



MOLD-TEK

Packaging Limited

(Formerly known as Moldtek Plastics Ltd.)

Date: 31st October, 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 29th October, 2019.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 29th October, 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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“Mold-Tek Packaging Limited Q2 FY2020 Earnings Conference Call”

October 29, 2019



**ANALYST: MR. AYUSH CHATURVEDI – NIRMAL BANG
INSTITUTIONAL EQUITIES PRIVATE LIMITED**

**MANAGEMENT: MR. J. LAKSHMANA RAO –MANAGING DIRECTOR –
MOLD-TEK PACKAGING LIMITED**

- Moderator:** Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited Q2 FY2020 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ayush Chaturvedi from Nirmal Bang Equities. Thank you and over to you Sir!
- Ayush Chaturvedi:** Thanks Janice. I on behalf of Nirmal Bang Equities welcome you to Q2 FY2020 earnings call of Mold-Tek Packaging Limited. The management is represented by Managing Director, Mr. J. Lakshmana Rao, and the finance team. I will now pass it on to Mr. Lakshmana Rao post which we will open the call for questions. Thank you and over to you Sir!
- J. Lakshmana Rao:** Good morning everybody. Thanks for being in the conference call today. I am glad to inform you company continues to do well in Q2 and recorded a 44% increase in the PAT on a consolidated basis and revenues are up by 14% consolidated.
- Standalone performance we have taken some more write-offs of RAK. So, the net profits are up by about 23% in the H1 compared to last H1 and compared to the Q2 it is up by around 25.6% PAT. So, the company’s performance continues to be good though there was a slowdown in the general economy. As you know it is a long and longer monsoon this year the consumption of paints has come down, movement of goods will affect the lubricants utilization usage, but in spite of that we come out with around 14% overall volume growth in H1 and 16% in Q2. The volume growth is in the expected bracket of 15% to 20%. We continue to hope that the full year we will maintain overall growth rate in volumes between 15% and 20%. So, as you all aware there is a lot of discussion went on about the plastic ban and utility of stoppage of use of onetime plastics. So, there is a solution coming up in the horizon, there are biodegradable plastics that are coming in, and the costs are still high, but not as high as ever three years ago, about three times the current raw material price and the technology for molding those plastics also slowly evolving, if not for the containers, for the small onetime use containers. So, your company is also taking steps to get a grip on the technology to be there in the forefront when it becomes inevitable to add up that new technology.
- So, this apart from our continuous striving to improve our sales in food and FMCG is still giving us good results and with that and with the addition of new plants of Asian Paint at Vizag and Mysore, we continue to do well I guess and in spite of the economic slowdown we might continue 15% to 20% volume growth in the coming quarters also. So now I leave

the floor for question and answer so that we can cover more information and exchange data on that manner.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Debanjana Chatterjee from HDFC Securities. Please go ahead.

Debanjana Chatterjee: It is a good set of numbers. My first question was, you have mentioned a 16% volume growth, but your revenue grew by some 13.8% to 14% consolidated so was there some product mix or were the prices low or what is it?

J. Lakshmana Rao: Yes, the raw material price has fallen considerably from Rs.99 last year Q2 to Rs.90.19 this year. So, on the rupee side you might feel the number is not grown, but on the volume side the growth is 16%.

Debanjana Chatterjee: So how are the prices going to remain in the coming quarters any guidance?

J. Lakshmana Rao: Pricing seems to be tapering down it went up again but now it is again back to 92, 91 level.

Debanjana Chatterjee: And what is your IML and non-IML split for this quarter?

J. Lakshmana Rao: Yes, it is again on the uptrend in Q2 last year it was 58.8% it is currently 65.1%, which was 63.28% for the full year last year, so there is still a growth in the IML conversion.

Debanjana Chatterjee: And any capacities further what is your capex for the full year?

J. Lakshmana Rao: Already we have invested about 35 Crores including the investment on RAK that is shifting of the machineries from RAK and another 10.5 to 11 Crores are required to balance the printing and other facilities, molds and printing.

Debanjana Chatterjee: In the plants?

J. Lakshmana Rao: Yes, in the current existing plants and we also added some more capacity at Vizag to cater to the needs of Asian Paints. So overall investment layout in this year will be 35 Crores plus RAK, RAK being a transfer, it is basically the loans were transferred to India so there was no outflow.

Debanjana Chatterjee: So, some total 46 Crores for the full year FY2020?

