



“Mold-Tek Packaging Limited
Earnings Conference Call”

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

**MODERATOR: MR. NITIN GUPTA – EMKAY GLOBAL FINANCIAL
SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Mold-Tek Packaging Limited Earnings Conference Call, hosted by Emkay Global Financial Services 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Nitin Gupta, Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Nitin Gupta: Good evening, everyone. I would like to welcome management and thank them for this opportunity. We have with us today J. Lakshmana Rao, Chairman and Managing Director.

I shall now hand over the call to him for his opening remarks. Over to you, sir.

J. Lakshmana Rao: Good evening, everybody. Thank you very much, Nitin. I'm very happy to inform you an excellent performance in this quarter by Mold-Tek packaging, where the revenues have shot up by 22%, and EBITDA margin has also shot up from 18-odd percentage last year to 19.7%. EBITDA per kg grew by 29%, and net profit is up by around 35%.

This growth was possible due to all the sectors are doing very good in this year, starting with the Paint segment, thanks to ABG, the numbers have gone up conformably and followed by Pharma, which is first time last year itself crossed the breakeven, has again grown by around 11% over the Q4 and started contributing and similarly to the bottom line. And Food & FMCG after a long time of several quarters has crossed double digits and almost achieved 14% -- 16% growth rate in the current quarter.

So with all the segments doing good, only Lubricant has a negative growth, which was expected in this general monsoon season. Otherwise, all the segments are on a forward run, given that they're almost 20%, 22% growth in revenue and improved profitability in all sectors across.

What is more exciting for us at Mold-Tek is the speed at which the Pharma packaging is getting adopted and approved by several major players in the pharma industry. As we talked in the last quarter again, 4 to 6 audits have taken place and everybody approving our facilities and started taking our products for trials.

So as you know and as I explained in the last quarter meeting, Pharma is a little long time taking, but I'm pleasantly surprised that we could break in much faster than others. And going forward, several approvals are – which have been received in the last 3, 4 months, we'll start turning into commercial orders, improving the numbers in a better pace in the next few quarters. And I still feel that our set target of INR35 crores for the current financial year for Pharma is very much achievable.

And in the Food & FMCG also, as I said last year, printing bottles have been completely removed, which enabled us to manage well with the label connectivity and IML product timely supplies.

In spite of almost 1 month short and summer, you all know that right from May, rain started all over India and consumption of ice cream and yogurts have fallen drastically. But in spite of that, we have received a 16% growth in food and FMCG, which I feel is a very good indicator of future growth.

And our Panipat thin wall food products is yet to start, it will be starting in the month of August, and that will also start adding to the another high-value product line of operation for Mold-Tek. So with all this, the future looks good and bright. And we are back on high-speed track now.

For the last couple of years, more of project implementation and creating the greenfield projects has taken our retention and efforts. And now it is a time that this will be put into better utilization, which will improve the margins and profitability, I sincerely hope.

So now when you put it back to the operator, to further question and answers through which we can discuss more in detail.

Moderator: We have a first question from the line of Jaiveer Shekhawat from AMBIT Capital.

Jaiveer Shekhawat: Sir, congrats on a good quarter. My first question is on your Paint business. Could you quantify the amount of growth that you have seen both for Aditya Birla, Grasim as well as for the rest of the business? That will be my first question in terms of volumes.

J. Lakshmana Rao: See, I don't want to break up between the companies because that would be against our nondisclosure, but Aditya Birla is the main contributor for our growth is that much I can tell. However, even Asian Paints and other companies like; AkzoNobel and KNP maintained -- if not a positive growth and neutral growth or sustain the same levels of the previous quarter. So that way, I see majority of the growth has come through on its ABG growth.

Jaiveer Shekhawat: Sure. And sir, do you expect this quarterly run rate to sustain during the rest of the year and barring, let's say, the quarterly variation that happened because of the season demand. But otherwise, do you expect this 5,500 tons of paint containers sort of continue for the rest of the year?

J. Lakshmana Rao: Yes. We see that this paint will at least sustain at 5,500, 5,400 level, at least in third quarter -- second quarter. But the third quarter will be a little dip after Diwali. But again, fourth quarter will start picking up. So probably, we may end up 21,000 to 22,000 tons in the paint sector this year. Can still be better provided how the market dynamics play between the players.

Jaiveer Shekhawat: Sure. And sir, on your press release, you did mention that some of the newer customers for your Pharma business. Pricing, you have mentioned; Laurus Labs, Pulse some of the other pharma companies as well. So are these like recent approvals? Were you already in discussion with these?

And then given that you've already guided on the scale of the business, is there any change to that, let's say, over the next 2 to 3 years in terms of the scale that you look to main?

J. Lakshmana Rao: I'm positive that what I guided last quarter will continue to happen. Invoicea, MN, Laurus Labs, Pulse these guys have been, I mean, reviewing us and monitoring our products and testing our products for the last several months. But now they started -- at least a couple of them started giving commercial orders. And a couple of them are yet to release.

And I also said some of them, there are several other companies, which have audited our premises, testing our products, so all these numbers will start gradually adding to the Pharma business. And I foresee a better number can achieve even in this current year, if things go well because a couple of new products, which have been approved and commercial orders are issued, we'll be starting in August. So they will contribute maybe INR1 crore per month in terms of turnover.

