, hopefully by the end of this first financial year of pumps, we will be reaching about 15% capacity utilization and the following year 2022-2023, it should be close to 70% to 75%, which is our average in all our other segments.
- Kushal Shah:** Sir, two final question, so on the pump segment, I think if I recollect correctly, we were planning to do some revenue numbers around 15 Crores or 20 Crores for the current year, so that number we are confident of achieving?
- Laxman Rao:** Yes, we will be very close to that.
- Kushal Shah:** So, we can do around 15 Crores revenue in the pump segment in the current year?
- Laxman Rao:** Yes, 12 Crores to 15 Crores you can say.
- Kushal Shah:** Right, and Sir, jut one last thing on the overall company level volumes, I think we were targeting a decent growth over the last year 2021 and the current year, so given that the first quarter has been little muted, so I think we were targeting around 32000 tonnes roughly, volume number for the current year, so do we stick to that number or do we increase or decrease that target?
- Laxman Rao:** No, we are still targeting at 32000 though there was a setback, we could have achieved around 7500 to 8000 in this quarter, we hit only 6000, but going forward with the new products and other traction from other segments if there is no COVID waves again in this year probably we can still keep the target of close to 32000.
- Kushal Shah:** Sure, that is it, Sir. I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

- Akhil Parekh:** Hello Sir, many congratulations on a good set of numbers despite challenging condition. My first question on the capacity of the new capacity, which you are planning to add in the Uttar Pradesh, so can if you highlight the total capacity, which we were expected to add in Capex for that particular plant?
- Laxman Rao:** Yes, Kanpur initially it is in a leased premises so the planned expenditure for that would be hardly around 5 Crores, but additional investments will be at Sultanpur here in Hyderabad, we have plans to widen our product range and probably expand our food containers range also that could be another 5 Crores to 6 Crores, so apart from 33 Crores already committed in the financial year so far, for the expansion and payment of some of the machines, which had received earlier in the year, the overall investment again this year will be in the region of around 50 Crores, which was 59 Crores last year, as of today the visibility is that we would be needing around 50 Crores investments in the financial year, already 33 Crores has been either committed or completed and we have acquisition of close to 3 acres of land at Kanpur and buildings to be built at Sultanpur, Hyderabad and maybe starting of the buildings at Kanpur towards the end of this year for our own facility there, so all this put together in the new molds and machines, we see a requirement of around 48 Crores to 50 Crores of investment again in the financial year that will take our volume, which in the beginning of last year was somewhere around 34000 to 35000 tonnes to close to 45000 to 46000 tonnes.
- Akhil Parekh:** And the new capacity, which you were speaking about UP which is next to Berger Paints right, so that is separate from the Kanpur or is it the same?
- Laxman Rao:** Yes, the current capacity is close to 44000 tonnes and Kanpur will be hardly around 1500 tonnes, but the additional capacity that we will be creating at Sultanpur may not become really operative in this financial year because the building itself will take some time and those numbers can only look at next year, so this year with Kanpur and some more machines at existing plants, we are aiming at reaching a capacity of 44000 tonnes from around 34000 to 35000 in the beginning of last year.
- Akhil Parekh:** What would be the peak sales like a peak utilization of 45000 tonnes?
- Laxman Rao:** We are aiming at 32000, so you can say close to 75%.
- Akhil Parekh:** I was talking from a value perspective like at the peak utilization level of 45000 tonne was the new capacity constant, what kind of sales revenue we are targeting?
- Laxman Rao:** See, even if the capacity is 45000 tonnes, I would take 75% to 80% is a feasible capacity, so taking at 36000 tonnes and now the per tonne realization is much higher, close to around 2

lakhs per tonne I think, so it will be somewhere around 750 Crores, Rs.220, so it will come to around 800 Crores of revenues possible at peak capacity utilization.

Akhil Parekh: Got it and second question in pump segment like in the last few calls that you had mentioned that this segment was particularly dominated by the Chinese imports, have this stopped completely or what is the status right now?

Akhil Parekh: Got it and second question is the pump segment like in the last few calls that you had mentioned that this segment was particularly dominated by the Chinese imports, have this stopped completely or what is the status right now?

