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MOLD-TEK

Packaging Limited

(Formerly known as Moldtek Plastics Ltd.)

Date: 4th February, 2019

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
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Dear Sir,


Sub: Outcome of Investors Conference Call held on 31st January, 2019.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 31st January, 2019.

This is for your kind information and records.

Thanking you,

For Mold-Tek Packaging Limited


Thakur Vishal Singh
(Company Secretary)



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Moldtek Packaging Q3 FY19 Earnings Conference Call

January 31, 2019

- **MODERATOR**

- Ladies and gentlemen, good day and welcome to the Moldtek Packaging Q3 FY19 Earnings Conference call hosted by Prabhudas Lilladher 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shailee Parekh from Prabhudas Lilladher Private Limited. Thank you and over to you, ma'am.

- **MS. SHAILEE PAREKH - PRABHUDAS LILLADHER PRIVATE LIMITED**

- Thank you, Liven. Good afternoon, everybody. I welcome you all to the Q3 Earnings Call of Moldtek Packaging. We have with us Mr. Lakshmana Rao, CMD, Moldtek Packaging and also his finance team along with us. Sir, I would request you to please make your opening remarks, post which we can throw the floor open for Q&A. Over to you, sir. Thank you.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Good afternoon everybody. Thank you very much for showing interest in our Q3 results. As given to the BSE and NSE our company has posted satisfactory performance of 12% volume growth in sales and about 8.8% growth in PAT. And per kg EBITDA margins have gone up from Rs. 33 in the last corresponding quarter to 34.09. And for the 9 months ending again we have shown better margins from 33.54 last year to 33.86. However, the depreciation and interest have gone up considerably, depreciation mainly due to the partial installation of machinery at various plants that is Mysore and Vizag that are coming up, and also a major expansion at our Hyderabad Unit 1. So these machines were started depreciating though they are not fully commercially utilized, that has impacted the growth in PBT limited to just PAT limited to 8.8%, I think the sale growth of 12.8. Because the depreciation has gone up by 21% almost 2 crores in the 9 months, and the interest costs have also gone up by 74%, that's also partially part of the working capital funds were utilized in capital expenditure. But the interest costs were taken to the P&L. This is briefly the performance on the financial numbers. But I am very happy to inform you that our square pack which has been meant for edible oil and ghee is doing fantastic in these last few months. The sales went up

by more than 2 to 300% compared to the previous quarter. And going forward our order book is very solid for this quarter, we may expect another 100% growth over the Q3 in Q4. So that's the kind of numbers are climbing up in edible oil square packs, which will augur well for our future growth. And as explained in the note we have now received and started supplies of ice-cream containers for Hindustan Levers, good volume of numbers for their entire range of ice creams, started from middle of January. Apart from that we received orders from one of the largest ice-cream manufacturers in South India, that is Hatsun and their supplies will be starting in the month of February. And these are the few things. And on 7th of February we are inaugurating our plant in Mysore to start supply to Asian Paints probably in the second half of February itself. And Vizag plant will go on stream by first week of March, and probably start commercial supplies by second half of March 2019. So these are the growth drivers which will hopefully take the company forward into much better performance in the coming quarters. Having said this I wish to leave it here at this point and request the analysts to know any particular details they can go to the question and answers. Back to the board.

- **MODERATOR**

- Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please press * and 1 on your touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

- The first question is from the line of Aksh Vora from Praj Financial. Please go ahead.

- **MR. AKSH VORA – PRAJ FINANCIAL**

- Hi, sir, just can you let me know what the aspirational debt levels we want to see in next couple of years, like say by 2021, is there any aspirational debt level we are trying to see.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- See, the debt level is stagnant for quite some time and even today the term loan that is hardly growing up by about 10 crores. But utilization of working capital has been improved, basically the funds which were lodged in the working capital are being used in this current year for creating the capacities. So that way I don't foresee the debt growing up further but for the sales growth, in that proportion the working capital limits might be utilized more because we foresee more than 20% growth rate in the coming couple of years because of these two new plants and

the new facilities that are created here in Hyderabad. So apart from that as a term loan we don't foresee much term loan addition in the coming quarters.

- **MR. AKSH VORA – PRAJ FINANCIAL**

- Okay, great. Another, sir, what's the update on edible oil you just mentioned in the opening remarks that it has grown by 203. Can you put some numbers on that how much of sales did we get from edible oil and various segments if you can just.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- For example in Q2, our sales revenue from the edible oil were let's say 2 crores, what is the number, 8 crores is the sales in the third quarter which was up from less than 3 – 3.5 crores in the previous year. So there is more than 100% jump in the third quarter compared to the second quarter.

- **MR. AKSH VORA – PRAJ FINANCIAL**

- And how is the, I see the response has been fantastic, what do you anticipate in growth from edible oil in this year and next year.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- See this year means the full year actually started picking up only from September-October onwards. So this year number will be still two and half times that of last year, last year numbers were pretty slow, very small, something around 5 to 6 crores, and this year we will probably end up somewhere around 18 crores. So almost three times the number is rising in this year. But going forward that will again at least double or even triple we have the order portion is improving from all the users whoever has introduced in the market they are coming back with more volumes and we are also gearing up with production capacity.

- **MR. AKSH VORA – PRAJ FINANCIAL**

- And, sir, lastly on this new orders from HUL and Hatsun Agro, can you elaborate order book, what you've got or any color on how the order is going to pan, is it small in nature or is it just trial?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- This is the first time from Hindustan Levers, the volume indication is 6 lakh containers per month which is around Rs. 1 crore of business per month, and Hatsun also in that region because they are coming out with entire range, that's about 500 ml, 1000 ml and small packs, 250 and 125. So this will last for about six months because of summer. By that time at the end of six months we are introducing ghee packs which are also catching up and hopefully they will

maintain momentum. So from these two initiatives we are expecting around 25 to 30 crores revenues in the next financial year compared to the current financial year.

- **MR. AKSH VORA – PRAJ FINANCIAL**

- Okay, great, thanks a lot, sir, that was helpful, I will join back in the queue for more questions.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Thank you.

- **MODERATOR**

- Thank you. The next question is from the line of Vivek Mashrani, an individual investor. Please go ahead.

- **MR. VIVEK MASHRANI – INDIVIDUAL INVESTOR**

- Hello.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, Vivek.