J. Lakshmana Rao: If you add the RAK it is 50 Crores, if you take net of RAK which is now cash flow it is 35 Crores.

Debanjana Chatterjee: And your borrowings, is it going to maintain the level for the long-term it remains at around 20 Crores and short-term borrowings is at around 80, 84 Crores?

J. Lakshmana Rao: Yes, the short-term because the RAK has been shifted to our Indian operations the Indian long-term loans have gone up from 15 to 30 Crores, but short-term loans continue to be somewhere around 79 as against 74.

Debanjana Chatterjee: And your long-term has gone up by 15 is it?

J. Lakshmana Rao: Because that RAK loans have been transferred.

Debanjana Chatterjee: Thank you so much Sir. That is all from my side. I might come again in the queue.

Moderator: Thank you. Next question is from the line of Sanjeev from Tamohara Investment. Please go ahead.

Sanjeev: Sir, could you please help us with the EBITDA per tonne and what is your volume for non-IML and IML?

J. Lakshmana Rao: Yes, EBITDA per kg is inched up again from 33.6 in the last Q1 to this Q1 to 34.21, it is up by about 2% and what is your second question you said food and FMCG or IML?

Sanjeev: Both.

J. Lakshmana Rao: Okay.

Sanjeev: And Sir just wanted to understand the cash flow generated from the first half this year is significantly lower than compared to the last year and we saw that there is a substantial rise in inventory and also increase in the financial assets other than the credit and disbursement, could you please throw some light on this?

J. Lakshmana Rao: Yes, last year the investment outlay was 74 Crores mainly due to two major plants Asian Paints plants we setup at Mysore and Vizag that is why the huge investment last year and now this year also it is not less it is around 35 Crores for additional capacities plant and machinery and a little bit additions in the building. So, this year 35 Crores is also substantial considering our size of the company, and there maybe another additional investment in a north plant, we are discussing various options including a subsidiary to benefit from the low taxation announced by the government, so if that happens there could be some additional investment beyond this estimated 35 Crores.

- Sanjeev:** But Sir this investment basically in the capex long-term investing right, and I am referring to the cash flow from operations is substantially lower in H1 of this year compared to last year so in that regard there is substantial rise in inventory and also financial assets other than the payables and receivable, which is part of your working capital adjustments?
- J. Lakshmana Rao:** No in fact the cash flows this year will be higher than last year and outflows will be less because last year also 74 Crores this year also expected is around 35 Crores and cash flow in the H1 itself is to the tune of 30 Crores, even we consider half of the dividends we still have 26 Crores cash flows in the first half itself. So, for a full year we might end up between 50 to 55 Crores net cash flow net of dividend, which will be more than adequately covering the investment. So that will be effectively bring down the debt in the working capital side or probably due to increase in sale again there is a little bit increase in the working capital, but still there will be a net reduction in the outstanding working capital debt at the end of the year.
- Sanjeev:** And Sir in the announcement also you have said that you have shifted all machinery units Hosur, Tamil Nadu two unit one and two, so is there any shifting of facilities again happening or how is it, if you can just help us understand?
- J. Lakshmana Rao:** Your voice is not clear but I understand what you mean is shifting of the Hosur unit to Mysore and Hyderabad is that your question?
- Sanjeev:** Yes, you are correct.
- Moderator:** Mr. Sanjeev I am so sorry to interrupt requesting you to please use the handset mode while speaking sir so that the audio is audible.
- Sanjeev:** Yes, am I audible now?
- J. Lakshmana Rao:** Yes, you are much better audible. Yes, now you can ask me the question.
- Sanjeev:** Sir I just wanted to understand shifting of machinery that we are talking about in the announcement from Hosur two units one and two are Hyderabad unit?
- J. Lakshmana Rao:** Yes the idea is to reduce our number of units, which are located very close by because Mysore and Hosur units are within 100 to 120 kilometers and it gives us better operational efficiency to keep both the units merge it together, the staff cost will come down, the admin and overhead cost will come down and anyway the Hosur was a small unit less than 1000 tonne capacity so that has got absorbed in the Mysore and Hyderabad and we came out of the lease in some states, which were held till now. So, there will be reasonably reduction in the overhead cost without hampering any supply issues.