Laxman Rao: They have stopped completely importing because it is not viable, there is a lot of duty increase and all, but they are all carrying huge stocks even today, that has come down considerably, the indication from couple of major clients who have committed to us is that they will be free by July, but I think it may slip into September, couple of more months because the consumption has not really gone up so the stocks are yet to be consumed, but they are all in touch with us and they have appreciated our modern facility with 100% complete quantity checking machines what we installed, which none of our competitors have, so they all committed, but their stocks are still to be depleted what they procured some 7 to 8 months ago or end of last calendar year, they are still carrying, so hopefully things will be more positive for pumps division from October onwards.

Akhil Parekh: Sure, next year you said our capacity will reach around 60 million and 70% to 75% of utilization rates that we are targeting, so how much can be the potential revenue target at that utilization rate?

Laxman Rao: Yes, once we reach say 5 million to 6 million pieces a month, we are talking about a turnover of around 4 Crores per months, so 48 gross revenues are possible, 45 to 50 you can say.

Akhil Parekh: Will the margin profile will be very different than what we are right now for this particular product or it will be on the higher side?

Laxman Rao: It is definitely higher than the average and it will be close to or better than food and FMCG margins in terms of per kg.

Akhil Parekh: Sure Sir, last question on the IML versus non-IML, if you can please provide the volume and value numbers?

Laxman Rao: Not much of difference actually, the total IML stands at 63.2% as against 65% last quarter basically because of reduction in the sale of our edible oil containers, which are 100% IML,

but this quarter we had a drop in square container sales mainly because of huge price rise in raw material and also edible oil prices have shot up during the last two quarters, which has resulted in majority of the oil companies going back to metal cans or pouches and thereby the overall reduction in the IML has come from 65% to 63.2%.

Akhil Parekh: This is the value terms or volumes?

Laxman Rao: In value terms.

Akhil Parekh: And volume terms?

Laxman Rao: In volume it is from 61, it can be 60.9 very nominal in tonnage from the Q4 to Q4, if you look at the last year to now, 62.1 has become 61 you can say.

Akhil Parekh: Got it. Thanks a lot, Sir and best wishes from my side.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Thanks for the opportunity and congratulations on a very good set of numbers as far as top line recovery is concerned. Sir, my question pertains to the gross margin, during his period we have seen a bit normalized gross margin, was it because of a delay in passing on higher prices or it is the kind of lower mix of FMCG products in top line vis a vis Q4 of FY2021, can you throw some light?

Laxman Rao: Yes, in the Q4 of last year, food and FMCG was 23%, today it is 25% including pumps so that is one reason for improved margins, but whenever the raw material prices come down there is a lack in passing on the price benefit to the clients so that is also another reason for improved EBITDA margins, both contributed, otherwise this could have been a part of it, this should have been in the Q4 last year because the price was gradually increasing in the last three months of Q4 whereas in these three months it was gradually coming down so whenever price comes down we have some advantage in the margins.

Hitesh Taunk: But, Sir, I am talking about gross margin which has showed nearly 100% decline on a Y-o-Y basis?

Laxman Rao: 100%?

Hitesh Taunk: 94 BPS dip in gross margin on a Y-o-Y basis to be very specific?

Laxman Rao: You are talking about Q1 to Q1 or?

- Hitesh Taunk:** Yes, Q1 to Q1.
- Laxman Rao:** Yes, Q1 to Q1 is considerable because last year the capacity utilization was almost near break even point, so the fixed expenditure of staff cost and other cost stayed where they are and whereas this time though there is a COVID wave, we could at least utilize 6000 tonnes in this quarter as against 3670 last year, so we are much ahead of break even point and that is why the margin percentage increase is considerable.
- Hitesh Taunk:** Probably I will take this offline. Sir, the second thing can you please give me the revenue breakup on a segment wise, revenue breakup, I have volume breakup, but can you tell me segment wise revenue breakup, Sir?
- Laxman Rao:** For the current year or current quarter?
- Hitesh Taunk:** Yes, for the current quarter, Sir.
- Laxman Rao:** It is 71 Crores for paints, 29 Crores lubricants, around 30 Crores for food and about 3.5 for pumps.
- Hitesh Taunk:** Great and Sir, my next question pertains to the new product of QR IML product, which you have recently launched on a trial basis, so based on your recent experience or on a trial base experience, what kind of change in margin you can predict because you said like in your opening remarks that you are pushing this to the Asian Paint and all, so I believe that this would be largely replacement of non-IML products, so it will be largely beneficiary on a gross margin point of view, so what kind of revenue potential or say gross margin improvement do you see by introducing this product going forward, Sir, any calculation or rough figure or ballpark figure would be help?
- Laxman Rao:** See today you all know that IML products contribute much better than non-IML products and the gap between that is considerable let us say if gross margins in non-IML is less than Rs.30 per kg, in IML it is close to Rs.40 to Rs.45, so even in pails I am talking about, so if Asian Paints shifts some of their quantities from non-IML to IML, it always helps a lot in improving, but how much quantities Asian Paints would shift is a guess as of today because they are yet to take a call, but at this time with the QR coded IML they wanted to try for a couple of their brands, but a decision is yet to be taken so it will be speculative if I mention the benefit, but if they take a call to shift to IML and with QR coded IML, definitely there will be a sizeable improvement in the margins and you have to count on one more thing not only I am looking at that margin, I am rather looking at shifting their business share to us, even if they shift one or two brands completely to Mold-Tek it can add more than 15% to 20% of sales growth in Asian Paints contribution itself, which can be sizable.