- **MR. VIVEK MASRANI – INDIVIDUAL INVESTOR**

- Thank you for the fantastic quarterly results and for notifying the upcoming capex is coming up. So just wanted to understand in terms of the breakup, what will be like the existing order book look like and what will be the incremental order book, in terms of percentage from the new capex and the HUL as well as oil and ghee orders.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- See, the capacity of these two plants at Vizag and Mysore are 3000 tons each, that's about when they go for full fledged utilization. In the first year I will be happy even if we together do about 3000 tons. That's almost 15% growth for us on 20-21,000 tons what we are currently doing in a year. So I guess at least 15 to, 12 to 18,000 tons, sorry 2400 to 3600 tons we might get from Asian Paints for our Mysore and Vizag plants. That itself is 12 to 17-18% of growth. Coming to the Hindustan Levers and ghee packs that will be hardly 4 to 5% because they constitute around 20-22 % crores of business. Edible oil is one area where we are also still not very clear, but the numbers are really shooting up. For example in Q2 last year we did hardly 4 crores, in Q3, we did about 8 crores, current year, sorry current year Q2 4 crores has gone up to 8 crores in Q3. And our order book

in Q4 looks like somewhere around 13 to 14 crores. So if this range of 13-14 crores continues next year, from the total of around 15-16 crores this year, we can see a jump to 55 to 60 crores next financial year. So that's a kind of 40 crores jump that will contribute 8 to 9%. So that's why I am very confident with this new plant and edible oil and new orders from Hindustan Levers and ice-cream we should be anywhere between 20 to 25% top volume growth in the next financial year. And followed by the one more or two more years too, because Asian Paints has indicated to us to create a capacity of 6500 tons each or maybe 6000 at Vizag and 7000 tons at Mysore by 2021-22. So that will continue to give us the ramp up of 10 to 15% growth every year for the next 2-3 years. And edible oil if it keeps going this way, we can estimate a similar growth in the next 2-3 years also.

- **MR. VIVEK MASHRANI – INDIVIDUAL INVESTOR**

- And the HUL and all the ice-cream packaging is done from the existing facility and can we get the idea of utilization levels of the current capacity which we have?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- See the current utilization capacity all ice-cream and ghee is hardly 25 to 30%, going forward as the summer is starting with orders of HUL getting executed and Arun starting in February, hopefully by March-April it will cross 60 to 75% capacity utilisation. And once the ghee packs which we are slowly getting into few leading brands in India, hopefully put together all of them would be creating at least 65-70% capacity utilization in the year '19-20.

- **MR. VIVEK MASHRANI – INDIVIDUAL INVESTOR**

- Right, so basically we can cater and scale up using the existing capacity, there won't be any capex requirement.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Exactly for the, one year at least till the year '19-20, we have adequately created capacities for ice creams, ghee packs and paint lubes and M2K that is Cadbury, but edible oil could be a game changer. Again edible oil might need some investments. We are currently trying to utilize the existing capacities and even shift the RAK machines here because of the great demand for the pack here and the machines can be better utilized back here in India. If that is the case, we will take a call in February, and to shift the entire capacity back to India that decision has not yet been taken and if it is taken also it is beneficial to the company, because those machines will be put to use immediately and that benefits of capacity utilization will accrue from April onwards.

- **MR. VIVEK MASHRANI – INDIVIDUAL INVESTOR**

- Alright, thanks a lot, sir.
- **MODERATOR**
- Sorry to interrupt, Mr. Mashrani.
- **MR. VIVEK MASHRANI – INDIVIDUAL INVESTOR**
- I am done, madam, thank you very much.
- **MODERATOR**
- Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Good afternoon, sir, first question if you can give us the breakup in terms of IML and non IML and what was the food and FMCG contribution.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, I will give you that before you go to the second question. The sale of IML has again shot up in value terms, it is contributing to 23.8% as against 20% last year. And in the tons wise it has gone up to 60% IML total sales as against 54% of Q3 last year. Value wise also the total IML sales in the company is now 64% up from 60% last Q3. And in food and FMCG it was 12.99, 13% last year Q3, it has gone up to 17.75, that's almost a 47% growth in food and FMCG sales. This stands mainly because of edible oil shot up in edible oil sales and a little starting of HUL demand in December, but much has been added in January onwards.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Sir, with the execution of this HUL order of 6 lakhs per month and Hatsun coming in, in the month of Feb do you expect by the end of this financial year we can grow food and FMCG to 20-25-22% contribution.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- It is already 23.77%, in the fourth quarter we anticipate it to be above 25%. But for the full year we are still at 20% for the 9 months, probably it will go upto 21%, up from last year full number of 17.9 we will be reaching around 21% for the full year.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**

- And, sir, as per our RAK is concerned we had shifted a couple of robot and machineries from RAK to Hyderabad and we are planning to shift another two, so what was the situation in third quarter, how much capacity we operated and what was the revenue and the contribution to the overall profitability.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Actually machines started moving from December and they have been erected only in the month of January, so there is not much of capacity was really added effectively from RAK, but whichever has started they are running now at almost full throttle, because those machines have been procured for our edible oil packs where the demand is shooting up quarter on quarter. So whatever idle machines that were lying idle in RAK are being put to use from January, so its impact will be felt only in this quarter.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- And, sir, how much was the operation in RAK did you operate anything or it was lying idle all the machines?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, no, they were never idle, they were running but they were running hardly 30-40% capacity utilization.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- In the last quarter also.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Sorry?
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- In the last quarter as well.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- In RAK?
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Yeah.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, now that these machines are to come back now they are running at maybe 50%, but that's also not good enough. And here we see those machines can run 100%. So if we see, we are now working with a very major paint company in UAE for 20 litre pack, if they are ready to go with it, we will be running, keep running the RAK plant, otherwise we have decided to shift those machines also before March.

- **MR. JATIN DAMANIA – KOTAK SECURITIES**

- Otherwise you will close the operation at RAK at all.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, the operations might continue a little while like because you need to supply to the existing orders from India or you know creating some kind of decoration operation only in RAK, but production wise we will cease to produce anything after April, at least if we decide on this particular order.

- **MR. JATIN DAMANIA – KOTAK SECURITIES**

- And, sir, last what would be the total debt on the books at the end of third quarter including the working term loan?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- What is the total debt? Long term it is hardly 10 crores, and working capital utilization is almost 80 crores, with this 75% of the current asset.

