

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

Date: 19th November, 2020

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 13th November, 2020.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

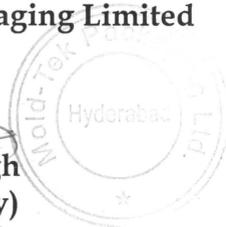
Please find enclosed outcome of the Analyst/Investors conference call of the company held on 13th November, 2020.

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
Q2FY21 Earnings Conference Call 13th November 2020

- **Operator:**

- Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited Q2FY21 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participants 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. Charmi Mehta from Prabhudas Lilladher Pvt. Ltd. Thank you and over to you mam.

- **Ms. Charmi Mehta- Prabhudas Lilladher Pvt. Ltd:**

- Good evening everyone. We have with us today Mr. Lakshmana Rao, CMANAGING DIRECTOR along with his finance team. Without further ado I would like to hand over the call Mr. Lakshmana Rao. Thank you and over to you sir.

- **Mr. Lakshmana Rao- Chairman and Managing Director , Mold-Tek Packaging Ltd:**

- Good afternoon and welcome to the Quarterly Results Conference Call. Thank you all and wish you all a very happy Dhanteras. And I hope we will...

- **Operator:**

- Sir, this is the operator, the audio is coming very low sir. I would request you if you can just increase the volume of your phone.

- **Mr. Lakshmana Rao- Chairman and Managing Director , Mold-Tek Packaging Ltd:**

- Okay. So can you hear me now better?

- **Operator:**

- Yes sir it is better. Thank you.

- **Mr. Lakshmana Rao- Chairman and Managing Director , Mold-Tek Packaging Ltd:**

- Yeah, thanks. So happy Dhanteras to all of you and hope this Diwali drives away the corona and gives all of us relief from this pandemic. So, I'm glad to inform the company's

performance in the Q2 is very much back on track. Company is again on a good track. We have achieved 13% increase in the volumes in comparative to Q2 of last year. And of course we bettered Q1. It is almost seven times better in terms of profitability and 90% better in terms of sales tonnage volume wise. So I am glad to say that people started realizing the importance of packaging in pandemic times especially of hygienic packaging where IML plays a major role, the robotic IML operations. And that is where we see a good traction in food and FMCG or even in paint and lubes now their drive to go for IML is increasing because it's less dependent on labor and more hygienic and faster turnaround. So these are the things we've been trying to preach the industry. Definitely some adverse times, though it's not good to have, has definitely given us an edge in pushing the new technology into the minds of the industry. So that is one of the reasons why I see the numbers are improving in spite of complete write off of ice-cream container sales in the last six months due to COVID, there was a severe drop in ice-cream consumption and that industry is very much battered, affecting our sales of ice-cream containers in the summer. But of late in October- November we noticed some festival demand coming back in those packs also to some extent. But I hope once the pandemic is under control it will be back on track from next summer hopefully. So as you all know, already you must have read the Press Release, the PAT is up by 28% and per kg contribution of EBITDA has shot up to 37.2 Rupees per kg from 33.5 last financial year. So it's almost 9 to 10% improvement in the EBITDA margin per kg. The raw material costs have come down considerably from 90 Rupees per kg last year Q2 to 80 Rupees per kg on average. But as you all know we passed on majority of this advantage back to clients. So that is not the reason for improved EBITDA. Improved EBITDA is mainly due to cost controls and both maintenance cost, travel cost and step cost and improved sale of food and FMCG products with higher value addition and also in general IML also, though not much growth overall there is a positive growth in IML utilization and that has helped in improving the company's margins. And company is just starting the Pumps project, which we announced last quarter. The project is just going into commercial production in this month, towards the end of this month. And from December we'll be starting supplies. We already have Wipro, Godrej, ITC and Apollo Hospitals, Apollo chain of medical stores, they're all with us for the sanitizers and hand wash pumps. So that project was completed in a record time of 4 to 5 months in this pandemic situation. And we were to start in November but we spilled a bit into December due to heavy rains in Hyderabad that had disrupted final stage of construction and erection of machines. But by end of this month commercial production would start and December onwards we'll be invoicing. So that is a positive news from the development side. And some more developments we have mentioned in the Press Report. If you notice there is one new development other than sweet boxes and pumps, the QR code printing IML, printed IML, the IML itself is something very novel in the country and it's getting fast accepted specially in food and FMCG and also lubes and paint to some extent. Now this QR code printed IML enable complete traceability of each pack wise traceability which can arrest adulteration by unscrupulous elements which are very much present in India, in any field you can say but mainly in lubricants and paints where it is very prevalent. So there is always a demand from the industry to create some traceability. So this QR printed IML will enable that traceability of vast container and where it is stored and how it is