But a lot of other products which have been approved are under the approval by some of these clients will start adding. Each will be adding INR25 lakhs to INR40 lakhs, INR50 lakhs per month. So like this, as we accumulate the numbers can double next year probably, if not at least 50%, 60%. So if you reach 35 to 40 this year, probably assuming INR50 crores to INR60 crores next year as a certain possibility.

Jaiveer Shekhawat: And sir, lastly, you also mentioned in your presentation, you are getting to other non-seasonal industries as well to diversify away season products like ice cream, could you quantify which other segments and then the scale of those segments over the couple of years. I mean, would it be sizable in the overall scheme of things?

J. Lakshmana Rao: Yes, yes. For example, you take Surf Excel, which is a detergent product, it's now contributing handsomely to our [Qpack 0:09:29] sales. And similarly, Horlicks, which is a more of a nutritional drink and consumer throughout the year is started picking up numbers. We have some products from Marico, which are also completely annual. We have protein products, which are also annual consumption. There's not much of seasonality in protein consumption.

So coming to noodles, that's again a product where the consumption is there every season. So only ice cream and yogurt continue to be major players, but they are seasonal in nature. At least, especially in rainy season, consumption of ice creams and yogurt come down considerably in India. So that trend will continue. But because of these products, agro products, products which are micro fertilizers, which are, again, required in the rainy season. So, they will add numbers.

Similarly, sweets. Sweet boxes are picking up numbers very rich. We have now introduced sippers, which will go more, of course, again, back in summer. But these sweet boxes go well in our festival season starting now. So, June, July onwards, things will start picking up till end of this year, till new year. There are several festivals and festivities including Christmas.

So, until end of the year, I mean, calendar year, we'll have demand for those boxes. And we are doubling that capacity now. And then restaurant packs throughout the year, there is demand for them. So, like this, the dependence on ice creams and yogurt would be coming down, what compared to 5 years ago, our product mix and today, we have a much wider range.

And Panipat plant will be starting production in August. And -- but sure it will catch up with the festival demand in north, and it will catch up for the summer by March when the next summer starts. So that will be adding numbers in Food & FMCG. So, we are confident that 15%, 16% growth, what we achieved in Food & FMCG can continue.

Jaiveer Shekhawat: Sure. Sir, last question is on your overall volume outlook, volume growth outlook and also in terms of our capacity, so what I understand is you're also expanding for ABG as well, which is set to get commissioned by second quarter. And then, of course, the Panipat facility, which comes in from August onwards, are there any other capacities that you planned?

J. Lakshmana Rao: Yes. Capacities in pharma are also gradually being increased as per the demand increase. We have even acquired a new land of 2.5 acres adjacent to our Sultanpur project. And there also -- again, there will be investments in terms of injection molding machines, molds, IBM machines and even new product range is also under final consideration.

If we go for that product range that can also require some investments, not very huge because it's not greenfield, but there's reasonable investments in pharma growth. So that way, this year also -- there will be investment to the tune of INR80 crores to INR90 crores, if not INR130 crores, INR140 crores, which we invested in the last 3 financial years.

Jaiveer Shekhawat: Sure. So, anything on the volume outlook that you expect for this year?

J. Lakshmana Rao: Yes. The volume outlook, we are aiming at least 45,000 tons for the full year, 43,000 tons to 45,000 tons, depending upon how the other quarters go by. That's why we still hold on to the expectation of 12% to 15% value growth or at least 18%, 20% of revenue growth.

One positive point I'm glad about is, if you look at the per kg sales revenue, it's shot up from INR198 last year to INR211, whereas the -- that actually contributed well to the EBITDA, that because of the product mix is improving. We are having more of a pharma added and from 0 to whatever INR9 crores -- INR7.5 crores now. And Food and FMC have grown considerably. So, these 2 are the factors, which increased our net revenue per kg.

Moderator: The next question is from the line of Abhishek Navalgund from Centrum Broking.

Abhishek Navalgund: Yes, hi. Thanks for the opportunity and congrats on a good set of numbers. Sir, first question is on Asian Paints. So, in your opening comments, you mentioned that large part of the growth in paints are driven by [inaudible 0:14:32], and you're saying that its revenue portfolio is largely flattish, but maybe talking about some shift of volumes happening from, let's say, non-IML to IML...

J. Lakshmana Rao: Your voice is not clear, Abhishek.

Abhishek Navalgund: Yes. I'm saying there was a talk about shift of volumes from non-IML to IML wherein we clearly have an edge over maybe peers. So why it is not getting reflected in the numbers as such? I'm talking about Asian Paints, sir, yes.