- Hitesh Taunk:** Great, Sir. That is really great and I missed the volume bifurcation, you said about 58% from the paint and 18% from the food, right, Sir?
- Laxman Rao:** Yes, 58% paints, 18% food and pumps.
- Hitesh Taunk:** Thanks for the answer, Sir. I will come in the queue if I have more questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Miraj Shah from Dalal and Broacha Stock Broking. Please go ahead.
- Miraj Shah:** Thank you for taking my question. Majority of my questions have been answered already, but I would just like to briefly touch up on one point. Sir in the gross margin side, I think that the gross margins have declined in this quarter compared to the previous quarter, so can you just give us a brief about where are we in per kg cost for raw material?
- Laxman Rao:** See raw material costs for last quarter was 112 on average, which is now actually 118 for this quarter, but from the peak of April and March ending and April also the price went up a little bit, but May and June, there is a drop in the raw material price and one more thing, the EBITDA margins per kg have not really reduced, in fact they have increased from Q4 from 41.88 to 42.42, this quarter it is 42.42 in spite of low capacity utilization so as I explained in the earlier questions this is due to two reasons, one is wherein the raw material price is coming down we get the advantage of delay in passing price reduction to our clients that is one reason, second reason is the better realization on our product mix, food and pumps volumes have gone up marginally though, it is from about 23% Q4 has become 25% in the Q1.
- Miraj Shah:** Understood, Sir. Thank you so much. That is from side.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Good afternoon, team. Sir, my first question is that one of the reasons for Asian Paints not buying IML was other vendors not being able to supply, so despite that why are we confident that QR coded IML technology could find a favour from Asian Paints, what could be the reason?
- Laxman Rao:** No, I am not very sure whether they will shift to QR coded IML because as you said they are still waiting for other vendors to become IML capable as of today and their QR coded IML has attracted their attention because of its ability to give them last point anti counterfeit safety. Actually when we entered with this anti counterfeit IML we were not aware that the companies were already using QR coded systems, but when we interacted with them we

understood they are using their QR coded systems right up to the point of sale through QR coded capability and linking it within a website, so now it becomes easier for us to convince and add the last step that is a QR coded reverse printed IML, which will give them complete anti counterfeit feature and they do not need to invest on their software or too much on the IT solutions and there are companies providing those services also including giving geographical location of where that container, specific container which is QR coded by a unique number is sold and who purchased it or at least if not the person's name, the mobile number and the location of sale they will be able to get it online that facility is also available now, so it become much easier for us to convince them to get into our reverse printed IML. I hope that they will take this decision to adopt it, but we will only know after a month, in the month of August, the marketing team is discussing to see if one or two brands of theirs can be taken into this, but as I said it is not yet confirmed, it is only at a consideration stage as of now.

Bhargav Buddhadev: Sir, you mean if we find acceptance, what could be the increase in the container cost because of this as compared to what they are paying currently?

Laxman Rao: It is hardly anything. FOR a 20 meter container from HTL to IML, the price differential will be hardly Rs.6 to Rs.8 that is considering a container cost of around Rs.210 to Rs.220, it is about 3% to 3.5% and the paint they sell in it in some brands the cost is almost Rs.10000, so it is nominal.