- **MR. JATIN DAMANIA – KOTAK SECURITIES**

- And largely it was towards the capital expansion, right, which we did in the last quarter.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Out of 80 crores at least 25 crores have been used for capital expansion. Now that is why in the P&L though it has taken more interest component, it should have been capitalized had we taken the long term debt, but because this debt is cheaper we have decided to go for utilizing the working capital.

- **MR. JATIN DAMANIA – KOTAK SECURITIES**

- And, sir, last question on your Mysore and Vizag plants, since you stated that the Asian Paints has already given you the contract of probably to you to supply almost 6500 kg or tons from both the plants, do we expect the second part of expansions to start in FY20, or will it be beyond that.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, no, current capacity of 3000 tons each I don't think will be utilized until at least year '20-21, so any investment for further enhancement is required in the year '20-21. In don't see in '20-21, we are investing in Mysore and Vizag.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Sir, that means it is safe to assume that there is no major capex lined up in FY'20, whatever will come up, it will come in FY'21.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, major won't come, but '19-20 we may have to expand our edible oil capacity as per the market demand and plants will be mostly Daman will be the plant where we expand, because it has low power cuts and nearest access to western states which are the major producers of edible oil.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Yes, and if we are doing anything then what will be the total capex that we will be spending it?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- See, if it is only for edible oil, it would be hardly around 8 to 10 crores, but there is also a proposal to start a small unit in the North for the needs of our clients Nerolac and Berger. If that happens then probably another 5 crores because we already have a shut down lease there, so we may start a small pilot project in the North sometime in the second half of this current year, or next financial year. So all put together I foresee an investment of at least 15 to 20 crores, it cannot be less, because edible oil the way it is growing will certainly require more and more machines, moulds and robots.
- **MR. JATIN DAMANIA – KOTAK SECURITIES**
- Thank you, sir, if I have any questions, I will come back in the queue.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Okay.
- **MODERATOR**
- Thank you. The next question is from the line of Mohit Khanna from Nirmal Bang. Please go ahead.

- **MR. MOHIT KHANNA – NIRMAL BANG**
- Hello, sir, congratulations for a very strong forward commentary that you have and order book. I just wanted to know what were the sales volumes for the quarter and break up between IML and non-IML.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yes, sales volume is 2087 tons of non-IML and about 3100 of IML.
- **MR. MOHIT KHANNA – NIRMAL BANG**
- 2000?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- 2087 tons of non-IML which was 2221 lakhs last year Q3. And overall IML sales is 3100 as against 2580 lakhs last year.
- **MR. MOHIT KHANNA – NIRMAL BANG**
- And RAK?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- RAK hardly there is any 50 to 60 tons of, 150 tons in the quarter, that's all, 50 to 60 tons per month, 150 tons per quarter is what we achieved. I think like last quarter.
- **MR. MOHIT KHANNA – NIRMAL BANG**
- Right, right, I think I missed this, you spoken in between, what was the F&F volume and the sales value for the quarter.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, sales volume for F&F has gone up to 23.8% as against 20% last Q3, and volume tonnage wise it is 17.75 as against 13% last year.
- **MR. MOHIT KHANNA – NIRMAL BANG**
- 13%. Thank you so much.
- **MODERATOR**
- Thank you. The next question is from the line of Suvarna Joshi from Axis Securities. Please go ahead.

- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- Sir, thank you for the opportunity. Good to know that we have maintained the pace for the EBITDA margin in terms of per kg. Sir, a few updates, one if you could just shed some light on how is the order of Mondelez, our business with Mondelez business picking up, that is one. The second question was you mentioned about HUL and Hatsun orders that you will be getting, so these orders for HUL that you have received is for all India product sale or is it specific only to the south region sale that you will be looking at. So that is one, and Hatsun again is going to be focused on the South, so the EBITDA margins here will be in line with the IML, F&F EBITDA margins I understand, so that is the second question. And my third question is, if you can just help us understand what is the scenario on the raw materials front or the trends that are being noted at the moment. Because I see in Q3 we have had got decent gross margin also despite seeing so much of volatility. So if you can just help us understand how it has been managed that will be really helpful.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, as far as M2K is concerned as I expressed in the last quarter also it continues to have a dip over the last year because mainly in the Q3 they have shifted from bigger cups to a new model of smaller cups which we started production only in the month of January. So during November and December there is a lull, otherwise overall numbers were at par with last year but for the third quarter...
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- But if you could help us understand what were the volumes or how much did Mondelez contribute in Q3, or there was hardly any sale to Mondelez in Q3.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, in Mondelez there was a drop in this particular quarter because of the shifting from bigger to smaller. In terms of crores, the turnover has come down from 9.6 crores to 6.6 that is almost 30% drop in the value to Mondelez. But going forward again from Q4, there indications are there will be steady or might improve a bit in the coming quarters because the shift of from a bigger pack to a smaller pack in the month of November-December the volumes have dropped considerably in the Q3.
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- Okay. Sir, my second question also on you know, HUL.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Your second question of HUL and Hatsun, the EBITDA margins would be at par with the Food and FMCG numbers what we generally get and these are all long term in nature. But of course, this is seasonal products and for HUL it is across the country, it is not south. We are going to supply to their (30:35) plant, their western plants and their Vijayawada plant. And coming to Hatsun they have only plants as of now in south plant or plants, 2 plants. And one more plant they are planning at Daman. So, all these 3 plants will be getting orders. But those orders will start from middle of February.
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- Right.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- And RM volatility as I explained many times there is no burden of RM onus we passed that buck to clients on a monthly basis. Couple of clients we go on quarterly basis. So, one quarter gain could be, you know, another loss in the second quarter and vice versa. So, going forward the same trend will continue and with the raw material that is crude price is now being stable. We foresee a softer trend in raw material prices for the current financial, I mean in the next financial year also.
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- Right, sir, right. Sir, just one follow up there then in terms of per kg EBITDA, we had mentioned that we would intend to, you know, to touch about 35 odd rupees per kg by FY'20. So, do we, do we see that we will be able to either touch it or even cross it, given that we are getting good response from the F&F segment business.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- I would say as happy now that we are closing towards 34 from 33.5 last year. And going forward also the growth will be moderated because we are also adding supplies to Asian Paints which would be in the region of 30-35 but not necessarily high. And in the edible oil sector also being much bigger pack, the per kg contributions are also in the region of 30-32. So, maintaining an average of 34-34.5 would be a great success going forward. But I think given that HUL and other sales are coming in Hatsun and ghee pack retail and which will add more than 60 to 70 rupees per kg we will be able to maintain the, I mean the momentum in EBITDA growth. But it can't cross 35-36 in a hurry. It might creep over the next couple of years.
- **MS. SUVARNA JOSHI – AXIS SECURITIES**