stored and if there is any scheme or any advantageous that are passed on to the end user that also will be printed in the QR code, both on the front and back side of the label. And the label will have a peelable area which gets peeled to reveal the gift or scheme or whatever is there, thereby very clearly showing a damage to the paints IML. That way it can again further save the counterfeiting elements. So these are the, this new development though it seems minor, it has lot of implications for MNCs and companies like Asian Paints or Castrol or Mobil, Shell and all these MNCs are looking for these kind of solutions and our technical team has developed this and already getting this installed by December. And hopefully small trials will start from Jan-Feb which can lead, again keep Mold-Tek again back on the, of course it's already in the leadership position in business packaging and further strengthen our position in technologically advancing ourselves into, they call it packaging 4.0 version. So this is one exciting I want to share today and hopefully it may take a couple of quarters to implement it in the country and get some of the customers hooked to it. But the initial response with some of the MNCs is very positive. They all want to experiment it and see how this QR control helps in traceability of the last pack up to the end user level and also how it helps in reigning in counterfeit. So these are the new developments and company is, in spite of the COVID situation the whole team here is charged with this new development and trying to build up a good future for all of us. And as you know the Rights Issue was also well subscribed. I can't give more details because the allotment details are yet to be filed to SEBI, but it is successfully completed. So now I request organizers to take back and we'll go through more details through Question and Answers.

- **Operator:**

- Thank you very much. We will now begin the Question & Answer session. Anyone who wishes to ask a question may press '*' (star) and '1' on their touch tone telephone. If you wish to remove yourself from the question you may press '*' (star) and '2'. Participants are requested to use handset while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. Reminder to the participants, anyone who wishes to ask a question may press '*' (star) and '1' at this time. The first question is from the line of Archana Gude from IDBI Capital. Please go ahead.

- **Ms. Archana Gude- IDBI Capital:**

- Hi. Thank you for the opportunity and congrats on robust set of numbers. I have two questions. Sir, firstly on the industry part if you can share your outlook how the paints, lubes and some of the key segments of food and FMCG are doing and how we should look at the growth like three years down the line.

- **Mr. Lakshmana Rao- Chairman and Managing Director , Mold-Tek Packaging Ltd:**

- Yeah the outlook for the paint, lube and food and FMCG is improving very considerably compared to Q1. Of course Q1 was completely battered, everyone was battered. Starting

from July itself we've seen the race of improvement and we thought it may be a pent up demand, but as we completed September even October was very robust. So looking forward to a good recovery in these main sectors, paint, lubes and food and FMCG. As I said only industry which got more affected in the food segment is ice-cream. Paints and lubes certainly are returning back almost to normalcy.

- **Ms. Archana Gude- IDBI Capital:**

- Sure sir. Sir, actually my question was slightly on the longer term horizon, that sixty years down the line what kind of industry size we should look at in this segment.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- Yeah long term I am sure everybody is positive about India and their growth story and what are all the new reforms the Government is trying to bring in and hopefully dependence on China might come down and more and more indigenization and maybe export opportunities come our way. So I am optimistic about the overall outlook for the future. And as you know Asian Paints is also expanding. It has set up new plants. And Berger is setting up new plant next year. Nerolac has set up recently at Amritsar. So the paint industry is certainly looking forward to it and plus percent of CAGR going forward. But for this pandemic this year itself would have been a fantastic year for this industry. But anyway we lost almost 7-8 months and I hope things will be normal going forward. Coming to lube industry, it's a kind of matured industry where you can't expect major increment in demand. But there also we are trying to improve our market share by going with new concepts like this QR code printed IML, because lube industry is the one industry which is very much affected by adulteration and counterfeit elements. So they are very keen to have a system of protecting and tracing their containers and safeguard themselves from the adulteration or counterfeit. So going forward paint and lube I'm sure it will be, they will do well. And in our food and FMCG sector as you all know more and more packaging food is getting accepted in the household and with the pandemic situation restaurants closed many people are adopting packaged foods either ready to use or even ordered food. So we see a lot of traction created from the restaurants, branded products, food products. Even small and medium size companies are very eager to go for hygienic food packaging with IML technology. So going forward that industry also would do well and fortunately all the three areas of our line we are in a position to grow along with them or maybe better than our competitors.

- **Ms. Archana Gude- IDBI Capital:**

- Sure sir. Sir that helped. And my second question is, as you rightly said that the paint companies, they're doing really well and even the outlook looks very optimistic. Sir it's said that (13.15) plants for Asian Paints is lesser in Vizag. Do you feel that you have to expand their capacity sooner than later?

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**
- Yes. Just to tell you the numbers at Mysore and Vizag have very much contributed to our growth in this year. The volumes at Mysore have gone up by almost 40% Q on Q or half year to half year in spite of COVID. And at Vizag the numbers have gone up by 76% H1 on H1. That means if you look at only Q2 the growth is phenomenal. 50% growth in Q2 on Q2 and 59% growth in Vizag. So overall growth numbers are good because last year was the beginning year. But in spite of that even in rupee terms we've done a turnover of almost 92 crores in the H1 as against 35 crores last year from these two units. So there's a considerable valuation from these two plants in H1.
- **Ms. Archana Gude- IDBI Capital:**
- Sure sir. Sir thank you so much and all the best.
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**
- Thanks.
- **Operator:**
- Thank you. The next question is from the line of Ankit Merchant from Reliance Securities. Please go ahead.
- **Mr. Ankit Merchant- Reliance Securities:**
- Yeah good afternoon and greetings for the season. And congratulations for delivering a really good set of numbers. So my questions are related to, some are little book-keeping questions. One is if you could highlight the Rights Issue and the Share Warrant, how is that money going to be utilized? And what is the quantum of amount which we are gathering or raising? And second question is related to the paint segment, if you could also share the volume tonnage across all the categories. Thank you.
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**
- Yeah first I'll answer about the Rights Issue. The Rights Issue the primary objective is to raise funds for the working capital because the working capital numbers have shot up over the last couple of years to 83 crores. And also some of the terms loans which have also come to around 29 crores. As you are all aware contiguously the company is investing on capital expansion adding machineries and equipment at different locations, spending 30-40 crores every year on the Capex. So while doing so the working capital is also ballooning; so to control the working capital and reduce the term loan dependency we have made this Rights Issue amounting so some 70 plus crores. And the issue is fully subscribed and details of subscription will be available only after a day or two. That is the

basic reason for the rights issue. And what's your second part of the question? Sorry I missed.