Bhargav Buddhadev: Alongside the paints are we also switching this to other sectors?

Laxman Rao: Yes, all can use this concept, actually lubricants will be definitely dying to use this because their products are the most which are duplicated in the market, so they are very keen, Castrol has already developed their art work and asking us to make a trial batch and supply them, so in the lubricant side, Castrol is already taking steps to give a try. Hopefully in the month of August, the first small batch will go and they will put it in their supply chain and check the efficacy of it because most of the lubricant companies have some scheme or other going on for customer promotion so those schemes can be effectively implemented with this QR code and outside QR code which we also again give a dynamic QR code can help them in unique identification and traceability of the product throughout their supply chain right from our plant to their plant filling and then to distribution points, dealers, sub-dealers right into the shops they can trace it with the outside QR code, but the inside QR code which can be scanned only once that is what gives them the anti counterfeit feature, so I am sure lubricant companies will take it much faster than the paint companies because even technology wise lubricant companies are a little ahead so of course Asian Paints is very far ahead, so these guys can adopt without much ado in their supply chain software.

Bhargav Buddhadev: Sir, lastly has there been any global approach for this counterfeit solutions, in the developed countries also QR coded IML technology is used or how do they counter the counterfeit?

Laxman Rao: Yes, one of the ways developed countries also tackle, but in fact in those countries more than anti-counterfeit they will use it for promotion, they will use it for product data information not as much as in the anti-counterfeit, but in a country like us where we have a lot of duplicate parallel market it has become the most important thing, we can even add data about the product, how to you apply the paint, what are the benefits of these paint compared to other everything will be there, the moment you scan it you are taken to the website, and you will be giving all this data and one more dynamic very interesting thing in this QR code is that the promotion schemes let us say their promotion scheme ends on December 31, 2021 and on 1st December, the QR code, which was printed long ago can be disabled and a new promotion can be started from first January and that is kept in the software or the website of the company and whatever let us say instead of silver coin, hereafter it will a gold coin whatever 2 grams or whatever and then by changing that website in their portal they will be effectively changing the scheme after this particular break, so it is so dynamic for promotions that is what made developed countries to adopt it, but here in India of course that also can be done the promotion, but more than that the anti counterfeit can be completely implemented. It is an exciting feature, but how our industry goes for it and when they will adopt it is time to tell, but once they start using it one by one I am sure they fall in line because everybody is concerned about duplicates in the country even we have approached the Agriculture Ministry in Telangana where there was a big duplicate seed racket has been found recently where duplicate seeds were sold to the farmers and it is impacting their crop and output, so those products can also come through our containers which will enable the enduser not to suffer from this kind of duplicate products. The applications are many, how it will be adopted in the industry need to watched in a couple of years, next one to two years.

Bhargav Buddhadev: Sir, lastly in terms of new product launches on the food side obviously last year we were not able to do much because of the COVID restrictions, but how is the pipeline in terms of responses from customers for new product launching in the FMCG segment?

Laxman Rao: In the food FMCG, we have launched the sweet boxes last year, but as you correctly said last year not much marketing could be done, but even now the marketing is limited to zoom calls and a couple of very rare visits, but our feed box demand started picking up and in the festival those numbers may start taking off, but I do not count on it very much for this year because any product has a life cycle it takes a couple of years to penetrate and come into a sizeable business quantum like our pumps which could be 12 Crores to 15 Crores this year can become 40 Crores to 50 Crores in the next financial year 2022-2023, similarly the sweet boxes maybe 4 Crores to 5 Crores this year they can become 15 Crores to 25 Crores in the

next financial year so like this there are some more products for restaurants for some takeaway food products we are launching in this year, they will be in the market by December, January and they will be adding numbers in the coming season so like that every year we have plans to add at least 5 to 10 or may be say 6 to 10 containers of different shapes and sizes for different applications, which will be keep adding to our growth in the coming years, so sweet box is the one which already getting into the markets and we are introducing some cheese and butter packs by October, November and a new range of ice cream containers by December, so probably about 10 to 12 new products, I am saying number of SKU will be available from our product range starting from the New Year.

Bhargav Buddhadev: Sir, one clarification of your pumps business that when you mentioned this 4 Crores per month run rate from FY2023, how many customers are you assuming you will be giving this?