- Right, sir. Sir, if you would just allow me one more small quick question. Would you just help us update on that one client which you were speaking of and which was likely to be a really big business for us in the Food and FMCG space. Is there update on that front?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- In RAK?
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- No, sir, in the food and FMGC segment, a couple of quarters back in the con call we had mentioned that we were in talks with a big MNC. So, have we got any inroads over there.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, see, big MNC, Hindustan Levers is for ice cream, which is not very huge order. It may be 10 crores per annum. But I was also referring maybe I got mixed up or you got mixed up about one major edible oil company that we have gone through now, the company called N K Protein, which is effectively picking up about 1-1.2 lakh containers a month which is equivalent around 18 to 20 crores for the annual orders and they are indicating another 40-50% jump starting this summer that is April onwards because April to November is the season for edible oil where the marriages and the festivals because of that, there will be a huge growth in that. So, that order we have now been started executing from December and in January is going full flow and their indications of February is also very high. So, that is the client I was referring to. And there are such two more release now we are working on. That's why I am very optimistic about edible oil numbers in the coming quarters.
- **MS. SUVARNA JOSHI – AXIS SECURITIES**
- Right, sir, right, that was very helpful and thank you so much. Wish you all the best. I shall come back in the queue for the further questions.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Okay. Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**

- Congratulations, sir, for good set of numbers. Sir, my question is on IML versus non-IML, could you please give a value breakup. I mean absolute number wise.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, value wise it was 22.8 crores in this quarter compared to 16.83 last year same quarter.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Okay, sir. IML you are saying.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- IML food.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- I am saying IML, non-IML, complete IML and complete non-IML.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Complete IML the sales are 90, around 96 crores.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Okay.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Sorry. Output is 96. 61.3, 61.2 is IML, 34.7 is non-IML.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- 61.2 is IML for the third quarter '19.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yes.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- And non-IML is 30.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- 34.7. So, it is 64% versus 36.

- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Sir, and would you be able to classify paints, lubes for F&F from volume wise and value wise if possible.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Paints, lubes in terms of turnover value wise, paint has contributed 44 as against 46 last quarter and Lubes is 29 as against 30 as against last quarters, last year third quarter. Food and FMCG is 22.8. Sorry, 44 against 45.7. 29 against 34. It was 34% last year Q3 for Lubes. It has come down to 29 crores.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Thing for F&F is 22.8 versus?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, no, let me repeat. Things as value wise you want. You want value wise or percentage?
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Absolute value wise, percentage for the quarter.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Absolute valuwis it was 38 crores has gone up 44 crores.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Okay.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- And Lubes which was 28.4 has gone up to 29.05 it's hardly 3%. Food has gone up from 16.8 to 22.8.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Got it, sir. And sir, volume wise if you can give.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Volume wise 2364 tonnes in paints gone up to 2575.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**

- 2575.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- That's about 9% growth. Lubes are down actually say 1821 tonnes has become 6094 tonnes. Food and FMCG has gone up from 600 odd to 920, sorry, 625 to 920. 625 to 920 in tonnage terms.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Sir, going, okay. Sir, next question is on the food and FMCG. FMCG has quite a few seasonal products. So, do you see like, like the way we have our business, in paints and lubricants is pretty much stable and you know, like more of a repeat orders. But do you foresee this kind of challenge in Food and FMCG segment.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, the volatility is basically because of season, it's not because of anything else. In case of M2K it is because changed their model from different cup to different cup. There was a line issue, they had to shut down their lines and fill up the, change the tooling which had taken about 4 to 5 weeks in November-December. So, but for that even FMCG and food are also steady business, it's not that they disappear next year. They will continue to come back, the only thing is seasonality is there. Like ice-creams, nobody eats in India ice creams in winter. Consumption falls down by almost 70-80%. Similarly, but of course edible oil is not that bad. It is consumed throughout the year. And much more pronouncedly in the festival season, starting from July, June, July to December, November, December. And again wedding season, so hardly a couple of months in a year edible oil packs, I means demand might dip otherwise they are much stronger. Better than even paint and lube. You are saying paint and lube is steady but paint and lube also have their own seasonality especially lube numbers fall drastically in monsoon time. That is June, July, August, they drastically fall. Similarly paint numbers also dip a little bit in monsoon time. But not that much because they build up stocks for the upcoming festival season. So, like that every product has its own seasonality but most of these orders are repetitive in nature. All the clients hang on with us for years together, so that's accumulation of clients. This is the way our business goes.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- And if you had to classify what would be your top 3 clients in Food and FMCG.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Top 3 clients continue to be Asian Paints.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**

- No, in the food and FMCG.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Sorry.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- In Food and FMCG, I am saying.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- In Food and FMCG of course, M2K is number 1. Now NK Protein will become number 2 for edible oil packs and then it will be Hindustan Levers or it could be another edible oil company like Damani. We are in talks with Adani also. But it is yet to start. But going forward edible oil packs will really take big numbers.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Sir, how do we foresee the SNS now for the next year like FY'20, in terms of contribution wise overall.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- See, this year we are close to 20% for the first 9 months and I think we will end up this full year at 21% value wise and that should go up to 25% next year because of this edible oil is going to shoot up. But again, paint industry Asian Paints both plants will also contribute handsomely to the numbers. So, I think from 20 to 25% we can anticipate. It should reach 25%.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Sir, just one clarification.
- **MODERATOR**
- Sorry to interrupt, Mr. Parekh
- **MR. AKHIL PAREKH – ELARA CAPTIAL**
- Just one question.
- **MODERATOR**
- Sir, may we request that you to return to the question queue as others are waiting for their turn.
- **MR. AKHIL PAREKH – ELARA CAPTIAL**