- Sanjeev:** Now what could be some one-time shutdown expenses also Sir as we stated to this?
- J. Lakshmana Rao:** Hardly anything.
- Sanjeev:** Shifting expenses?
- J. Lakshmana Rao:** No, no, hardly anything that has been already absorbed in the quarter.
- Sanjeev:** And Sir the ROA facility that we have shifted and relook that the production from the new facilities could you please help us understand for the whole how are we planning, how things look at the end of the year?
- J. Lakshmana Rao:** During consolidation the loss is due to RAK operations are to the tune of 4 Crores last year so this year it will be hardly 1 Crore in the first two quarters. So, there will certainly be a benefit in the sense that the losses of consolidation will come down by at least 2.5 to 3 Crores in the current year and next year onwards they will be nil so indirectly it will improve the overall consolidated profits.
- Sanjeev:** Fine Sir. That is all from my side at this point of time, in case any further questions comes up I will come back in the queue. Thank you, Sir.
- Moderator:** Thank you. Next question is from the line of Ankit Merchant from SMC Global. Please go ahead.
- Ankit Merchant:** Congratulations for good numbers. I just have a few questions one is on the COGS front, so we have seen year-on-year as well as sequentially the COGS have come down so what is the main reason for it, and also could you throw some light on the employee cost and other cost because that has comparatively gone up?
- J. Lakshmana Rao:** Yes, actually if you notice the employee cost has not come down it has marginally gone up from 20.59% to 21% basically because some of the new plants are yet to reach better capacity utilizations but the decrease in cost is basically because of again overall volume increase and picking up in the capacity utilization. Now it is currently around 72% for the entire company, but it is close to 50% in the new plants that is Mysore and Vizag. So, going forward we can still see some improvement and we are also investing on flexographic printing facility, which will be installed by Jan, Feb next year, which will bring down the overall IML label cost and production cost and wastages. So, this will further improve the operational efficiency and hopefully a little bit improvement in the EBITDA per kg and raw material of course is another factor, which we passed on though the cost of goods will come down and the raw material comes down, but that benefit will cost after a month or sometimes after quarter based upon the agreement with the clients.

- Ankit Merchant:** Sir in the new plants what is the general EBITDA margin which we achieve?
- J. Lakshmana Rao:** No, we continue to have similar 34, 35 range per kg EBITDA in the two new plants also once they coming to 70% plus utilization.
- Ankit Merchant:** So right now, it would be 12% to 13%?
- J. Lakshmana Rao:** Could be yes, they will be less than, they are just around breakeven so it must be somewhere there.
- Ankit Merchant:** And Sir the guidance on tax rate for this particular year?
- J. Lakshmana Rao:** Yes, thanks to the government decision to bring down the corporate tax we will certainly have the taxes plugged to 25% all inclusive.
- Ankit Merchant:** And Sir I just wanted to ask about the FMCG segment how is it doing and in this particular quarter how much was the growth coming from the FMCG segment and I believe we were working on key and lot of products so how is that coming out and also you were looking out for a plant in Kanpur can you throw some light on it?
- J. Lakshmana Rao:** Yes, see the overall FMCG as we have gone up again by healthy 40% from 18.5 Crores in the Q2 last year this year we did 26 Crores so a growth of 40.3% over the Q2 and coming to your two pack sales that is edible oil pack sales we have made almost a jump of 160% that means the sales were up from 4.18 Crores to 11 Crores. So almost 2.5 times increase in the sales through edible oil packs and those packs are now finding other applications also and we feel that fair packs will continue to add considerable numbers in the coming quarters.
- Ankit Merchant:** Thank you. I will come in the queue for more questions. Thank you.
- Moderator:** Thank you. Next question is from the line of Mehnush Panthaki from Dhanki Securities. Please go ahead.
- Mehnush Panthaki:** Congratulations on decent set of numbers. I had a couple of questions, one is you told that the volume growth was around 16% so can you provide with the breakup across your business segments how much was in tonnage terms?
- J. Lakshmana Rao:** Yes, the paints industry in spite of the slowdown because of the new plants paints have added 33% up, lubes are down by 23% it is basically because of continuous rains and reduced movement of goods, the consumption of goods has come down considerably. Food and FMCG up by 40.33% overall growth are 17% in value terms and in terms of tonnage also it is from 5274 tonnes the sales value is 6200 that is up by 17%.