- J. Lakshmana Rao:** No. Asian Paints are neutral. You remember last 2, 3 years, we had an actual negative growth in Asian Paints, 10% to 12% drop in the last 3 financial years. And this year, we are stable. That itself is a good indicator of staying fit with the Asian Paints through IML. And with now IML facilities have been created in all plants. Earlier, we used to supply them from Hyderabad or part of Daman. But now we have plant facilitated in Satara, Vizag and Mysore also, ready to go with IML, where we set up robust and compatible molds.
- So I'm hoping that, that should improve our numbers in gradually during the next few quarters. So ultimately, I hope we'll end up with a positive digit of growth in Asian Paints also.
- Abhishek Navalgund:** Sure. Okay. And second one on the capacity utilization. I think you mentioned that Satara was at 55%, 57% in FY '25, but we were at almost, I think, 75% utilization somewhere in April, May. So possible to share the number for the quarter in paints overall and...
- J. Lakshmana Rao:** We got that capacity utilization of Satara. As again, not very impressive because we have added several machines there in view of the Mahad requirement. So the Satara plant utilization is still in 50s, 50%, 55% only because of the extra capacity that has been created in the last 6 months. That is getting slowly occupied because their Mahad operations are improving at ABG. And once it takes off, hopefully, in this season, the season starts from July till November. Hopefully, that number will improve to 60%, 65%.
- Abhishek Navalgund:** Sure, sure. And I think we are improving our quarterly run rate for pharma, and you talked about new approvals also. So I mean, what sort of annual number you are looking at this year in pharma.
- J. Lakshmana Rao:** We are still hoping on INR35 crores would be a good number to reach from INR7 crores, INR8 crores last full year, INR8 crores, INR9 crores. So that will be quadrupling our numbers. So from INR9 crores or whatever last year, full year, we'll be achieving at around INR35 crores-INR36 crores for sure. And a few things will happen as per our plan, it can even exceed.
- Abhishek Navalgund:** Sure, sure. And possible to share, I mean, which part of your portfolio, let's say, your effervescent tubes or canister vis-a-vis bottles and caps, which part is actually getting a lot more traction or its equally...
- J. Lakshmana Rao:** Currently, it is effervescent tubes. If you ask me the majority of the -- more than 50% of the sales is happening in the EV tubes. But caps and bottles will overtake very soon because a number of approvals are pending or clear for trial runs, applied for FDA approval, client approvals, several products, I would say, more than 20 products are at a different approval stage by clients. And one by one are getting released.
- For example, Gravity released two, three products in the month of May, June, and now they're talking about another three product release. So those numbers will be added and MSM, Lawrence, Ajanta, we have several other clients who have approved but not even started testing our products. After approval, it takes the testing. And after testing commercial trials, commercial, after commercial rail, sorry, machine trials, after machine trial final commercial orders.

Even commercial orders won't come in millions. They're first give a couple of lakhs and see their lines and everything. And then fourth stage, they go for giving us a major stake. If you ask me, hardly a couple of clients are adopted us as one of the major suppliers, not even the most highest. We are still getting maybe 20%, 25% of share from a couple of clients, whereas more than 15 clients have approached.

So once all these 15 clients take us as one of their major suppliers, the number can shoot up. That -- I don't want to speculate now, but I'm sure it's going to be good in the coming years.

Abhishek Navalgund: Right, right. So you're in the process of doubling the capacity. So with this potential expansion, I mean, the peak revenue can be like INR100 crores from pharma?

J. Lakshmana Rao: Yes. The current capacity itself, we can reach INR60 crore to INR70 crores, and this new expansion of INR110 crores, INR112 crores brownfield. We'll take it beyond INR100 crores possibility -- possible capacity. And then there will be a continuous up growth because we have taken the land, I told, last quarter for another, adjacent to the current land. And there probably the second phase, I would call this is the first phase expansion what is happening during this year.

And second phase expansion will happen in that land next year, the next financial year for sure, because the way it's going on, the facility will not be able to hold the growth. We need to construct -- the whole thing is pharma billings and interior standard specs to reach, we need at least nine months to 12 months for the building itself.

So we are starting that blue plan -- blueprint now for the new land also, but probably we'll start only towards the end of this calendar year and reach into production by middle of next year. So this year, production, fortunately, there's no space in the existing building itself. There will be able to accommodate the current year's expansion. And future expansion will happen and the new land probably in the next financial year.

Abhishek Navalgund: Sure. And one last thing from my side, the thin wall capacity in North, which we are starting from August, do we have any sort of visibility from existing clients, let's say, a few FMCG companies and maybe which all categories we'll be targeting to begin with?

J. Lakshmana Rao: Yes. We have Surf Excel, for example, at Baddi. So that volume...

Abhishek Navalgund: Okay.

J. Lakshmana Rao: Which are now currently going all the way from Daman or Hyderabad will be molded there. We have a new client added in, what is that company, protein powder we are supplying from Hyderabad, which will be now converted there. And we have a range of new sweet boxes for the North market will be starting production. A range of ice cream products and yogurt products by February, March will start.

So accordingly, their operations can reach a level of almost 1800 tons per annum to 2000 tons per annum by next financial year. This year, it will be ramping up gradually from zero ton to

1000 tons by end of this financial year and probably 1500 tons to 1800 tons during the next financial year in the food and FMCG segment.

Moderator: The next question is from the line of Sanchit Narang from Narang Family Office.

Sanchit Narang: Yes. So my question is, like now we have reached 41.8 per kg Surf Excel. You have guided us for the last quarter, INR42 per ton. But going forward, given Q1 is one of your strongest quarters, how would we achieve that INR42 or we will cross it? You are having visibility to cross it or we are -- or we will stay short? I'm a little confused on that.