- **Mr. Ankit Merchant- Reliance Securities:**

- Share warrant which we are issuing and what is the quantum of amount in that and what are we going to utilize that for?

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- Yeah, yeah the shares and warrants together are 72 plus crores. And it is an instrument which has one share and six warrants attached to it. And the shares are payable, 25% was paid in the issue that closed yesterday, uh, day before yesterday. And the balance 75% of the share is payable within 12 months and the warrant portion is payable within 18 months.

- **Mr. Ankit Merchant- Reliance Securities:**

- Okay. And my second part of the question was related to the tonnage wise break up of each and every segment like paints, lubricants and even FMCG.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- Yeah, you might have noticed that from your previous question the paint segment is due to the new plants at Mysore and Vizag have shot up reasonably. In spite of that the percentage is stable, rather marginally improved in food and FMCG. So due to the tonnage is 4000 tons in paint, 1640 tons in lubes and about 1350 tons in food and FMCG. Compare it to the previous Q2 3680, 1420 and 1100. So food and FMCG grew by around 21% as against last year volumes, last year Q2. Paint grew by 9.5 and Lube also by 15%.

- **Mr. Ankit Merchant- Reliance Securities**

- Sure. And on the revenue front if you could share some details.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- On the revenue front growth in paint is just nominal because though Asian Paints has grown the rest of the companies in the Q2 have not really grown. So it is almost stagnant. And Lubes grew 15% is basically a lot of pent up demand which has shot up in Q2 when the country started opening up and vehicular movement has started. And the food and FMCG grew by around 8.1% compared to Q2 in revenue terms. Our revenue terms are not really things which you should follow for Mold-Tek because raw material price adversely affects the pricing. So I always recommend you follow the tonnage numbers. That will give you a correct picture.

- **Mr. Ankit Merchant- Reliance Securities:**

- Sure. That was helpful. And just one last question related to EBITDA margins and the EBITDA per ton basis. So you think this EBITDA per ton which you have achieved here is going to be quite sustainable from here on? Because 21.6% there's EBITDA margin and 37% there's EBITDA per kg. Would that be sustainable over a longer term? Is that the right way to take it?

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- It will be sustainable I guess because the capacity utilization is improving and the product mix is improving towards high end and higher valuation items like food packaging and IML sales of paint and lubricants. So I feel the first quarter is gone anyway, but from second quarter onwards we wish to continue to maintain this similar EBITDA margins of around 37 per kg.

- **Mr. Ankit Merchant- Reliance Securities:**

- Sure. And just a follow up. Can you also give us a break up of IML and non-IML on tonnage part?

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- Yeah an IML is more or less like last year, it was 61% last year and it'd become 62.4. So about 2% improvement over the last year's IML. So non-IML has come down in the same way, the other way.

- **Mr. Ankit Merchant- Reliance Securities:**

- Sure. Okay. Thank you. I'll come back in the queue for more questions. Thank you.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**

- Sure.