- Mehnush Panthaki:** 6200 is the overall volumes you are saying right?
- J. Lakshmana Rao:** Exactly from this 5274.
- Mehnush Panthaki:** From 5274 to 6200?
- J. Lakshmana Rao:** Yes.
- Mehnush Panthaki:** And Sir this 40% jump up you told in FNF and 23% decline in lubricant this was in volume terms, right?
- J. Lakshmana Rao:** I am talking in rupee terms, in volume terms also lubes are down by around 21% and food and FMCG up by around 55%.
- Mehnush Panthaki:** And how much was paints in volumes terms?
- J. Lakshmana Rao:** The paints volume terms are up by also 33%.
- Mehnush Panthaki:** Sir 33% was the volume and revenue both the same?
- J. Lakshmana Rao:** Yes.
- Mehnush Panthaki:** Sir so in volume terms in paints how much was the volumes on the new facilities in Mysore and Vizag?
- J. Lakshmana Rao:** Yes, I think in Q2 the Mysore and Vizag has contributed 16.5 Crores that means out of the 56.6 Crores, it is 40 Crores actually had there been no addition of this plants it would have been dropped actually.
- Mehnush Panthaki:** So that is you are seeing in terms of revenue, right?
- J. Lakshmana Rao:** Overall at same level.
- Mehnush Panthaki:** So, and how much was the volume in terms of tonnage how much it was approximately?
- J. Lakshmana Rao:** It was from 2760 tonnes to 3680 tonnes.
- Mehnush Panthaki:** Sir I am talking about the incremental volume from the new facility.
- J. Lakshmana Rao:** New facility increment is around 850 tonnes.

- Mehnush Panthaki:** And Sir one more thing as regards your capex is concerned the earlier guidance was given within 25 Crores around to 30 Crores and now we are discussing about 35 to 40 Crores of capex this year so is there anything which is changed and any other additional expense, which is likely to be incurred because we were likely to incur capex for Kanpur and Lucknow, which was in the range of 8 to 10 Crores and some additional capex towards the addition of the new lines and machineries so in addition to that is there anything which we are planning to do, which brings the capex up to around 35 to 40 Crores this year?
- J. Lakshmana Rao:** Not 40 it is 35 as of now unless we had an upfront, so the addition is mainly because of the printing machine we plan to add to enhance our efficiencies and catching up with the label production, which is required in very short lead time so we are going for a very modern flexographic machine, which we did two years ago, the upgraded version one more machine we are taking, which will be arriving in the month of February 2020. So that is additional 5 Crores other than unplanned as of Q1, but going forward we may have to invest on some additional land and building for Kanpur so as of now what looks like 35 can go up.
- Mehnush Panthaki:** So this 35 Crores is not including the capex for Kanpur?
- J. Lakshmana Rao:** No without that.
- Mehnush Panthaki:** If we are planning to expand at Kanpur or Lucknow, which we were planning to, then it will be around the small capacity of around 1200 to 1500 tonnes right?
- J. Lakshmana Rao:** Yes, there is a rethinking now with the new policy of government allowing 15% tax for the new 100% owned subsidiaries, once the clarity comes we may go for a little bigger plant itself, but investment will be spread over this and next few financial years partially this year and more in the next financial year.
- Mehnush Panthaki:** And how much will be the total investment in this approximately?
- J. Lakshmana Rao:** See should not be less than 15 to 20 Crores minimum that is the plant size.
- Mehnush Panthaki:** Okay Sir that is all from my side I will get back in the queue and wish you all a very happy Diwali.
- Moderator:** Thank you. We take the next question from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Sir this plastic ban how it will impact our benefit to the company in future a one-year term, or two-year term?

J. Lakshmana Rao: See plastic ban is basically for thin wall films and thin wall containers under 160 microns who currently the Maharashtra ban is below 50 microns, Tamil Nadu is also under 50 even at the national level a call is taken in the couple of years I do not think they will touch anything above 100 microns whereas our lowest size of the container we manufacture is with thickness of 400 microns. So as of now I do not see there will be any problem or rather there will be shift of some of the very thin wall products of like say thermoformed or vacuum formed containers they have no option but to shift to injection moulding and come for our IML injection moulding containers. So, any ban of thin wall will rather benefit our company than affecting growth.

Ravi Naredi: Right, and please tell something about FMCG products how it is going on this quarter and next quarter and the new order if you want to tell something?

J. Lakshmana Rao: Yes, in spite of heavy rains and lower consumption in the last few months we clock a 40% growth in food and FMCG numbers, which is a very positive and we hope to continue the last year rise of more than 50%, 55% we did last year we might end up doing the same in the full year this year too because the first six months growth is almost 53% and actually the second quarter is always a dip in the consumption because it is a monsoon season. It picks up in the festival season now and in the summer where the yogurts and ice creams consumption should up, even the restaurants their consumption of foods all these products will go up in the third and fourth quarter. So, food and FMCG continue to add considerable percentage of growth but the numbers being smaller it may not show up but slowly they are coming into size like last full year we did Rs.85 Crores, in the H1 we did now around Rs.54 Crores so even if we do Rs.130 Crores we will be aiming at 40% plus growth percentage terms.

Ravi Naredi: All the best Sir and happy Diwali and happy New Year Sir thank you.