J. Lakshmana Rao: This is again a speculative thing. I said INR42, INR42 rupees is our target and we are already there at INR41.6. And going forward, of course, as you said, this is the best quarter, but the better quarters might emerge if pharma takes up in a way beyond what it is in this Q1. And probably it can safeguard the bottom line, if not the top line. And so I'm still confident we will be in the bracket of INR41, INR42 for the full year. And I won't be surprised if it marginally crosses also.

Sanchit Narang: Okay. And last quarter, you guided us for any breakthrough on the JSW to AkzoNobel.

J. Lakshmana Rao: JSW has acquired AkzoNobel. I didn't say there will be a breakthrough.

Sanchit Narang: Yes.

J. Lakshmana Rao: I said the business will continue with AkzoNobel.

Sanchit Narang: Yes. I was saying that this is start -- we might get an entry in JSW to AkzoNobel.

J. Lakshmana Rao: Yes. Yes.

Sanchit Narang: Is that talked about that?

J. Lakshmana Rao: Not yet happened. Nothing. Actually, the last previous management only is still monitoring and communicating with us. There is no change has been even announced formally. So I can't comment as of now. And that is not a certainty that we will get their business. The last time also I mentioned that it may happen, may not happen. So we would only know once their new management really takes over.

Moderator: The next question is from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi: Good evening, Mr. Rao. Thank you for the opportunity and congratulations. Can you give me a breakup of INR11,400 crores by segment?

J. Lakshmana Rao: INR11,400 tons you mean?

Shirish Pardeshi: Yes.

- J. Lakshmana Rao:** Yes. Paint is around INR5,600 crores. Lubs is INR2,400. Food and Qpack together is INR3,200. INR190 pharma.
- Shirish Pardeshi:** Okay. The second question I have is the Cheyyar facility which came up first. Sir, what is the capacity utilization there? And is it...
- J. Lakshmana Rao:** Yes.
- Shirish Pardeshi:** Significantly helping to improve our EBITDA because...
- J. Lakshmana Rao:** Yes. Cheyyar capacity utilization has improved a bit. It is now close to 68%. And it will certainly -- once it crosses 60%, 65%, its contribution to the bottom line will be reasonable, if not great. And we are now shifting Gulf production from Vizag to Cheyyar.
- Most of the molds are ready, and we are setting up one set of pail manufacturing at Cheyyar to meet the lubricant demand. Lubricant molds are different, paint molds are different. So once that starts probably in August, the Cheyyar capacity utilization will further improve.
- Shirish Pardeshi:** Okay. The other thing I wanted to check in Food & FMCG, or this kind of growth. I mean, you have given a lot of commentary, but top 2 customers or top 3 customers, are they giving indication that the throughput will improve and the products basket will also improve.
- J. Lakshmana Rao:** The throughput improvement depends upon their product performance, but basket improvement, I can see definitely will happen because more and more Food & FMCG products are seeking IML containers now. We are in talks with a couple of MNCs for projects which can involve reasonable number of quantities of products, which can add significantly to the numbers.
- Even HUL last year, growth was -- this quarter growth compared to last year was very considerable. I don't want to quote the percentage, but it is definitely a big jump. And going forward now we added Marico, we added Nestle and Horlicks that is GSK, who have started taking their products in IML containers. So once you see the traction happening in the market, there will be a lot of interest in the other competitive products.
- So we see that FMCG there's a long way to go in growth. Even the sippers, we have introduced for the first time in India with IML, those are to take off in a big way, but we are in talks with a couple of -- it's not a huge player, it's medium player. Generally, it is always the midsize players take a faster call on packaging change. And then the biggies follow.
- So we hope that sippers market will establish over the next few quarters. So that is where we are also putting our fingers into, and we hope that will contribute to the growth in Food & FMCG.
- Shirish Pardeshi:** Okay. Last question on Panipat. Is Panipat now fully operational and will be commercialized for most of the products?
- J. Lakshmana Rao:** See, Panipat is also currently running at around 78% in this quarter. That's a pretty good percentage to achieve in last -- within 1.5 years. And there, we have already started the Qpack

production. Some of the Qpack for Surf Excel detergent and some of the edible oil suppliers we have started giving from Panipat itself.

So going forward, again, we are adding some more machines there in this year. The current capacity of 5,000 tons probably would shoot up to somewhere around 6,500 to 7,000 including Food & FMCG. Food & FMCG there currently is maybe 400, 500 and 600 tons. Another 1,000 tons we'll be adding now. And maybe another 700, 800 in the pail business that is meant for the ABG growth.

So Panipat will continue to have good traction because of the product mix, both Qpack, Food and Fees, almost like its Hyderabad unit. So that's another focus unit for us. And probably it will continue to enjoy better capacity utilization.

Shirish Pardeshi: Just last follow-up on the overall volume growth what you've delivered this quarter is very good. But if you have to maintain 15%, which are the top 2 segments, which will drive in the rest of year. Of course, paint will be 1.