- Okay, okay.
- **MODERATOR**
- Thank you.
- The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Hi, good afternoon, Mr. Rao. Thanks for the opportunity. On the Opex front could you please jog our memory once again on the instrumental employee cost, and other separate costs. We have already taken our P&L with respect of Mysore and Vizag plant.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yes. You are talking about the employee cost?
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Yes. Yeah, yeah. I think in Q3....
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Employees who are already recruited, they all are at different locations. Now the batch is moved to Mysore because of 7th of February we are inaugurating the plant.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Yeah. That's right, sir. I think in Q2 you'd quantified the exact hit we took because of this steep ramp up of these different costs. So, I was just trying to compare your, your EBITDA pre and post this Opex. So, would you have a ballpark number of how our separate costs have gone up, in respect to these two plants. I mean just a ballpark would do?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- As a ballpark, I can say for the last 6 months we must have put in about 20 senior people, I mean middle to senior people on average salaries of around say 75-80,000. So, we are talking about 70-80 lakhs maybe.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**

- Okay, okay. That's not much. Sir, once the Mysore and Vizag plant ramp up, you know the incremental (42:14) cost, I mean would that be incrementally much higher or what, are we in this range.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Obviously. See, once we have the staff employed properly, what we will be adding is mainly the labour, the operators and the contract labour. So, that will not be significantly high but of course as the number of machines are also high that will improve as in line with the percentages and the percentages of the man power cost we foresee should dip down a bit in the coming year per kg.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Sure, sure and the ramp up in case of Vizag and Mysore you know, between a range of 2400 and 3600. So, so, how does it work with the client. Do they give us order book (42:55) for the next couple quarters, which gives you that ramp up visibility.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, they give us for the next 5 years not for quarters. The 5 years indication was more than 2000-2400 tonnes per month, per annum, in the 2 plants in a year one that is '19-20. But as a conservative practice I am taking about, expecting about 1500 tonnes in the first year. And going forward their projection to lift from us is 6000 tonnes from Vizag and 7000 tonnes from Mysore by the year '21-22.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Okay. That's helpful and just one question, sir, the depreciation that (43:35) quarter. So, have we started you know, depreciating that entire amount of capitalised asset that's come in from Vizag and Mysore or once that goes live does that portion increase again.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Which one, sorry, I didn't?
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- I am referring to depreciation cost, you know, you referred in your notes about that going up because you've already capitalised something in spite of the fact that production has not yet started. Just trying to understand, is the entire impact of the, the capex already began to depreciate or depreciation will again go on, you know.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- No, it will increase because again the machines what were installed in Hyderabad were taken into capitalisation. For the machines which have just arrived in Mysore and Vizag are yet to commission. So, they are not yet capitalised. So, they will get capitalised only probably in Feb-March.
- **MR. BAIDIK SARKAR – UNIFI CAPITAL**
- Okay, that's helpful. Okay, thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Manish Poddar from Reliance AIF. Please go ahead.
- **MR. MANISH PODDAR – RELIANCE AIF**
- Hi, sir. Just continuing on the cost front which you were speaking. So, could you probably give us let's say on a recurring basis on a quarterly front that is within the raw material part. How much could be, you know, you know, fixe cost or the cost which we will have to incur let's say on a quarterly basis. If I look at largely on you know the staff other expenses and depreciation.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- The cost is around 10 crores for the quarter, so going forward it will increase because once these two plants start producing that will be one in Feb and other one in March. So that should not go up very rapidly but we will be needing at least 50 to 60 operators at each plant, so 100 labourers at an average salary around 15000, so about 15 lakhs so it can go up by another 15 lakhs per month, say 1.8 crores and an average of around 37-38 crores full year. So hardly 10% increase in the staff cost you can expect going forward, and the increments for the current staff of another 10%. So we can see around 20%, 18 to 20% increase in the manpower cost in the next financial year with a top line growth of at least 24-25%.
- **MR. MANISH PODDAR – RELIANCE AIF**
- And how about the depreciation?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Depreciation might not go up beyond 20%, because already most of the machinery at Hyderabad are brought into depreciation for the last 3-4 months almost 12 machines were erected at Hyderabad, but the machines that are coming at Vizag and Mysore will be depreciated starting from March let's say an average. So it should go up, that depreciation which is currently at around Q3 we depreciated around 6-7 crores, probably it will be around 4.2 for the quarter.

- **MR. MANISH PODDAR – RELIANCE AIF**
- That is 2.5 crores annually. One thing I believe the EBITDA per kg for paint is relatively lower as compared to the other segments. And given the visibility which you have for incremental volumes.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- I beg your pardon?
- **MR. MANISH PODDAR – RELIANCE AIF**
- EBITDA per kg incrementally go downwards is that a fair assumption.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- I think we will be able to sustain is my guess because in the case of Asian Paints they shifted majority of the brands into HTL, heat transfer labelling from the skin printing. So when they shifted to HTL, we being manufacturers of HTL labels ourselves and they have give us a clearance a few months ago and again recently for bigger packs also they approved our quality and now we can produce our own Heat Transfer Labels and improve our margins, overall margins because those labels we produce at a fraction of the cost compared what we buy outside. So now with that Asian Paints per kg EBITDA will also be at par with almost at par with the average EBITDA, so it won't pull us down. It may not add us, add to improve but it will be somewhere around 33-34.
- **MR. MANISH PODDAR – RELIANCE AIF**
- So it is at 33-34 actually.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Sorry?
- **MR. MANISH PODDAR – RELIANCE AIF**
- It is at 33-34 right now.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Yeah.
- **MR. MANISH PODDAR – RELIANCE AIF**
- It used to be 25 to 27, right.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- It was less earlier because of skin printing where we don't get much value add. Now that they shifted 72 to 80% of their brands into HTL, heat transfer labelling and we produce the label ourselves as against our competitors who buy from a printing company and dye cutting company, so they end up paying much higher price, so we gain a lot by producing the label ourselves. So that's why our EBITDA margins in Asian Paints sale is always much better than the average paint container sales, you understand.
- **MR. MANISH PODDAR – RELIANCE AIF**
- Right.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- So we continue to have that advantage with Asian Paints for which we are setting up these two plants. So I don't see the EBITDA per kg coming down due to Asian Paints. And edible oil also in the same range as Asian Paints in terms of per kg contribution. Going forward the full towards 34.5 or 35 can only happen due to two reasons. One is food packaging other than edible oil which contributes almost 70 to 80 rupees per kg will be increasing in percentage. And the second is overall overheads may not grow at the pace of our top line growth, if the top line growth sorry, if the top volume, production volume or steel volume increases by 25%, the other overheads might not grow beyond 15 to 18%. So that could indirectly benefit the EBITDA per kg.
- **MR. MANISH PODDAR – RELIANCE AIF**
- And what is our plan, just one small thing, what is the plan going on with the RAK plant.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- RAK plant I clarified to you, we are awaiting some decision from one major client, if the decision is positive we will stay put, otherwise we have decided to move the capacities completely in the next couple of quarters in a phased manner, because those machines can be better utilized here in India.
- **MR. MANISH PODDAR – RELIANCE AIF**
- And that's a leased plant?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Sorry?
- **MR. MANISH PODDAR – RELIANCE AIF**