Moderator: Thank you. Next question is from the line of Naushad Chaudhary from Systematix Shares. Please go ahead.

Naushad Chaudhary: Congrats on a decent set of numbers Sir. A couple of questions, am I audible?

J. Lakshmana Rao: Yes.

Naushad Chaudhary: Can you share the utilization number of your Vizag and Mysore plants?

J. Lakshmana Rao: Yes, Vizag and Mysore plants are we are around 50% now in the Q2 compared to 25% to 30% last quarter. So, we are almost double the sales from Rs.8.3 Crores in Q1 to 16.5.

- Naushad Chaudhary:** And if I heard it correctly, you shared these plants could do Rs.34 to Rs.35 EBITDA per kg right.
- J. Lakshmana Rao:** Similar to our hedges.
- Naushad Chaudhary:** But our paint division typically does around Rs.30 per kg and these plants are dedicated to Asian Paint which is for paints only, so how would they do Rs.34 to Rs.35 per kg sir.
- J. Lakshmana Rao:** It is one is volume utilization because we are concentrating and producing a single brand all the time, single product the capacity utilization and losses due to change over time will come down so compared to a mix of variety of paint continuously produced for different clients here in Hyderabad there they will continue to produce only some set of brands for Asian Paints and same olds run. So, the downtimes will be less and productivity will be better.
- Naushad Chaudhary:** So even because of the product mix despite serving the paint division this could do Rs.34, Rs.35 per kg EBITDA.
- J. Lakshmana Rao:** Yes.
- Naushad Chaudhary:** In the last quarter Sir, you mentioned about you have been talking with Zomato and Swiggy, they were looking out for some solutions. So just wanted to have an update?
- J. Lakshmana Rao:** We have given them a couple of concepts still examining, they want a very thin wall but when you have very thin wall somebody can even press it and open it, so we have given a couple of options we still closely meet their demands but they are yet to take a call it is a long-term decision and the meanwhile the van has come people were thinking what kind of ban will come, what is meant by first time use, so all this has actually prevented many companies to stand on the wall and not to take a call. Hopefully now that there is a clarity till at least 2022 there would not be any major change in the brand items, there could be a movement in their decisions.
- Naushad Chaudhary:** So as of now it is a slow-moving thing we cannot expect it in this or next financial year as well.
- J. Lakshmana Rao:** No, no I have not factored anything out of this for the next few quarters.
- Naushad Chaudhary:** And anything on the sippers for Pepsi and Coke?
- J. Lakshmana Rao:** Yes, that is all so sippers with Pepsi are moving again they were reluctant to take a call till the ban clarity comes. Now we are again in talks with them. Hopefully next quarter they

may take a call. It went very close to start off but again when the talk of plastic ban came they wanted to wait and see what would be the outcome. Now again they were getting in touch with them and hopefully in couple of quarters they might come out with their decision.

Naushad Chaudhary: Do you expect anything from this in next financial year?

J. Lakshmana Rao: Yes certainly, if not this year next year there should be some contributions coming from sippers.

Naushad Chaudhary: And what do you think Sir if it is started how big could this be for us in terms of business how much the size could?

J. Lakshmana Rao: I can give you kind of volumes what a country like China is consuming, there in my opinion not less than 50 to 60 molds of four cavities are producing sippers continuously, a variety of sippers not necessarily for cold beverages but also for hot beverages and shakes and all other kind of products. Here in our country still it is either in paper or in paper with a plastic coating. So, the volumes of Chinese market in my guess are not less than at least 10 to 15 million pieces a month that means even if you take a price of Rs.10 or Rs.7, Rs.8 you are talking about 120 million that is Rs.12 Crores, say Rs.150 to 200 Crores market if possible.

Naushad Chaudhary: Okay. Lastly in terms of revenue share if you can give us the number how much Asian Paint contributed to us in this quarter and...?

J. Lakshmana Rao: Yes, Asian Paints has contributed almost... in Q2 because of the sharp increase in the Vizag and Mysore plants, it has almost contributed to 37%, 38% now.

Naushad Chaudhary: And what have those other two large customers contributed?

J. Lakshmana Rao: Other two large ones are Nerolac and... Castrol continues to be number three, Mondelez sales has come down by around 20%, 25%, so they come somewhere around 5th or 6th.

Naushad Chaudhary: How much was the revenue share from this.

J. Lakshmana Rao: From what?

Naushad Chaudhary: From Mondelez.

J. Lakshmana Rao: Mondelez is somewhere around 8% to 9% now.

Naushad Chaudhary: And Nerolac Sir.