J. Lakshmana Rao: Paint will continue to be there because of ABG numbers are growing up compared to the last year in a big way. So paint will continue to be adding good numbers. Food & FMCG and in a bigger way, though it is a small number, is pharma in terms of EBITDA addition or improving the EBITDA. Pharma will play a major role, whereas for the volumes growth, Food & FMCG and Paint will continue to be rising.

Shirish Pardeshi: Okay. Thank you and all the best, sir.

Moderator: The next question is from the line of Pratyush, an individual investor. Please go ahead.

Pratyush: Sir, I have three questions mainly. Firstly, what is the lead time for procurement of like goods from any customer in each of the segments, Paints and FMCG and Pharma?

J. Lakshmana Rao: What do you mean by receiving the goods, you've been supplying the goods?

Pratyush: Sir, I mean like, for example, Asian Paint acquired 1,000 extra containers in December. They wanted to be sold to the distributor by December. Then considering the time they will require to manufacture the paint and then supply it in which months would they probably place the order for the 1,000 containers. Would it be like September or October, how many months in advance it typically be?

J. Lakshmana Rao: A couple of weeks -- 2, 3 weeks in advance.

Pratyush: Okay. And it's similar for all the sectors?

J. Lakshmana Rao: Mostly. Most of them -- nobody gets a huge stock of packaging material. General take the packaging material just a few days in advance. And the moment they fill it, it is a time for distribution. So mostly my opinion, most of the clients will move off the foods within 2, 3 weeks from the day they procure from us.

- Pratyush:** Okay. So second question, like I see that there's a lot -- for example, hydrogen, so there is a company Time Technoplast, which uses polymers to make the container for hydrogen, CNG, etcetera. So I wanted to understand if that's something you will -- in the future? And if not, is there a very big difference between plastic packaging and polymer packaging because of which you would not enter this segment?
- J. Lakshmana Rao:** Yes. I have to study that what you are talking about hydrogen packing and other. If we made a multilayer film or tubes, that is different from injection molding. Injection molding is always like containers, where especially in injection molding you get only wide mouth containers. So very gases products will be difficult to handle in containers. You need only tubular or multilayer film packing for that. You can't do it...
- Pratyush:** Okay. And sir last...
- J. Lakshmana Rao:** Not effervescent, yes.
- Pratyush:** Okay. Sir, last question. So basically, like there was some -- started manufacturing their own packaging. So I mean, what kind of reasons are there for which, for example, Asian Paints or any big packaging -- might not backward integrate and start manufacturing their own tubs, like just the customer concentration based question?
- J. Lakshmana Rao:** Yes, none of the companies have their own packaging manufacturing project, because it makes no sense to produce the packaging products because the volumes that you can produce on injection molding machine are humongous. And if your plant is not able to consume it, then you have to find how to utilize your capacity.
- So nobody wants to go to the pain of manufacturing, their own packaging products. Never in the history. Very rarely you might notice it maybe in the case of tins for edible oil because of the tin is cheap product and transportation needs a lot of money. Most of the tins are made in-house by the edible oil companies.
- That is the only area where the packaging products are made, whereas containers are very high-end technology and investment is huge, and nobody would venture to go into it as an in-house capacity. That you don't need not have.
- Pratyush:** Okay. Just 1 additional question, sir. Generally, in pharma or any sector, till what extent are customers willing to give any 1 company, for example, in Mold-Tek or any other raw material area company led to -- or would you be receiving, would it be 2050 or how much of their order would be given to you?
- J. Lakshmana Rao:** Yes. Typically, big companies look at 20%, 25% is a comfortable share for 1 supplier. But you will be surprised that we have several customers. Even today, we are the 100% supplier to them. That includes Hindustan Unilever, that includes even Mandalas, which are international companies.

There are companies like Shell, Mobil and Valvoline, where we are more than 60% supplier. Castrol, we are more than 60%, 70% supplier. So that all depends upon the reputation and credentials of the packaging company.

Moderator: Thank you. The next question is from the line of Chirag from Keynote Capitals.

Chirag: Most of my questions are answered. However, I would like to know, you have mentioned about just-in-time supply chain process for the FMCG. Could you let us know what kind of working capital improvisation are taking place because of this?

J. Lakshmana Rao: No, no. Actually, what we mean by just in time is previously, we used to have problems handling the label connectivity. IML label connectivity, we used to have almost 3 to 4 weeks waiting period and then supplying to clients who take another 1 week. So we used to quote 5 weeks as supply time for any new product or a new artwork development.

Whereas now with the enhanced capacities, both in printing and die cutting. The connectivity can be as low as 7 to 10 days. So what I -- when we said that improvement is connectivity in the just-in-time means within a week, 10 days. Because as I said to the previous question, typically, claims plan 2 to 3 weeks packaging material.

So they will be planning on first of the month, supplies to come by middle of the month. So if earlier we used to take about a month to meet such a demand or more than a month, today we brought it down to 10 days, thanks to the extra capacities we created in printing and better quality -- better inventory control.

In fact, in this process, inventory will not go up, rather inventory becomes a little leaner because earlier we used to keep for big brands 2 to 3 months inventory. But today, we don't need to because of higher capacity available and better machinery, which can produce short quantities with a low rejection and low cost.