Laxman Rao: See, we hardly need 4 to 5 big clients to get those volumes and one good news is Wipro is setting up a huge plant in Hyderabad very close to our plant about 25 kilometers, 30 kilometers and that plant is supposed to have started by this November-December, but I think due to COVID it got postponed to be maybe middle of next year and then their own capacity requirement projected is 2 million to 2.5 million per month, so our capacity even if it reaches 5 million to 6 million that will be more than 75%, 80% of our installed capacity, so Wipro alone can take almost 40% to 50% of our capacity by next year middle and other clients like ITC, Godrej who are at various stages of testing of pumps would be on board by I am guessing before this year ending so effectively next year will be the year where we can see good contribution coming from the pump segment.

Bhargav Buddhadev: And this Wipro we are targeting significant market share is it in pumps?

Laxman Rao: Sorry?

Bhargav Buddhadev: This Wipro are we the largest supplier of the pumps for Wipro?

Laxman Rao: No, started with Wipro for their supplies to the North East and a little bit to Bengaluru plant, their Hyderabad plant where actual they plan to use our capacity has got delayed, it was to start by now, but they delayed it due to COVID and they are talking about December, but I guess it may go to next financial year, but when they start in Hyderabad, they have committed to buy major quantity from us.

Bhargav Buddhadev: Great, Sir. Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Akshay Chheda from Canara Robeco. Please go ahead.

Akshay Chheda: Sir, thank you for the opportunity. So, my first question would be any new client additions that we did in the last quarter and any new areas that we got into like say in Q4 you had extend about the agrochemical as the new space where you had got in, so any other areas where you got it and my second question would be, you have mentioned about EBITDA per kg for around Rs.36 to Rs.42, so should we still consider that as the safe range or any pluses or minus there, these are my two questions, thank you?

Laxman Rao: Yes, in the new client addition, I am glad to inform you we have received a major order from BPCL, Bharat Petroleum because we are not very active with the public sector because of their controlled pricing and other practices, but this time we got a decent order worth of 70 Crores to be supplied in the next two financial years from BPCL starting from June, I think small supplies have been made in June, from July onwards there will supplies of around 2 Crores to 3 Crores per month to BPCL and we also received another major breakthrough with the Gulf Oil, their new range of product they have selected our containers, which will be adding at least again 15 Crores to 20 Crores to the top line in this year, so these two are the major additions in the pail segment. Coming on the food and FMCG there are list of clients that were added for various applications, CV foods, Chem Agro, Ganapathy Herbal like that you know different Sathyam Foods, Biovedha Action Research Company, Fedex Aqua Solutions so we are getting into aqua products, we are getting into some research products, we are getting into some various applications of food processing or nutrients, micronutrients and other segments, so like that every month we are adding at least 10 to 15 new clients small though they are not very big clients, each may be worth around 1 or 2 Crores a year kind of business, but with our existing product range so they adopt with their artwork whatever is the product they sell and those companies are getting added on a monthly basis. So, coming to your second question of EBITDA margin, you might have seen that in spite of low capacity utilization in the Q1, we have achieved Rs.42 EBITDA per kg, but going forward that may be one reason one benefit of raw material price coming down as partly helped it, but I still feel achieving somewhere between 36 to 42 is still possible, 36 definitely we will do, will it be close to 40 is the point where we are trying to work on.

Akshay Chheda: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.

Amit Zade: Good evening, Sir. Thanks for the opportunity. Sir, I missed the volume breakup of three segments, if you can repeat that, please?

Laxman Rao: Yes, volume breakup was 58 to 24 and 18, paint, lubricants and food FMCG.

Amit Zade: 54, 24, and 18?

Laxman Rao: 24 and 18.

Amit Zade: and 18, okay got it and Sir, secondly on our market share, I think in the last call you have guided that we are roughly around 25% market share and we were told by our suppliers like Reliance, so assuming we did almost around top pail category to begin with so we did almost 250 Crores of top line in paints last year, so is it fair to assume the market size would be roughly around 1000 Crores, how to look at it?

Laxman Rao: I am talking about the organized sector would be in that region, there would be another 500 Crores to 600 Crores of unorganized sector also, we are dealing only with the organized sector players the top 5 to 6 companies in the paint industry.