- That's a leased plant or it is an owned plant.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- It is a leased plant, we don't own anything there.
- **MR. MANISH PODDAR – RELIANCE AIF**
- Okay, thank you so much.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- We have leased it from the government.
- **MR. MANISH PODDAR – RELIANCE AIF**
- Okay, fine, thank you so much.
- **MODERATOR**
- Thank you. Ladies and gentlemen, in order to ensure the management is able to answer questions from all participants in this conference, please limit your questions to two per participant only. The next question is from the line of Archana Gude from IDBI Capitals. Please go ahead.
- **MS. ARCHANA GUDE – IDBI CAPITALS**
- Sir, thank you for the opportunity. My question relates to this RAK, how much will we be spending to get the machinery here and do we have to pay any customs duty on that.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- No, no customs duty is payable when the machines come back from RAK. And the cost is hardly the transport cost and moving cost which will be couple of maybe 10-15 lakhs for all the machinery.
- **MS. ARCHANA GUDE – IDBI CAPITALS**
- Okay, can you also help me with this volume for paint (51:07) for Q1 of FY'19, I don't have the numbers with me.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Paint quantity of Q1 or Q3?
- **MS. ARCHANA GUDE – IDBI CAPITALS**

- Q1.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Q1. Q1, I don't have here readily with me.
- **MS. ARCHANA GUDE – IDBI CAPITALS**
- I will take it later.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- You can get that later.
- **MS. ARCHANA GUDE – IDBI CAPITALS**
- Sure, thank you so much.
- **MODERATOR**
- Thank you. The next question is from the line of Gunjan Kadra from India Nivesh. Please go ahead.
- **MS. GUNJAN KADRA – India NIVESH**
- Hello. Sir, I wanted to understand from the business side that IML volume contribution is around 60%, so what is, till what percentage can it go, what is the total capacity of IML, I wanted to understand that.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- See, capacity wise as and when the demand increase we need to add more robots to increase the IML capacity. It is a decision of the clients to shift from traditional decoration to IML. For example, Asian Paints who contribute almost 23-24% of our sales, they are still not into IML, they are into HTL partly and even now 25 to 30% of their sales that is almost 8 to 9% of our sales is in skin printing for them. So unless these numbers change growing at 60 to 100 is not possible. But we are counting even HTL sale also in that because the contribution margins are same in HTL and IML, because we make HTL ourselves. So going forward that 60% can grow up to 70-80 also in the net three years time, but it may not reach 100, because there will be some guys who will keep asking for skin printing containers especially in small lots.
- **MS. GUNJAN KADRA – India NIVESH**
- Okay, and sir, in the last concall you guided that you were in talk with other sectors like cosmetics and pharma like you were in talks with Sun Pharma also

that something could turn out to be beneficial for our company, so has that happened. Are we...

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Sun Pharma proposal has been pending with them for quite some time, there is some issue about their investing on moulds, and as of now we don't want to invest on their moulds because they want exclusive shape in which case we are insisting them to bear the capital cost. So that is where Sun Pharma is. And now going forward we are now concentrating on catching up with the edible oil demand and edible oil capacities, which are going to be our growth drivers, than anything else. So hopefully like orders are still coming from Cadbury that is Mondelez for some other products we are doing it because we are committed to Mondelez and we are committed to Levers. We are also in talk with Coke and Pepsi because of the ban of composite containers, and now they are back to plastic sippers, because the paper with film cannot be used any more in some of the states. So Pepsi and Coke, especially Coke are in touch with us, and we are working with them on that.

- **MS. GUNJAN KADRA – India NIVESH**

- But, sir, one more question I wanted to know, that if you want to set up an IML capacity so what is the cost for that like, we don't see any other new player coming up in the IML capacity. So what is the capex requirement that is needed to set up an IML capacity?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- If you convert a non-IML to IML what you need is a robot which would be in the region of 40 to 60 lakhs depending on the size of the machine for an outsider. But for us we make the robots ourselves at 30, 25 to 30 lakhs, so we can quickly adopt and change capacities between IML and non-IML unlike others who get stuck, once they buy an robot and if that machine doesn't have a capacity utilization that robot will be idling. Because in our case because we have multiple products and multiple machines we can effectively utilize the capital expenditure.

- **MS. GUNJAN KADRA – India NIVESH**

- Okay, thank you so much, sir.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Thank you.

- **MODERATOR**

- Thank you. The next question is from the line of Ankit Gor from Systematix Shares. Please go ahead.
- **MR. ANKIT GOR - SYSTEMATIX SHARES**
- Sir my question to you is on lubricants, you know we have sharp draw down in lubricant volumes, despite not having monsoon season. What was the basic reason there?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, we were also a little surprised, because from 1821 tons the lube sales have come down to almost 1700 which is about 7% drop in sales. One of the reasons we guess is that in the Q2 they grew more rapidly, actually in Q2, they grew by almost 34%, so which was a out of the way growth. So because of the Q2 growth, I am guessing that in Q3, maybe the movement into the market has come down. It is not 34, I think it is 24%, because of Q2 jump, or Q3 numbers might have dipped because there may not be enough pull in Q3.
- **MR. ANKIT GOR – SYSTEMATIX SHARES**
- Okay, so far how is the January going on for lubricants dyes, do you see re-stocking happening on that side.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- January is also just stagnant, no great jump in lubricants, going forward probably it should pick up from Feb., because again by June-July they start dipping due to the monsoon, so February onwards we anticipate the lubes to do well.
- **MR. ANKIT GOR - SYSTEMATIX**
- Okay, I have two questions more. With regards, one is with regards with working capital, you said that you are funding capex via working capital due to, because of lower interest costs, so may I know the interest cost difference between working capital and...
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Just 1%, and we are getting working capital at 8.8, 8.8 to 9%, whereas the term loans are around 10-10.25. That's one reason, the other reason is also erratic capital needs because some of our products sometimes start like, for example the crude oil, the edible oil market when the demand taken off by surprise we need to quickly add machines and moulds and robots, and to get sanctions and get the term loan regularized might take a couple of months. Here because we have unutilized huge capacity, huge margins in working capital, we quickly dig into it and use it. These are the two reasons why we use the working capital

availability. But going forward we are planning well, and trying to keep a term loan sanctioned and kept ready for our use.