- J. Lakshmana Rao:** Nerolac is close to 12.
- Naushad Chaudhary:** And any view on your lubricant division Sir. It is consistently declining. So, do you think the current quarter number is bottomed out or you still see a decline in this division?
- J. Lakshmana Rao:** No, no, no. I think it has bottomed out because the rains were so prolonged that the movement of goods has come down under consumption of the lube oils has come down. They all expect better numbers starting from at least November. I think in the Q4, there will be a big jump in lube numbers at least a reasonable jump compared to a draft as of now.
- Naushad Chaudhary:** And what give you confidence for this Sir?
- J. Lakshmana Rao:** It is basically see the country cannot go on like this forever and once the rain stops and movement of goods start, it becomes easier to there will be more consumption of lubes and companies will be ready to catch-up with the growth.
- Naushad Chaudhary:** Last one in terms of the customer additions Sir, any significant customer you added in last quarter or are in talk which can be a sizable percent?
- J. Lakshmana Rao:** We are developing a second product for Hindustan Levers which will be getting into production from January so the first product we launched in last December and this January that means within a year we are getting one more product to start and there are considerable additions in the edible oil sector where we have added three or four big names in the edible oil square packs product. In the ice creams we already have everybody, the top brands are all with us and in the edible oil, we hope to add further more good numbers, and we introduced there are new concept of 10 liter square pack which is used by some nutrients and fertilizers and even Aqua foods and other applications including Vanaspati for oil industry. So that 10 liter could open up new areas of growth in the coming quarters. Another big consumption of this 10 liter would be in the curd segment. So we are finding lot of curd companies or dairies are looking at adopting our 10 liter pack for curds in this next summer so all put together I see the Q4 could be a really a good growth for... will bring in good growth in the food and FMCG.
- Naushad Chaudhary:** Alright Sir, thank you so much and all the best for the future. Thank you.
- Moderator:** Thank you. Next question is from the line of Vijay Karpe from Bryanston. Please go ahead.
- Vijay Karpe:** Sir what was the IML contribution in terms of volumes this quarter.

- J. Lakshmana Rao:** As I mentioned the total IML contribution in volume is 61% as against 53% last year and in terms of value, it is 65.1% as against 58.5% last year.
- Vijay Karpe:** What will be the savings arising out of the shifting of machinery from the Tamil Nadu unit per annum.
- J. Lakshmana Rao:** At least to the tune of about Rs.0.8 to Rs.1 Crore per annum, 8 to 10 lakh per month is our benefit because the common entire plant staff will be observed and there will not be any additional staff added in their positions at Mysore so that will be an indirect benefit apart from tariff saving and the lease rentals, power and other consumables.
- Vijay Karpe:** Alright and Sir can you just tell me how much does the thin wall and the Q-pack contribution goes in the edible oil segment in terms of volumes and value?
- J. Lakshmana Rao:** Yes, actually Q-pack has grown by almost two and a half times so the growth is highest in that and thin wall has grown by 65% but as I told you M2K that is Cadbury numbers have come down by 26%. So, the overall numbers of growth is around 44.6%.
- Vijay Karpe:** So, I was referring to the just the edible oil segment, for the edible oil how much is only the thin wall make up and how much does Q-packs make up,
- J. Lakshmana Rao:** There is no number for the edible oil only edible oil is Q-packs that is 5, 10 and 15 liters, there is a 17-liter pack also. So, these are all the Q-packs thin wall means the small containers for ice creams, yogurts, cheese and such applications ready to eat foods.
- Vijay Karpe:** Alright. Thank you so much. That is all from my side.
- Moderator:** Thank you. Next question is from the line of Shailey Parekh from Prabhudas Lilladher. Please go ahead.
- Shailey Parekh:** Very good set of numbers. I know you did call out the volume breakup in across paints, lubes and foods could you just repeat that number for me please, in absolute terms?
- J. Lakshmana Rao:** In volume terms?
- Shailey Parekh:** Yes, in volume terms.
- J. Lakshmana Rao:** Yes, in volume term the paints have contributed 59% and lubes around 22.8% and food and FMCG 17.75% in volume terms. You want in value terms?
- Shailey Parekh:** Yes, very much Sir.