- **Operator:**

- Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

- **Mr. Karan Bhatelia- Asian Market Securities:**

- Hi sir, thank you for the opportunity. Sir can you throw some light on our pump business, what kind of investment we've done. So is it similar to the IML realization and gross margin?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd:**
- Yeah pumps, the overall investment is about 13 to 14 crores if you include the minute buildings and other things we can say around 14 to 15 crores is the overall investment. All the machines have arrived. Only the assembly machines, some of them are arriving end of this month. And the main machines of assembly will be coming by middle of December. So the capacity if you speak can be 8 to 9 million pieces per month which will translate into around 60 crores per annum sales at a full capacity utilization.
- That is the outcome. And the impact per kg if you look at it our EBITDA margins will be definitely better than even food and FMCC, given there are more components and less weight but the functionality of the pump is what makes it reasonably expensive, not very high value add, but in the region of around Rs. 6 to Rs. 8 or Rs. 9 depending upon the quality of the pump. But the raw material component of a pump including these consumables will be less than 40% to 50%, so that makes it a little higher value added product than our current products.
- **Mr. Karan Bhatelia – Asian Market Securities**
- And also sir, if you can give me volume numbers for Q2 for the two new Asian Paints plants Mysore and Vizag put together in metric tons compared to last year?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- For Q2 in Mysore we did 763 tons. And at Vizag we did 527 tons compared to 512 and 331. That means 843 has become 1290.
- **Mr. Karan Bhatelia – Asian Market Securities**
- And Rupees in crores in total?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- Rupees in crores I think it has gone up from 25 crores to 35 crores.
- **Mr. Karan Bhatelia – Asian Market Securities**
- Last question if I may ask, what is the CAPEX guidance for this year and maybe for the FY22 if you can give some light?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- CAPEX for different products sustaining the brownfield growth itself would be in the region of 35 to 40 crores including the pumps project for this current year 2021. Probably as we go forward towards the end of the year there may be some more additions to balance the demand versus capacity. So, as of today it is around 38 crores including the previous year's orders on payment which were made in the current year. But overall it would be in the region of 38 to 40 crores for the current year. Going forward 2122 the north plant which we have deferred and may have to be set up, but we don't want to think about it until COVID is completely under control. We can't risk our senior people to COVID in the field. So, this year it will be more or less on the brownfield expansions and of course the pump is a new project which we are set up in Hyderabad itself.
- **Operator**
- Thank you. The next question is from the line of Shanti Patel from SB Investment. Please go ahead.
- **Mr. Shanti Patel – SB Investment**
- Good afternoon sir, my question is what will be the approximate revenue for the current year end at 31st March, 2021? And what will be the probable PAT percentage thereon, that is the first question.
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- Let me answer that, as you all know we are working in very unreliable times and a situation that's simply unpredictable, but of course, things are improving. If the same situation improves, we wish to continue to grow and cover the deficit of the Q1 which we suffered a 40-42% drop in revenues. So, if these three quarters could fill the deficit and we go back to last year numbers I feel it's a good achievement and we are on the track I hope. Having said that PAT also internally our internal goal is to reach the last year PAT in spite of a severe drop in Q1. But if situation improves and the economy takes off things can better. On the contrary if situation worsens it could also be difficult to reach this. So let's hope everything is fine and then we can certainly grow if there is a positive-ness in the economy and general pandemic control.
- **Mr. Shanti Patel – SB Investment**
- Okay. What about our market share in respect of all the segments?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- Market share in paint will be in my opinion organized sector we must be around 20% to 25% because they all have multiple suppliers. But in the case of IML we are almost single source. There are a couple of players giving 5% to 10% of the needs. But the paint is yet to adopt IML in a big way so in that segment our market share I guess would be in the region of 20% to 25%. But if you come to lubricants we are much better. We must be

having 45% to 50% market share because all the top players believe in Mold-Tek and their containers are much superior in terms of a leak resistance and transport worthiness because lubricant is much more difficult to handle than a thick paint. So, companies which look for better performance and IML they come to us. That's why in lubricants we have a...I'm leaving PSUs aside because they go by tendering system. In the private lube industry our market share must be more than 45% to 50%. Food and FMCG there are a couple of players one in North and a couple of them in West but they have a limited range of products and definitely they don't have the edible oil packs what we have spare containers. So, our food and FMCG as a whole our packaging contribution is minuscule, very small. But among the rigid packaging which has been used I think we should be more than 50% again in that segment. But that is yet to grow in my opinion, it's hardly entrenched 5% to 6% of the demand. It has more potential to replace a lot of other inferior products but it's a time taking process.

- **Mr. Shanti Patel – SB Investment**

- This new feature which we are going to introduce it will impact you from which month and what will be the impact on the revenue of the next year, i.e., 2021-2022?

- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- When we introduce something new it's difficult to get adopted as quickly as we wish. The QR code enables people to trace the containers, ensure...

- **Mr. Shanti Patel – SB Investment**

- Perfectly right, because competitor if they don't have this particular feature, definitely the purchaser will prefer our product and pay more because they don't mind paying more if the set is introduced and consequently our revenue must go up.

- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- I can't predict the future because it's yet to be introduced. Probably I'll be in a better position to talk to you when we speak over the Q3 or Q4 results time, because it is yet to be introduced. Its completed line trials and as a concept we have already found it is feasible and shown some videos to couple of clients who are reasonably excited, but how will they adopt it, how will they pay for the initial cost that is still at a very nascent stage. So, let me not add any speculation on that, but we are excited that this can also be a kind of a growth trajectory for the company in the coming quarters, maybe not having it in one...

- **Mr. Shanti Patel – SB Investment**

- I hope our competitors don't have this feature, correct?

- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- None of them have even IML as a very established way. They are learning the IML technology whereas we are going forward into reverse printed IML with QR codes which might take them a few more years to catch up. So, that way we are creating a step ahead for the company. I hope it will be recognized and add value to our products in the coming quarters. But I can't speculate on the revenues and numbers as of now.
- **Mr. Shanti Patel – SB Investment**
- But at least this project if you are going to be complete in a short period involving some 18 crores investment, there you can...
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- No, no, you have got mixed up. This has no 18 crores investment.
- **Mr. Shanti Patel – SB Investment**
- No, not this one. I am talking about pump only. Where you can estimate approximate revenue in the current year or no?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- In the current year I don't see major numbers because only three months are left in the current year, December to March four months. Probably we may sell about 15 to 20 million pumps at say average price of Rs. 7 to Rs. 8, so probably around 10 crores turnover might be added 8 to 10 crores in this financial year. But next year it can be reasonably well because all the top brands have shown interest in our pumps and some of them have been given letters of intent to buy. So, probably next year it will be substantial. The peak sale value is in the region of 55 to 60 crores. Let's assume we get about 50% to 60% capacity utilization next year.
- **Operator**
- Thank you. Mr.
- may we request that you return to the question queue for follow-up questions. The next question is from the line of Naushad Chaudhury from Systematix. Please go ahead.
- **Mr. Naushad Chaudhury - Systematix**
- Two quick question I have. First one is on FNF side. The realization I see is down, if I see the volume there is around 20% of volume growth, but in value terms it's only 8% growth, so what exactly is the reason for this realization per kg going down in FNF?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- One major reason is the raw material cost is down by Rs. 10, that is around 12%. That itself is passed down to the client. So, on revenue terms it looks like it's only 8.13. And as I told you the growth has come from edible oil pails, the bigger size compared to the ice creams which are smaller size and higher value adding. So, that also could have indirectly impacted the percentage in terms of Rupees. But the main reason is the raw material drop by around 12%.
- **Mr. Naushad Chaudhury - Systematix**
- Okay. As you have these rights issues now, do you see the interest cost run rate to go down going forward?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- Yes, certainly. That is one of the ideas of going for this rights to reduce our working capital and term loan so which the interest rates costs have been consistently going up in the last couple of years will certainly be controlled or reduced.
- **Mr. Naushad Chaudhury - Systematix**
- So, currently we will spend around Rs. 2.3 crores or 2.4 crores on the interest costs so if you can give any number what this could be going forward?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- See, you need to understand that the instrument what we issued is partly paid and major part is coming later. So, the immediate impact may be marginal but more impact will come from end of next year.
- **Operator**
- Thanks you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.
- **Mr. Resham Jain – DSP Investment Managers**
- Hi, good evening. I have a few questions. First is, on the revenue growth itself which you mentioned which was very encouraging in terms of the deficit of first quarter being offset possibly in the next three quarters and we already have Quarter 2 with us. So, just on the visibility side the second half growth if you just do the reverse maths it comes to around 23%. I am sure the current signs are challenging, very difficult to predict anything but any visibility if you can give based on the order book which you already have in hand? How much possibility of this 23% you can see, because that is a very good growth actually?
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- Actually there's a target Resham. It's not that I am confident of achieving it. We are working towards it. We are working towards that and if you notice the H1 on H1, we are down by 14.73%. So, if in H2 we achieve around 15% growth we may be equate the sale of last year. So, it's not 23% it is 15%. So, 15% looks a possible as of now for the current order book on hand. But how it goes in the future we need to wait and see. As of now October November is good, November so far so good but after Diwali how the situation stays and how the demand stays we need to see. But it's our internal target to achieve at least 15% growth in H2 to nullify the drop in H1.

- **Mr. Resham Jain – DSP Investment Managers**

- Understood Sir, well taken. Sir, my second question is you mentioned in your initial commentary about I think EBITA per kg of around Rs. 35 or Rs. 36 which you did in this quarter. I was just looking at the past numbers and this seems to be one of the highest you have done in the recent past. So, what gives this confidence of maintaining this current margin which you have done this quarter. Is it to do with multiple cost rationalization initiative which you have taken or is there anything else which I am missing?

- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- Certainly what you said is correct. We have taken up multiple cost control measures both we have done maintenance, we have done job works, we have done even staff cost and not adding many additional hands though we have expanded the pumps project. So, thereby we are trying to rationalize and reduce the costs, bring them under control. Every adverse time is an opportunity for the management for a wake-up call. S, this adversity we have turned it to our advantage by being more cost conscious and cutting and monitoring costs. We still have a couple of areas I feel, consumable is one area where we still see a lot of wastage can be controlled. Experimenting on this IML and new IML QR code is resulting in huge cost of developing a new concept. But that's one part of our strategy, so that cannot be reduced, but there could be some other areas of consumables we are focusing now to ensure that those costs also are monitored. That is why I am confident, probably we can maintain that Rs. 35-37 per kg bracket which we achieved in Q2 to sustain in Q3 and Q4 also.

- **Mr. Resham Jain – DSP Investment Managers**

- Understood sir. And sir, my last question is on the rights and warrant which you have done. Sir, my question is more from the debt perspective, we have this net debt to EBITDA of slightly higher as you mentioned since last 2-3 years. But it was quite comfortable. But given that now you have raised this money going forward is there any number which you have internally are thinking that beyond this net debt to EBITDA or net debt to equity or absolute amount of that you will not go ahead?

- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**

- Sorry, I missed your last couple of sentences, Resham.
- **Mr. Resham Jain – DSP Investment Managers**
- What I was asking is that in terms of net debt to EBITDA or the overall debt number itself is there any comfort level for you as a management that beyond this number you would not go because last 2-3 years anyway your net debt to EBITDA was slightly on a higher side because you were on the CAPEX mode and your working capital requirement was also going up.
- **Mr. Lakshmana Rao – Chairman & Managing Director – Mold-Tek Packaging Ltd.**
- See, our overall debt when you consider the long-term and short-term, it's coming to almost 112 crores. So the EBITDA of last year was around 81, so it's almost one and a half times. And during this period of COVID when many people were struggling for working capital or even running the operations, we were of course comfortable, but we wanted to make sure that our situation won't be caught unawares in future. So, there's a conscious effort to come below 1.5 level or maybe close to 1% at one time so that they know even if the operations get disrupted for any such reason in the future we'll not be cast out or maybe debt ridden. So, that is one of the precautionary measure for this issue, and that is why we are not in a hurry to collect the money. We have also spread it over a period of time to see and make the calls. So that is the idea behind the ratio.
- **Mr. Resham Jain – DSP Investment Managers**
- Okay. So sir....
- **Operator**
- Mr. Jain, this is the operator, sorry to interrupt to you.
- **Mr. Resham Jain – DSP Investment Managers**
- No, no that is a little extension of the previous question only. So just from the decision perspective now, is it right to assume that you will try and maintain your net debt to EBITDA below 1X going forward?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- If not 1 we will definitely bring it down from 1.5 further to 1.2, 1.3 and then probably emit 1 in the long term.
- **Mr. Resham Jain – DSP Investment Managers**
- Okay, okay, okay. Great sir! Thank you, all the best and happy Diwali.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-tek Packaging Ltd**
- Thank you and same to you.
- **Operator**
- Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.
- **Mr. Akhil Parekh – Elara Capital**
- Hi sir, Happy Diwali to you and your entire team and many congratulations on your very good set of numbers. The first question is on the edible oil **41.12** has given a target of around Rs. 70-75 odd crores on turn around basis over the entire year. So how far we have reached during the first half of the year?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Edible oil continued to grow well. As I explained to you the numbers are up by around 25% in volumes in the Q2 on Q2 I am talking about. And the numbers in the revenues terms, the Q factor has achieved a sale of...so Rs. 13 crores in the Q2 compared to Rs. 10 crores Q1 and 10.8 last year. So there is a growth of 21% in edible oil packs compared to Q2 on Q2 which is the correct way to look at it rather than looking at the Q1 which is the deviation. So there still a good growth of 21% in Q pack volumes. The main drop is again from Cadbury's Lickables because during the COVID period entire chocolate business was down, all were going for biscuits. So only now recently Cadbury's have restarted taking the packs. So for the first 6 months almost it is negligible sale of M2K that is what we call the project code, it is Lickables. So that is one major setback in the...see otherwise the food and packaging last year in Q1 and Q2 together we did almost Rs. 10 crores and this year it is not even 1 crores. So it would have been gone up by another at least 4 to 5% had M2K volumes sustained as in the last year. So Cadbury's maybe chocolates and ice cream are the two worst hit in the pandemic. But they are coming back now with the festival season Lickables is back in market and even we see for the last 1-1½ month ice creams packs have also started rolling out.
- **Mr. Akhil Parekh – Elara Capital**
- Sure, that is very helpful. And second question is in the market share. We have observed that some of the market leaders in some industries have pinch in market share during this pandemic time. Have you **43.40** similar kind of thing happening in our industry as well, where we have captured some market and the smaller player who is not able to restart its manufacturing or it is having some kind of issues?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**

- No you are correct. In June-July we noticed that because many small players could not restart their operations and clients have started shifting to us. But after that also the trend continued to improve thankfully, because people are finding it better to have reliable suppliers who have technology and who can give hygienic pack. I think more and more clarity is coming in their thought process. Instead of saving penny in the costing they are looking at reliability and also sustainable packaging. So that is the reason I see things are reasonably improving for us.
- **Mr. Akhil Parekh – Elara Capital**
- Sure, that is very helpful. Just one book keeping question. How is **44.41** value contribution for the process?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah value it is 65 last year and 66.5 this year.
- **Mr. Akhil Parekh – Elara Capital**
- Okay, okay. Got it, thanks a lot sir, and best wishes.
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Thank you.
- **Operator**
- Thank you. The next question is from the line of Kanishka Sorcar, individual investor. Please go ahead.
- **Mr. Kanishka Sorcar – Individual Investor**
- Hi, congratulations all of you. I have got two questions. The first one is, you guys are moving into this the food category which is actually more value accretive. I wish to understand from you what is the long term plan? Over 3 years where do you see in terms of proportion of this business of your overall? That is question #1. And the question #2 pertains to, I have been reading somewhere that as the management you also have interest in this chemical sector which is opening up big time in India and particularly in the region you operate; Hyderabad – Telangana area. Now do you see or have you done any studies where this could be the opening up of some huge potential into the chemical and pharmaceutical sector also for us?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah, coming to your first question, the food industry as a percentage was zero 6-7 years ago and today it is almost 1/4th, 24%, 23.5% and going forward it will further grow but

thanks to I mean, I have no complaints that the other sectors also are improving like especially paints. Because Asian Paints certainly has given us an opportunity to set up plants near to them and whatever growth that they are getting we are getting a reasonable part of the pie. So the paint industry also will continue to grow and give us improved numbers in the next 3-4 years because as far the commitment of Asian Paints, from about if I recall 3000 tons of plastic in last year, they have promised to ramp it up to almost 14000 tons by 23-24. So another three years they themselves are going to give us a sizeable growth in business. So having said that, the overall percentage of food and FMCG even it grows, it cannot become 50%. Probably from 24 it can become 30% of a bigger number, but it will certainly grow is my hunch.