Amit Zade: So, the other way to look at it is packaging costs would be almost 7% to 8% of the total cost, is that fair in paints?

Laxman Rao: Yes, it is fair and it depends upon the kind of paint again for the low cost paints it works out around 7% to 8%, but high cost paints like Royal and emulsion and other products, the cost of the paint is very huge so ranging from 5000 to 6000 for 20 liters so in that case our pail cost will be hardly it is about 4% to 5%.

Amit Zade: So, basically I think even we consider Asian Paints as a benchmark of 50% market share organized and 20000 Crores to top line, so the organized market comes around 40000 Crores market and may be 10% of that is roughly 4000, number actually?

Laxman Rao: The packaging cost will be in the region of 5% to 6%, but the packaging include cartons, for enamel range, nobody can use plastic containers for enamels so enamels are packed in tins, considering that even if you calculate 5000 as a packaging cost, 3000 Crores would be the organized sector packaging cost, of which may be 1200 Crores will pails, the rest will be tin and other packages.

Amit Zade: Sir, similar such for lubricant, so we did almost 105 Crores to 106 Crores last year, so what is the market share here in lubricant?

Laxman Rao: There also you can take in the nonpublic sector because public sector this is the first time after a long gap we are getting back into BPCL otherwise our pails are only to the private sector players so there we take 5% to 6% so 2700 Crores may be pails and may be around 600 Crores to the packaging cost and I add another 600 Crores for the public sector, public sector is huge, Indian Oil, BPCL together hold all this 30% to 40% of the market share.

- Amit Zade:** Which we are not majorly focusing on currently?
- Laxman Rao:** No.
- Amit Zade:** So our addressable market would be like 1400 Crores of within two categories paints and lub put together would be 2000 Crores roughly would be addressable market for this two category is that is fair to assume?
- Laxman Rao:** Yes, 2000 Crores is the size of the market.
- Amit Zade:** Got it. Thanks a lot. Thank you.
- Moderator:** Thank you. The next question is from the line of Disha Sheth from Anvil Wealth. Please go ahead.
- Disha Sheth:** Sir, I wanted to ask you mention that 800 Crores of sale, is it possible for this year, we are at 500 to 550 right now?
- Laxman Rao:** 800 Crores top line you mean to say?
- Disha Sheth:** Yes, when you said that we have the 45000 capacity that will be by which year?
- Laxman Rao:** Yes, 45000 tonnes capacity will be operative in this year, but of which we are hoping to utilize at least 75% to 80% that is about 32000 to 33000 tonnes, if the raw material prices stay here and we arrive at a Rs.200 to Rs.220 per kg sales realization we should be able to reach that number in the next financial year provided there is no COVID and pandemic you know.
- Disha Sheth:** Yes, agreed. Sir, now since the raw material is going down, but IML sales and fuel sales are going up, so EBITDA per kg can stay in this region is it possible and 42.4 per kg?
- Laxman Rao:** See, last year full year we achieved 36.72 per kg and this year our target is to at least reach Rs.40, first quarter we did 42.4, but I want to wait and see how it shapes up, our target is to reach 40 and 42, I think it will be definitely better than last financial year.
- Disha Sheth:** Sir, what is the value breakup of paint, lubricant and FMCG, volume I got it, value breakup?
- Laxman Rao:** Value breakup I gave already, it is 63% for paint, 22% for lubricants, and about 25% for food and pumps.

- Disha Sheth:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Survana Joshi from Axis Securities. Please go ahead.
- Survana Joshi:** Thank you for the opportunity. I just had one question as most of my questions are answered, in the previous conference call you had mentioned about some supplies being made to the Dhanuka Agritech for their nutrient business, so could you just help us with an update of that and how is the business shaping up in the agrochemical space?
- Laxman Rao:** Yes, we just started in the last quarter and again there is a repeat order, but the volumes what they are now testing are not very huge, I have to get real numbers, but we are trying to pressurize them or showcasing them the benefits of our QR coded containers just first call was made by our marketing and we are yet to give a demonstration because they are also using QR code for traceability but not for this complete anti counterfeit so we are trying to push to them the concept of QR codes, just about a couple of weeks ago we started showing them the video and some samples, we are yet to hear from them, but I am sure they will also find it very useful to control anti counterfeit in their products if they do so probably our business will start improving.
- Survana Joshi:** So, do you expect business to start generating revenues from second half of FY2022 or you see that happening only in FY2023?
- Laxman Rao:** See, sizable numbers would happen only next year, but definitely it will start in this second half in a small way with the existing brand maybe or with a new brands whenever the clients decide as of today I cannot divulge the full information, but certainly there is at least two to three players seriously looking at QR code whether it will lead to huge number growth I doubt in this year, but definitely it will be in the market and it will create still in the minds of all the top management in these companies because it is a top management agenda the security of their product, anti counterfeit, controlling duplication is something the directors and top management of any company would look at it, so the message will reach them once we put a couple of products in the market and then certainly I hope there will be a traction towards our products, but as you said it could happen only in the next financial year in a decent manner.
- Survana Joshi:** Alright and one more update if you can just help us with is, sometime back we were in talks with the GSK for their packaging need as well, but because of the merger with HUL, is there any update on that front as well?