So this enhanced printing facilities enable us to improve our supply connectivity in -- especially in main season, where the clients also cannot assess their demand. They think they can sell 1 lakh containers of 1,000 ml in April. All of a sudden it'll become 2 lakhs, 2.5 lakhs. And then they'll scamper to procure the packaging material without which they can't sell.

So that is when we'll be in a position to respond better now with the enhanced printing facilities. That is a meaning.

Chirag: Correct. So if I'm understanding it correct, this means that the testing phase where customer requires multiple changes in their force batch of product, we can deliver faster due to which it would be easier for us to get approval from a newer client, one. Second, the inventory days that we have today on our books is expected to reduce with the help of this, correct?

J. Lakshmana Rao: Yes, sir, no for the second one, but surely, for the first one, yes, because of better service stability during the summer or a high season like festival pack or whatever, we used to lose quite a few

clients in the past. Now the connectivity has become faster and most of the clients are happy this season with our supplies in time.

And that is not further going to improve now because of 2 reasons. One is Panipat being closer to North will now service the north clients and supply within 2, 3 days instead of 10 days from Hyderabad. Second is IML quantities will be -- can be produced quickly on the new machinery what we added and can be brought to production faster than earlier.

So instead of 3 to 5 weeks waiting this surges in demand can be -- back to within 10 days. So that will make them depend more on Mold-Tek.

Chirag: Sir, my second question, could you give me the mix of IML, non-IML volume and value?

J. Lakshmana Rao: Yes, that still continue to be similar to last quarter. It is around 75% total IML and label, 25% non-IML. But in the non-IML, again, there is a pharma of whatever 3%, 4% to be removed pumps also. So it will be around 20% only. Skin printing and other decoration.

Chirag: Got it. And value terms?

J. Lakshmana Rao: In terms of value, it is similar, 77%, up from 70% last Q1. There's in 1 year, there's an improvement of 70% becoming 77%. So more reduction of IML and HTL. And non-IML has come down.

Chirag: Assume this If I'm correct IML products are at least 10 percentage expensive than non-IML, right?

J. Lakshmana Rao: You can't talk in percentage, as is in big pale, like 20-liter pale, the pale is INR200. Delta won't be INR20, it maybe INR7, INR8. But in the case of a small container like a 100-ml container, INR4 will become INR450. There is maybe 10% to 15%. So it is here, but not...

Chirag: And sir, next question is that what kind of -- today, if we have a capacity of 16,000, what kind of capacity are we expected to have by the end of FY '26?

J. Lakshmana Rao: See from whatever the machinery what we have planned already and which are expected to be added during the current financial year. We foresee that 61,500 may reach around 70,000 tons, including pharma. Now currently, it is 63,000, 64,000, probably it will go beyond 70,000, 72,000 by end of this financial year.

Chirag: Okay, perfect. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Yash Bajaj from Lucky Capital. Please go ahead.

Yash Bajaj: Good evening and congratulations on the great set of numbers. Sir, my first question is, sir, what capacity utilization are we at Panipat and Cheyyar today?