- And coming to your next question of chemical and pharmaceutical city is coming up near Hyderabad and a huge Pharma city being planned near to Hyderabad. It is certainly going to help us to widen our product range. We already have entered into the sanitizer firms and hand wash and disinfectants and all that sprays and forms we are entering this year, and going forward we also can, this is a similar industry where we can go into value added products like 47.39 or pharmaceutical powders and tablets and anti-chill resistant caps. Such areas of pharmaceutical we still have some scope to expand. But today it is too early to talk because this...the parks and industries are yet to take off. But if China is restricted and India is promoted as a pharmaceutical hub, Hyderabad is going to play a major role certainly because all the major players are here and we will gain if we can tap into that, and that is why once we got the FSS4 certification which is almost close to the pharmaceutical standards of container manufacturing, we need to move a bit forward to get into the Pharma approved standards. So but as of now we don't have any 48.30 country because that pumps project is to take off in the next couple of months. But as the opportunity emerges, we can also take a bit away.

- **Mr. Kanishka Sorcar – Individual Investor**

- Yeah, just one added question to it is how do you see the competition in compared to our company? Are they becoming aggressive or we are financially weak or you find that they will eventually you know, fizzle out because of their inefficiencies? How do you see that part?

- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**

- I don't want to comment much on my competitors. Definitely nobody is weak financially they are all doing fine I guess, and they have capable hands and investors behind them. The differentiator even today is technology. While our competitors struggled to reach to our standards in IML, we keep moving with varieties of applications and new concepts which are unique to us and unique to the industry like the QR coding on the IML is the, I can in the world it is almost very, very nascent and our technical team has already broken the ice in terms of...see as you know, IML gets embedded while molding itself. So if you want to have that 49.45 area, you should have a technology to make sure that 49.49 area is not embedded or not stuck. So you need to find a solution how to work the area to be

not embedded in the plastic; that is one. And then the QR code has to be printed on the reverse. So you need to have printing machines which are capable of reversing the film at the time of QR printing and we are in fact planning two QR prints – one inside, one outside. The outside one gives data of the pack, where it is made, where it is used, filled –which plant has filled and what is the grade and blah, blah, blah everything standard for invoicing purpose like **50.25** which will have a unique number which will be replicated inside and that number also printed simultaneously at the again reversing the print. So there is a printing machinery that is required which has that capability. If you all know last 6 months ago we imported an Italian flexographic machine with these attachments and now the QR code equipment is being aligned with it, that work we are completing in the month of December and we will be able to start trials from January. So this is the futuristic concept in IML. So this how we keep ourselves growing beyond competitors and that is how we maintain our edge. So it has nothing to do with finance health or inabilities or inefficiencies.

- **Mr. Kanishka Sorcar – Individual Investor**

- Thanks so much, thank you.

- **Operator**

- Thank you. The next question is from the line of Richa Aggarwal from Equitymaster. Please go ahead.

- Richa Aggarwal your line is in talk mode. Please go ahead and ask your question.

- **Ms. Richa Aggarwal – Equitymaster**

- Sir my question is regarding the receivables on absolute basis and even in terms of receivable base it seems to have gone up. Is it due to the pandemic or the product mix, and what is the outlook on that?

- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**

- Receivables are somewhere around 50 days now. Has it gone up Raman? Same level?

- Not much of change in the receivable case but of course during the pandemic small and medium companies have suffered and there were some delays. But our major players more or less stuck to their standing. So the receivables have gone up certainly. Say, the sales have gone up by 14% where the receivables have gone up by around 24-25%. So there is some slowdown in the payment cycle due to the pandemic impact.

- **Ms. Richa Aggarwal – Equitymaster**

- Okay. And sir, my second question was, you know a few months ago, in quarter **52.35** we were talking about, there were talks about the online with apps like Swiggy and all...

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Sorry?
- **Ms. Richa Aggarwal – Equitymaster**
- You were in talks with you know, online food deliveries apps like Swiggy and all, some kind of business opportunity we are exploring. So where we are on that? Is it on hold now, what is the visibility in the coming months or quarter?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah it is still on hold but definitely we see a lot of traction from the restaurants, the individual restaurants, individual small package food companies who pack for Ramadan, who pack for Diwali. Actually we have introduced a set of molds, set of products from ¼ kg to 1 kg for sweet boxes. But the project again got delayed due to the delay in molds and delay due to COVID. But we could launch it before Diwali and few supplies have been affected in the first week of November and the response is reasonably good, though it is not a huge segment, we wanted to be there for the sweets and other consumable products.
- **Ms. Richa Aggarwal – Equitymaster**
- Okay, and sir this last question is regarding the QR code. You see this as sufficient that will help us boost our margins significantly or help us get higher market share? What is... this might be coming as a **53.56** cost for you. What would be the response from the **54.00** industries? Will they be open to taking it at a higher price you know, with the existing customers...
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Your voice is breaking Richa? Can you repeat it briefly?
- **Ms. Richa Aggarwal – Equitymaster**
- Sir my question is on the QR code technology. We, the aim behind this technology is to capture a higher market share? Because I believe that it will maybe come with some increased cost for the clients also or do you already see that kind of acceptability and you know both market share and margins are likely to increase significantly because of that?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- As I told you, I don't want to speculate on a new technology which is yet to be proved. But of course, the idea is to increase the market share and EBITDA by adding a value to the customer which he cannot resist. Obviously, it needs a lot of thinking from their side also because as somebody said, we may become a single source vendor and again that