- **MR. ANKIT GOR – SYSTEMATIX SHARES**

- My last question depends on this RAK thing, if I remember right, two three years back we did around capex of around 17 to 20 crores for RAK, and gradually we moved some of the machines in here, so what was the break up there you know in actual machinery capex and your establishment costs considering establishment cost will be kind of a sunk cost. So what was the break up there?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- See fortunately we didn't invest on the land and building, neither the government allowed that. So there is no cost loss due to land and building. The establishment costs are typically 5 to 10%, so out of the 20 crores, there could be 2 crores loss due to the shut down if we decide. And remaining machines, moulds and robots all can be brought back to India and put to use. And in fact whatever has been brought in December arrived in January or end of December are completely put to use in the month of January. That way capacity utilization will catch up within no time.

- **MR. ANKIT GOR – SYSTEMATIX SHARES**

- Okay, so what was the, probably we must have misjudged the overall demand scenario there and we went in...

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Two things happened, one is the Iranian sanctions were listed those days and it was of the opinion that the Iranian markets can be accessed from Gulf or UAE and we had very big enquiries from Iranian oil companies completely occupying 50-60% of our capacity, but when the sanctions were re-imposed and Iran cannot no more, or we cannot participate in supplies to Iran. That is when the major setback happened. Then the economic situation in that region is not so good in the last 3-4 years. And the shift from metal to plastic, which we anticipated it would happen like in India, there is a lot of resistance because the cost of metal tins are about 15 to 20% cheaper than plastic containers. So in spite of that in India it happened because there is a very big push for plastic containers in this country. Surprisingly in that country they didn't bother much and no companies in a mood to pay 15% more for packaging material in a depressed market conditions. So these are the two major reasons why our calculations went wrong.

- **MR. ANKIT GOR – SYSTEMATIX SHARES**

- Okay, great, thank you very much.

- **MODERATOR**
- Thank you. The next question is from the line of Shailee Parekh from Prabhudas Lilladher, please go ahead.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD.**
- Thanks for the opportunity. Sir, at the cost of repetition, I am just going to request to share your guidance on, your revenue guidance for the edible oil segment as well as the ice-cream segment again please.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, I think I explained to you edible oil numbers are growing up quarter on quarter.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**
- Yeah, that I know sir, you said edible oil in FY'18 was about 5 to 6 crores and FY'19 that went up to 18 crores, and did you say in FY'20 that is going to go upto about 55 to 60 crores.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, we are aiming at around 55 crores for the next financial year.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**
- And similarly for ice creams could you share the numbers for FY'18.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Last year numbers do we have what is the total sale in ice cream last year? We have both round and oval put together to the tune of around 8 crores.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**
- 8 crores in FY'19.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- No, no, FY'18.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD.**
- FY'18, sorry. And then this year your...
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- This year by March, by March it really won't catch up and year of '18-19 we may end up somewhere around 11-12 crores.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD.**
- 11-12 crores this year and the next financial year?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Next year, why we are anticipating it to cross 25 is two things, one is the major orders from Hindustan Levers and Hatsun, and also the ghee packs which will run simultaneously on those same machines during the off season of ice creams that is starting from June-July. So then they will be put to better use than they were put in '17-18. So '18-19 also partially we could do it, but the moulds came only in the month of December-January, ghee moulds, so their season starts from April. So by that time the ice-cream season ends we will be catching up the ghee packs in this year, so that's why we are confident of reaching around 25 crores in the ice-cream/ghee packs.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD.**
- Got that, so then 8 crores, 11 to 12 crores and 25 to 30 crores these are the numbers for the ice-cream/ghee packs segment.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, 25 you can take it.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**
- Okay, alright, and one other data point that I just wanted to confirmed was which you obviously have said but I am a little confused there, is that your IML non-IML value wise break up for the quarter is 64:36.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- 64, in terms of value, yes.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**
- Yes, that is value, and volume wise it was 60:40.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Volume wise it is 53:46, and volume wise, tonnage wise, 53 and 46, non-IML 46, 46.7 whatever, and in value wise 59 and 41.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD**

- Okay, so it is 59:41 value wise and volume wise it is 53 and 46.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, 47.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER P. LTD.**
- Okay, great, that's all from my side, thank you so much. Liven, we can continue with the queue.
- **MODERATOR**
- Thank you. The next question is from the line of Ravi Naredi from Naredi Investments, please go ahead.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Lakshman Raoji, any plans to raise the stake in the company?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, we are considering that, there is discussion going on, at this stage I can't really comment,
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- And any buy back plans in respect of dividend because the 30% that you have to pay tax otherwise, so are you considering that one?
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- See in the time of heavy investment and growth that is anticipated in the next few years, we are not in any plans to buy back the shares as of now.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Anyway, but you are declaring handsome dividend every year that's why I am asking you, instead of declaring dividend, are you considering buy back.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- See the dividend value as such won't be able to create a sizeable buy back so unless we see a couple of years of stable capacity utilization and capital expenditure, stop of capital expenditure we don't want to plan buy back at this stage. Long term maybe yes, but not now.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**