J. Lakshmana Rao: Panipat is 68% and Cheyyar is around -- sorry, Panipat is 78%, Cheyyar is 68%.

- Yash Bajaj:** Okay. And how are we planning to increase capacity, sir, in these two plants?
- J. Lakshmana Rao:** Panipat, as I just answered, we will be reaching almost 7,000 tons including food gradually. In August, food will be added about 1,800, 2,000 tons. It's already having 500 tons, 600 tons of Qpack capacity. Another 800 to 1,000 will be added in the next 4, 5 months starting from August.
- So by end of this financial year, we'll have another 1,000 of food and maybe another 700, 800 of pale and Qpack will be added, bringing it to 7,000 tons by end of the financial year.
- Yash Bajaj:** Okay. Sir, but in this, I believe, Panipat was 5,000 tons in terms of capacity as of today?
- J. Lakshmana Rao:** Yes, per annum.
- Yash Bajaj:** Okay. And whatever we are increasing the capacity is not for paints. It is for Food & FMCG?
- J. Lakshmana Rao:** Partly paint, maybe 500 to 800 will be for paints, which is also fungible with Qpack that will take care of both in case of ABG sudden spurt in demand. It can be fungible with Qpack. So that's about 1,000 tons and about 1,000 tons of food.
- Yash Bajaj:** Understood. Okay. And sir, my second question is, this quarter, Lube segment has grown 7%, 8%. Could you help us with -- I mean, where is the growth driven from -- because it was kind of flattish or degrowing for the last 1, 2 years?
- J. Lakshmana Rao:** No. If you also -- if you see the volumes, it's a degrowth. Lubricants have -- it's only in the -- compare it to Q4 also it is a degrowth. Compare it to Q4 is a gain, but compared to the Q1 of last year, it's down. For Q4 it has improved a bit, but when compared to the June of last year, because this year rain started very early.
- From May beginning, there are rains all over South and this has impacted the lubricant sales also because movement of goods will come down. So I think that is the reason for Lube's negative growth. But I think it may end up with zero-zero kind of situation again because Lube is a kind of stagnant industry in terms of volume.
- Yash Bajaj:** And sir, my last question is regarding the Pharma division, sir, what kind of run rate would we exit at this year? What are the targets this year for us?
- J. Lakshmana Rao:** We anticipate this INR7.4 crores, INR7.5 crores what we achieved this year -- this quarter. We'll start ramping up in a couple of quarters. And probably we will be able to reach a level of INR10-plus crores per quarter by end of this financial year. And that should put us somewhere around INR35 crores, INR36 crores for the full year.
- Yash Bajaj:** INR35 crores. Got it. That's all from my side.
- J. Lakshmana Rao:** As against INR10 crores last year.
- Yash Bajaj:** Sure. That's all from my side. Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Guru Darshan from Kitara Capital. And the thing the thing
- Guru Darshan:** Congratulation on the good set of numbers there. Sorry, if I'm repeating the question. I just want to understand what are the key drivers for FMCG growth, food and FMCG growth in the current quarter?
- J. Lakshmana Rao:** As I explained in my previous questions and answers. Food & FMCG growth has come because of our improved serviceability in terms of label connectivity and supplying in time. That is one of the key reasons because clients are always there for us. It was our inability last year to not able to make supplies in time, which we have corrected by adding efficient capacities in printing and die cutting.
- And now the label connectivity has improved and supplies have certainly improved. And instead of weak summer, we still have ended up with a 16% growth in food that is plain food, not adding the Qpack, which is a really satisfying number. It would have been more than 20% had the summer continued in May, even though it didn't.
- We have reached a 16% growth. And another adding to that is some of the clients realizing Mold-Tek quality and consistency and they are also coming back. But I'd say that our ability to connect the dots has what improved our numbers.
- Guru Darshan:** All right. Got it. The second question, when you say the Pharma segment has achieved breakeven, are you referring to that is EBITDA breakeven?
- J. Lakshmana Rao:** No. We are talking about the bottom line.
- Guru Darshan:** PBT breakeven.
- J. Lakshmana Rao:** Yes, PAT.
- Guru Darshan:** All right. Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Dipak Saha from [inaudible 0:46:15]. Please go ahead.
- Dipak Saha:** Couple of questions. First on the food & FMCG part. Now given the fact that we had sporadic monsoons or you can switch in summer season. So had we had a normal season, you said we could have done 20%. So for the upcoming quarters, that kind of -- for the full year, I mean, it's not a 20%, but for the coming quarters can 20% kind of a growth be possible for the food & FMCG side?
- J. Lakshmana Rao:** It should be because we are starting sweet packs manufacturing in Panipat from August, maybe middle of August, 10th or 15th we are planning inauguration of the food & FMCG production there. Already Qpack production started a few months ago, but the sweet boxes will start from sometime in the middle of August and that will slowly pick up over the next quarter.

So in Q3 onwards, I can see the numbers moving towards 20%, if not Q2. And even in Q2, it can be decently good, but Q3 onwards, I can be sure that we will be able to reach -- I mean we are aiming to reach 20% volume growth in food & FMCG.

Dipak Saha: Got it. And sir, on the -- I missed the value split that is yet for IML and non-IML. Did you mention 76%, 77% on the value -- in terms of value for IML split?

J. Lakshmana Rao: 77% value and quantity 75%.

Dipak Saha: Okay. And if I'm not mistaken the earlier commentary was that we are quite confident given the shift towards IML, would be heading towards 80% plus. So do you stick to that kind of expectation for the full year? I mean, at least for the coming quarters if not fully?

J. Lakshmana Rao: It's not for full year, in few quarters it should go back -- go to that level and probably it will stabilize there. And may not -- I know there'll be still some people who still buy plain containers, still buy -- pharmaceutical is mostly unprinted. So like that's really -- it may stagnate at around 80% -- 75% to 80%.

Dipak Saha: Got it. And on the raw material side, sir, if you can give you some understanding about the mechanism for passing down the raw material prices to your customers, especially given the volatility in crude oil side. So if you can share some color, do we pass it immediately, it comes with a lag, some time line, if you can share, how do we operate who's passing down the raw material prices to the consumer?

J. Lakshmana Rao: Yes, it is as usual, like in the past, it's sometimes 1 month old prices applicable or 3 months average price, very rarely the 6 months average price also for a couple of clients. So mostly, it is 75% of the clients go for previous month pricing.

Dipak Saha: Got it. And lastly, sir, on the recycled content part, I think earlier we were talking 20% kind of a number for some of the industries that minimum usage of this recycled content and we have certain margin improvement also associated with it. So currently, if you can give some color how is that particular number, is it going up because we also believe that this number should gradually go up. So if you can give us some understanding there?

J. Lakshmana Rao: Yes. In RCP, there is certainly a growth in utilization. And thanks to some of the suppliers who have established the product quality, we are in a better position to use more and more RCP. And I think in this current financial year, we crossed using 7,000, 7,500 tons of RCP already. And the new seat and quantity on 38,264 last year is close to -- sorry, on this 11,400 per quarter and 44,000 it's more than 15%. And gradually, I think we inched towards 20% utilization in the current financial year.

Dipak Saha: Okay. So that's relevant for industrial, that's paint and lubes, right? I mean it's not relevant for your [inaudible 0:50:23]?