could be a restraint for some of the major companies because they have the multiple vendor policy which they don't change. So one of the reasons why our IML is still not penetrated in the country is most of our competitors are not able to produce at our cost and at our quality, the basic IML containers, especially in the bigger size. So when it comes to a QR coded IML again the same thing could be a restriction. So unless we see how this is accepted and as you correctly said if let's say take an example of Valvoline, today Valvoline buys around 60-70% of their needs from us and they have another 1 or 2 suppliers giving the remaining 30%. And today if they wanted to shift to a QR coded IML, and the other suppliers are not ready either they have to not to adopt gear or adopt gear and take everything from Mold-tek. So such additions how they react I can't comment upon but certainly we see that this value addition will attract better market share and you know.

- **Ms. Richa Aggarwal – Equitymaster**

- Yeah, yeah. Just the last question is on the capacity utilization. Where we are around that currently?

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**

- See capacity utilization I always tell you achieving 75% is our always motive within our variety of products and variety of small and big products being mold on same machine. So last year it was in the best of the time it has hit 75 and 78% again last quarter it was pretty bad, and this quarter we are back to normal in the range of 75-80; 77-78%. So things are surely coming to the normal level of utilization.

- **Ms. Richa Aggarwal – Equitymaster**

- Okay, great. All the best and Happy Diwali sir.

- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**

- Thanks, thanks Richa, same to you.

- **Operator**

- Thank you. We will take the last question from the line of Khush Joshi for Kitara Capital. Please go ahead.

- **Mr. Khush Joshi – Kitara Capital**

- Thank you for the opportunity sir and congratulations for the performance in this quarter. I have just one question. Sir, as far as Mysore and Vizag is concerned so both the plants what is the capacity utilization of these two plants?

- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**

- See the capacity of each plant is close to around 3000 tons per annum. At Mysore we achieved 11,059 ton in the H1 and Vizag is around 800 tons. So we are operating around say (+) 70% in Mysore and around 55, 58% at Vizag and as their number are improving, of course the Q1 is gone, if you look at only Q2 in isolation we did 763 tons that means almost (+) 90% utilization at Mysore and around 70% utilization at Vizag. Going forward we are again adding some more balancing equipment at both the plants to expand the capacities as per the guidance given by Asian Paints. So as of today they are anywhere around 60-65% capacity utilization on average but we will be still adding some more balancing equipment to keep us ready for their next projections.
- **Mr. Khush Joshi – Kitara Capital**
- Sir that will be for 22, the additional balancing equipment?
- **Mr. Lakshmana Rao - Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Addition of machines only, there is no need to have the buildings and other land and all, it is already there. So what we need to add is maybe few machines at Mysore and Vizag that will enhance the capacity from 3000 to at least 4000-4500 tons gradually during the next financial year.
- **Mr. Khush Joshi – Kitara Capital**
- So by 23 also if we are adding something **58.37**?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah their prediction is about reach 6500-7000 tons at each plants from current level of 3000 by 23-24. So next 3 years we need to almost double both the plants.
- **Mr. Khush Joshi – Kitara Capital**
- Okay. And as far as the capacity utilization you have mentioned that we have reached **58.57** similarly...
- **Operator**
- Sorry to interrupt you. The audio is not coming clear from sir, from your line and there is some disturbance also coming sir.
- **Mr. Khush Joshi – Kitara Capital**
- Yeah, is this better?
- **Operator**
- Yes sir.

- **Mr. Khush Joshi – Kitara Capital**
- So one last question. So as far as the utilization is concerned **59.18** 75% capacity?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Again your voice dropped Khush.
- **Mr. Khush Joshi – Kitara Capital**
- Okay. The question is in respect to the capacity utilization for food and FMCG. So are we there at 75% levels?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah, yeah in food and FMCG the utilization has improved. It might have gone up to even 80%. But during the last few months, it is not as good in the Q1 but last 2-3 months situation has improved even in this segment.
- **Mr. Khush Joshi – Kitara Capital**
- Okay. So whether we are adding capacity there also next year?
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Yeah continuously Khush there will be some capacity addition of machines without going for a new plant or new building or new land. So there will be continuous Brown field sanctions with the internal generations. That will be an ongoing process, to meet the increasing demand, yeah.
- **Mr. Khush Joshi – Kitara Capital**
- Yeah, understood, understood. Okay, thanks so much sir.
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**
- Thanks Khush.
- **Operator**
- Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I would now like to hand the conference over to Mr. Lakshmana Rao for closing comments.
- **Mr. Lakshmana Rao- Chairman and Managing Director, Mold-Tek Packaging Ltd**

- Thank you very much for all the participants to be patient and having interest to join the conference and making it a success and I wish you all very happy Diwali and let this Diwali remove the darkness of the pandemic in all our lives and let there be bright light and life back to normal for all of us. Thank you very much for your interest. Back to Charmi for closing.
- **Ms. Charmi Mehta – Prabhudas Lilladher Private Limited**
- On behalf of Prabhudas Lilladher I would like to thank you all for joining this Q2 call. Thank you and happy Diwali and stay safe.
- **Operator**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- **END OF TRANSCRIPT**