- J. Lakshmana Rao:** Yes, 56.7% paints, 20.6% lubes, 22.7% food and FMCG.
- Shailey Parekh:** And the total volume you said is 6200 tonnes.
- J. Lakshmana Rao:** Yes.
- Shailey Parekh:** That is the exact number Sir.
- J. Lakshmana Rao:** Yes, 6200 is the exact number.
- Shailey Parekh:** Great, that is the only question from my end Sir. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Ankit Gor from Systematix Shares. Please go ahead.
- Ankit Gor:** Sir my question with regards to FNF and that too very focused on a customer addition point of view, the concern which I am addressing is we do not have any bigger customer or bigger brand associated with us since the day we started and obviously Mondelez has started very big and considerably dropped since then, for example HUL we did a first program with them and now we have not seen that ramp up in HUL product as well, so I am just trying to understand obviously I am also were very positive on our FNF story but I am just trying to find out the reason where we get the grounds from in terms of customer addition in terms of the big brands associating with us. I am equally aware that summer will come in many regional ice cream brands would definitely come and join us that will give you good growth but I am just trying to understand the visibility perspective from a little longer-term perspective let us say now two, three years down the line, if you give some comfort that will be great that is my first question Sir. Thank you.
- J. Lakshmana Rao:** I agree in M2K that is Cadbury there is a drop in their overall sales which has affected our numbers because somehow the brand is yet to take off but it is still considerable, they are around Rs.25 Crores to Rs.30 Crores turnover we will be able to get from them which was around 36 last year so there is a drop of 15% to 18% in the full year but still the numbers were decent enough. In the case of HUL there is no drop actually HUL numbers have increased and in this year from few Crores a couple of Crores last year, we are doing more than Rs.10, 12 Crores this year and with the new product that is being added probably next year we will be doing around Rs.18 to 20 Crores per annum and another big addition of brand is Hatsun, Hatsun is Arun brand of ice creams, after ice creams they are into dairy products like curds and yogurts that is really picking up. Hatsun numbers are going to be very considerable in the next financial year this year it was... around Rs.5 to 6 Crores last year that is the year ending March, but this year we are anticipating anywhere around Rs.12 to 15 Crores turnover coming from them. Hatsun and HUL will be to growth stars in the

next season and we are also in touch with Nestle, Dabur and ITC foods. Various projects that have been taken up for again put on hold couple of things I do not want to repeat the same things but that is the truth GSKs product is held up because of the Hindustan Levers takeover, so all the major decisions have kept on the hold. There is some movement in Proctor and Gamble's proposals. Hopefully something might materialize now. Now coming into Nestle they were also very keen but they were waiting for the thickness factor because their consumption is mainly for yogurts and milk products where they are currently using vacuum formed containers so had there been a ban on this one time use they would have completely shifted to IML but now that there is some more time given probably their decisions also may be delayed. So, coming to the edible oil Emami is a big brand which we already started Halder is a good brand in West Bengal, Goyal and another addition was there I forgot the name at Rajasthan. So, in every state we are able to break the ice with the I would say second brand edible oil companies the big companies like Adani's and all they created huge blow molded container manufacturing at their own plants so for them the cost differential looks very high, so that is why they are not taking a call but once the market demands they will also slowly adapt is my guess. For example, Adani Wilmar is now looking at our 10-liter pack for their Vanaspati they said soon after Diwali they will start art work and introduce our trail. Because their dealers are demanding why your products are not there in square pack because our pack has such a tamper evidence that the product buyers will be completely sure of the contents and safety of the product they are buying. So, on that ground people have to adapt to superior pack like our edible oil pack and I hope it will happen in the coming quarters.

Ankit Gor: So, do you foresee that probably two years down the line the pan India brand would contribute around 70%, 80% of our revenue FNF revenue.

J. Lakshmana Rao: 70%, 80% no, I do not think it will be able to do that now currently it was last year around Rs.18 to 19 Crores I guess and this year we are anticipating it to go to Rs.50 Crores that we had almost 11% of our sales. So, from 50 probably next year we can aim at Rs.75 to 80 Crores and maybe Rs.200 Crores in next four, five years so it might still be below 20% of our overall volumes.

Ankit Gor: And just my next question with regards to our paint revenue ex-Asian Paints new plants. So how do you see this quarter panning out obviously you pointed out rightly...?

J. Lakshmana Rao: If you ask me the numbers if you remove the Asian Paints numbers, the paint industry's numbers were just 28.55% and 28.55% so last year and this year our Asian Paints new plants only have added to the growth in the Q2 it was zero growth otherwise.

Ankit Gor: And as we are speaking also there is no major growth coming in?

J. Lakshmana Rao: Yes, even Asian Paints old plants like Hyderabad and Satara where we supply the growth is almost nil the numbers have grown up only due to Mysore and Vizag.