Laxman Rao: Thanks to COVID, all these new developments are shelved by HUL also, they are in touch with us for other products, but this particular GSK Horlicks brand product there is no talk from them as of now and unless they also revise their plans for changing the packaging it may not happen so like this COVID had impacted everybody in terms of thinking of new products and changing their filling lines I think that this will be not happen in this financial year for sure, but whenever it happens we will be there because HUL is also our client for longtime so we are there in their books if they have to take a change in the packaging, they will certainly goes enough.

Survana Joshi: Sure, Sir. that is it from my end. Thank you very much and stay safe.

Moderator: Thank you. The next question is from the line of Akshay Chaturvedi from Cosmea Financial Holdings. Please go ahead.

Akshay Chaturvedi: Very good evening to you, Sir and thank you for the opportunity. I just wanted you to throw some color on your clientele in the paints business. As you said you only serve to the top five to six players and I would imagine Asian Paints would be your biggest contributor could you name the other contributors?

Laxman Rao: Berger, Nippon paints.

Akshay Chaturvedi: Actually, what would be the share of Asian Paints per se, I remember you mention around 25% of Asian Paints demand is served by you?

Laxman Rao: Yes, about 20% to 25% is served by us because they have 4 to 5 suppliers and High-Tek is the largest supplier is a kind of house company so they get almost 40% to 45% of their share and among the remaining 4 to 5 suppliers we are the second largest I guess.

Akshay Chaturvedi: How much would be Asian Paints contribution overall?

Laxman Rao: They contribute even today 25% to 30% of our sale revenue is coming from them because of the new clients we set up for them in Mysore and Vizag these numbers have gone up in the last couple of years.

Akshay Chaturvedi: So, 25% to 30% overall revenue they are contributing you are saying?

Laxman Rao: Yes, overall revenue.

Akshay Chaturvedi: And Sir, last question would be on the clarification of the Kanpur plant currently you guys are operating from the lease facility, am I correct from November 2021?

- Laxman Rao:** We are starting in September with leased premises to cater to Nerolac needs and we have acquired land Sandila Industrial Estate recently, the buildings and all will take year and year and a half so by end of 2022-2023 financial year we will be moving into our own premises so that will be catering to Berger paints and Nerolac apart from edible oil sector in that area.
- Akshay Chaturvedi:** Okay and that would be around 5 Crores to 6 Crores of capex?
- Laxman Rao:** No, that will be 20 Crores, but this current year will be 5 Crores to 6 Crores, for the lease premises. Bigger project for Berger and Nerolac together will be happening in 2022-2023 that will be 20 Crores project.
- Akshay Chaturvedi:** So, new plant from your own facility will come by the end of this fiscal or by next fiscal?
- Laxman Rao:** Next fiscal only, 2022-2023.
- Akshay Chaturvedi:** Alright, September you said you are starting a new facility I did not get that September this year?
- Laxman Rao:** September we are starting in the leased premises.
- Akshay Chaturvedi:** September you are going to start in the leased premises, alright.
- Laxman Rao:** Thank you, Sir.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Securities for his closing comments.
- Abhishek Navalgund:** So, basically I would like to thank the management for addressing all the questions and also thanks to all the participants for joining us. Thank you.
- Laxman Rao:** I take this opportunity to thank you all for the interest in our company's operations and please take care and stay safe.
- Moderator:** Thank you very much, Sir. Ladies and gentlemen, on behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.