- Okay, and last, sir, are you facing any headwinds in (1:05:20) orders for (1:05:22) environment.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Sorry?
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Are you facing headwinds in (1:05:28) the orders from suppliers in current environment.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Not really but people are going cautious, in the given environment of expected elections and change or maybe possible changes in the government. So there is a little slowdown in the general outlook, I can see even from the paint and lube industry that their plans are all going a little slow, Asian Paints never both about it, they are going ahead with their plans as per schedule, but the rest of the companies are more cautious.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Okay, thank you.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Akhil Parekh from Elara Capital, please go ahead.
- **MR. AKHIL PAREKH – ELARA CAPITAL**
- Thanks for taking another question. This is a small clarification, the IML per kg, the trend if I see like last 8-10 quarters it is actually slightly on a declining side. Sales of IML per kg. Is it because we had Mondelez last year which had higher realization per kg and we don't have as much of Mondelez this year, is it because of that. Because if I look at IML per kg sales it is 226 as per my number for last quarter, here is it almost 197-198.
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Yeah, it is basically because the edible oil packs won't contribute as high as small container like ice-cream pack or dairy milk pack. So per kg realization in the

edible oil pack will be much lower than the per kg realization of the Cadbury chocolate container. So but edible oil still comes under food and FMCG, that's why the overall per kg of IML sale value has come down. In going forward it might taper down a little bit down more because edible oil will catch up in volume, in sheer volume the number because each container is almost 700 gms, 15 It containers, whereas the small packs are 30 gms, 20 gms. So we charge much higher conversion cost for smaller packs, because obviously at the end of the day, per day let's say you produce 500 kgs in small pack and charge Rs. 50 per kg, just I am saying, and you produce 2 tons and you charge Rs. 30, you still make more money in the bigger packs. So edible oil as overall volume will shoot up but the average IML per kg sale rate might come down.

- **MR. AKHIL PAREKH – ELARA CAPITALS**

- Okay, thanks for clarification. One last question on the capex guidance, could you please repeat how much will be the capex for FY'19 and for the next year as well.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- '19, so far we crossed 52.5 crores capex in the current financial year. And we still have another 7-8 crores worth of machines to come in the next few months. So this is going to be the largest capex year in the history of the company. But going forward, '19-20 we may take a pause, because we need to put these machines into use. And we may keep adding capacity for edible oil packs which may not be very sizeable in value wise because we won't be going for a new plant, we will be adding these machines in Daman or Satara or Hyderabad plants. But a north Indian plant to start as a pilot is on the cards. The board has to take a decision in the next couple of months because there are a couple of opportunities we can't say no. That pilot plant which may be 5 to 7 crores of investment, we may start towards the end of the financial year, next financial year or end of the calendar year, say October-November. So if that is the possibility then the capex for the next year might be toned to somewhere around 20-25 crores from 55-60 crores this year.

- **MR. AKHIL PAREKH – ELARA CAPITALS**

- 20-25 includes the north India plant you are saying.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Including the north Indian small plant, we are just going with a 4 machine plant is what under consideration. As I said the beauty of our business or the problem in our business is that the predictability of demand and sometimes major orders can change the entire mindset, especially let's say we talk about a major edible oil company in the west is talking to us and their volumes are really going to be converted, we may have to set up another plant somewhere in Gujarat. Like that

sometimes the capex plans may come erratically. But those opportunities need to be exploited because they are from big companies with a long term commitment.

- **MR. AKHIL PAREKH – ELARA CAPITALS**

- You said Adani in Gujarat here?

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, Adani, (1:10:12) NK Protein, Gulab, so many major players are actively interested, so let's see how it happens.

- **MR. AKHIL PAREKH – ELARA CAPITALS**

- Thank you so much.

- **MODERATOR**

- Thank you. The next question is from the line of Dhiral Shah from ACM Investments. Please go ahead.

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- Congratulations, sir, and thank you for the opportunity. Sir, my question is regarding your RM, sir, last quarter RM was around Rs. 95 per kg, so how is it right now.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Last quarter of Q2, the raw material cost was 99.04 average, it has come down to 98.02 for the Q3. Q4 it is looking really less, it is somewhere around 90-91 as of now.

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- Okay, and, sir, in last four years we have seen there has been a stretch in your working capital cycle, so debtors there has continuously been increasing, so when it will settle down.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, I explained last time also companies some of the MNCs have a very long credit period like Mondelez, for example they pay after 120 days, but that factor of interest and everything they allow us to add in our pricing. So exchange wise they want it that way, so that's the way it is. So some of the reasons why our debtors' period is longer is mainly because of such orders, other than that a typical period

is 60 days, 45 to 60 days. It will end up somewhere around 60-65 due to these aberrations.

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- And, sir, one of your clients in lube has yesterday given notification of extending their capacity by 40%, so will it helpful for you to increase the volume for them, Castrol I am talking about Castrol.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**

- Yeah, Castrol we have been with them for the last 25 years and already we are expanding their moulds, we have invested again this year on their moulds. So that trials are also going on with them for a new model of (1:12:19) which is much more secure and tamperproof. So that stage is going on, we are not supposed to talk about their growth plans, but if they grow we will automatically get to grow.

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- And, sir, last one. You have talked about...

- **MODERATOR**

- Mr. Dhiral Shah....

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- Only last one, last one.

- **MODERATOR**

- We request you to return to the question queue, there are participants waiting.

- **MR. DHIRAL SHAH – ACM INVESTMENTS**

- Okay, thank you.

- **MODERATOR**

- Thank you very much. The next question is from the line of Ketan Sanghvi from Plethuno Investments, please go ahead.

- **MR. KETAN SANGHVI – PLETHUNO INVESTMENTS**

- Thanks for the opportunity, sir, I just had one question on the edible oil business, now that we have added another client called NK Proteins, how do you see the receivables policy with respect to that particular client given the history around them, just wanted to get your opinion on that.

- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD**
- Most of our clients are front end payment, for edible oil there is no credit, we don't extend credit. They have to pay in advance, all the payments are in advance. Because as you said some of the edible oil clients' credibility is in question, I don't want to say about anyone in particular, in general there are some players who have, but NK Protein is a very strongly positioned as of now, history is behind them, even companies like Vimal, Gulab, Damania and even Adani we insist on payment in advance, at least 50% advance just few days before delivery and we despatch within weeks from collection.
- **MR. KETAN SANGHVI – PLETHUNO INVESTMENTS**
- Okay, thank you so much.
- **MODERATOR**
- Thank you. Ladies and gentlemen, that's the last question. I would now like to hand the conference over to Ms. Shailee Parekh for closing comments.
- **MS. SHAILEE PAREKH – PRABHUDAS LILLADHER PRIVATE LIMITED**
- Thank you, Mr. Rao, as always you have been very patient while answering everybody's questions. I thank everybody for joining in on the call. Have a good day
- **MR. LAKSHMANA RAO – CHAIRMAN & MD, MOLDTEK PACKAGING LTD.**
- Thank you everybody.

END