Ankit Gor: And do you foresee that the 4Q should breakup should be visible, any visibility from them for 4Q?

J. Lakshmana Rao: We are now talking about better numbers in November and December and starting from there they hope there will be good pickup in the demand basically one is weather improvement, second is with his trains the harvest is expected to be better and the rural demand for paints will pickup from January so they are expecting a good summer.

Ankit Gor: And Sir my second last question with regards to inventory would we have any idea about inventory at Castrol or our major lubes guys where we would see the inventories kind of a next to 10, 15 days and they will start buying more from us probably that gets to us.

J. Lakshmana Rao: Actually, the point in September and October which is supposed to be Diwali season, the numbers have not really picked up basically because they see the inventory is not moving so in September, October the numbers have rather come down which is never the case before Diwali. So that way there is a... I will still say subdued demand for these their products both paint and lubes but they all as a positive starting from November the number should pickup. Rains have been a major factor in slowdown of both these products.

Ankit Gor: We have been seeing now in lubes degrowth since last five, six quarters now correct me if I am wrong Sir. So just to correct are we losing market share to and even in the lube side or how things are panning out Sir there because it is not just one quarter phenomena which is what we are talking about this 2Q but it has been four, five quarters we are seeing decline in lubes now.

J. Lakshmana Rao: No, if you notice the last full year it is a growth of 12%, only in these two quarters, the Q1 we had a -6% and now this Q2 we had -22% it is mainly because of the consumption deduction and better lubes are coming in the place of old lubes where the mileage is high and you know the automobile sales have dropped considerably including truck sales and there is a new addition of the product called Adblue which is coming in as a must product for all generators with diesel engines so that might take up a build up growth in the lube industry in the coming quarters. So, we are in the forefront we are developing containers suitable for that product which require much higher tighter leak resistance. So that product will be in the market from December, so hopefully as I said Q4 onwards lubes might show positive trends.

Ankit Gor: My last question with regards to plastic ban, is it the shrink films which we have on HTL containers those are all how many microns, what standards we have on micron front?

J. Lakshmana Rao: You have that which HTL comes with an 18-micron PET film and shrink film comes with around 40 to 50-micron PET film... PE film.

Ankit Gor: Sir I am talking about HTL in that sense.

J. Lakshmana Rao: HTL is a most going to get affected by the ban of below 50-micron film if it really comes into place and that can open up more players opt IML because they have no other option because HTL also looks good as a decoration they cannot go back to screen-printing or DOP. So, they have to move to IML and if ban has been effective this year, there could have been a very big opportunity for all IML producers like Mold-Tek but with the ban being deferred or postponed probably HTL will continue for next few more years.

Ankit Gor: And sir what could be our turnover from HTL in FY2019 Sir.

J. Lakshmana Rao: Yes, HTL also is handsomely contributing also for 65% of IML or labeled containers probably around 20%, 25% is coming from HTL because Asian Paints they have partly shifted their volumes into HTL, their numbers being very high so it is considerably growing in the last couple of years.

Ankit Gor: And there is no major EBITDA per kg difference between HTL and IML right?

J. Lakshmana Rao: No that is why we combined them together.

Ankit Gor: Thank you very much Sir. All the best.

Moderator: Thank you. Next question is from the line of Forum Makim from Equentis Wealth Advisors. Please go ahead.

Forum Makim: I just wanted to understand how did we arrive at the 34.21 EBITDA per kg for the quarter?

J. Lakshmana Rao: Yes, total EBITDA was Rs.21.2 Crores and sales in tonne 6200 tonnes, so it comes to 34.21.

Forum Makim: And for the half year?

J. Lakshmana Rao: Half year it is 33.93.

Forum Makim: And sir our guidance of 34 to 34.5 of EBITDA per kg still remains?

J. Lakshmana Rao: Yes, we are still hope 34 to 34.5 is still possible if things improve in the third and fourth quarter or at least it will become 34.

Forum Makim: Thank you.

Moderator: Thank you. Ladies and gentlemen, that is the last question for today. I would now like to hand the conference over to Mr. Ayush Chaturvedi for his closing comments. Over to you sir.

Ayush Chaturvedi: Thanks Janice. I would like to thank the management for giving us the opportunity to host the call and to all the participants for their presence. Sir would you like to make any closing remarks.

J. Lakshmana Rao: Yes. I thank everybody who participated in the conference call today and for their interest in our company's operations. I thank you the convener and Nirmal Bang for organizing this conference. Thank you everybody and have a nice day.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Nirmal Bang Equities, we conclude today's conference. Thank you for joining, you may now disconnect your lines now.