J. Lakshmana Rao: It's not for food and Qpacks, So that is to be only for the about 70% of our volume.

Dipak Saha: Okay. Got it. Sir, one last thing as far as the fungibility of these machines are concerned. So probably, we can -- it is doable for pharma and food and on the other side lubes and paints. So these are fungible. I mean, we can't use paint and pharma capacity to a large extent. I mean for small requirement we can, but if you can share some color the fungibility between segments?

J. Lakshmana Rao: That's a good question. Paints, lubes and even Qpack are fungible. Qpack also is kind of a pale and even its margins are also similar to pales. So paint, lubes and Qpack are kind of fungible products. Food and pharma, yes, they are fungible because the machine size, screw size and in the robotics. Of course, robotics are not required much for pharma other than tubes.

On the GMP standards, what we keep the food allow some of the pharma pets to be moulded in food section. For example, EV tubes, they don't need DMF facility. So whenever there is a capacity requirement in pharma, we can run that in a food section to some extent. But most of the pharma products, which are pure pharma we cannot run them in food.

So there are limitations, but there is some scope for fungibility, especially food products, if the demand picks up, they can easily be run in pharma, though it is not advisable in cost point of view, but still to meet the sudden surge in demand for food, we can make use of the machines in the pharma.

Dipak Saha: Got it. That's all from my end and all the best for rest of the year. Thanks.

Moderator: Thank you. The next question is from Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: Yes, I just had one question. So earlier, you indicated that the volume mix between IML and non-IML has broadly remained similar in Q4 of previous quarter and Q1. And despite similarity in the volume mix between IML and non-IML, their gross profit per kg has gone up by INR3 on a Q-o-Q basis, correct?

Now if I look at your volume split, the only difference I could figure out is that your paint's volume, which contributed around 45% in Q4 has gone up to 49%. So your IML, non-IML remains same, but your paint volume has gone up and that is what it is leading to your GP per KG improvement on Q-o-Q basis. So would it be fair to conclude that the IML mix within the Paint segment has gone higher, let's say, in Q4 versus -- Q1 versus Q4?

J. Lakshmana Rao: Yes. As I told you in the last quarter, Asian Paints is adopting more and more IML in their top brands and that enabled us to use or we enabled us to set up even robotic facility in all the five plants across India now. So that has also encouraged them to go for more IML adoption. That is one of the reasons for better improvement.

But these numbers of 75% and 75% in Q4 and Q1 are a little kind of confusing because if you notice that food & FMCG growth is what contributed to the EBITDA margin considerably. And, of course, a part of the paint moving towards IML also is one of the reasons.

- Deepak:** Okay. But sir, your food & FMCG, if I look at your volume mix actually has come down by a few basis points. So that should not lead to any medical improvement in GP per key, right? It has to be the IML contribution which is coming from the paint?
- J. Lakshmana Rao:** No, if you look at the absolute number, the 1,379 tons in Q4 has become 1,568 in Q1. So that's up by almost 14%.
- Deepak:** Okay. But in the volume, it hasn't made a difference. That's what I'm trying to conclude, not on the absolute level, but the volume mix?
- J. Lakshmana Rao:** In the overall volume mix, it is still 13.79%, which was 14% earlier if you are looking at that way, but in terms of Q4 to Q1, that rise of 200 tons of food & FMCG contributes decently better because almost we have doubled the EBITDA compared to paint and lubes in the food and FMCG.
- Deepak:** Okay. Sir, would it be possible for you to tell what is, let's say, IML and non-IML split between the segments, paints, lubes?
- J. Lakshmana Rao:** Probably that need to be divided and given to you by our team. You can write to Ram babu, he can answer.
- Deepak:** Okay. Thank you for answering the questions. All the best.
- Moderator:** Thank you. The next question is from the line of Pranjal Mukhija from GrowthSphere Ventures LLP. Please go ahead.
- Pranjal Mukhija:** Thank you for giving me this opportunity and congratulations on a great set of numbers. Sir, I have a couple of questions on the Pharma side. So the first question is more from my clarity point of view. But the Sultanpur facilities that we're operating, the pharma part there. So currently, the production capacity is 1,500 tons, right?
- J. Lakshmana Rao:** Yes.
- Pranjal Mukhija:** And in the near term, we're expecting this to reach 2,000, 3,000, right?
- J. Lakshmana Rao:** Not 3,000. It will probably go to 2,000 quickly in this next 6 months and probably next financial year, we'll be trying to hit about 3,000, 3,500. So current plan is to bring it at least up to 2,000 tons in the immediate couple of quarters.
- Pranjal Mukhija:** So this capacity is built on what kind of land like in acres?
- J. Lakshmana Rao:** This present capacity is in a building area, I can say, is around 50,000 and 25,000 shed is getting ready for -- as a warehouse, that will take a couple of months to complete by end of September, I think that warehouse also will be ready. So now currently, it is housing 50,000 square feet area. And the 25,000 will be added by September. And by then, these new capacities also will be added so that we'll have enough space for warehousing and storage.

Land wise we acquired a 2.5 acres of land. So wherein given the overall index typically, we can easily add about 2 to 3 lakh square feet in the future for Pharma, not in the immediate future, further next few years.

Pranjal Mukhija: So from 75,000, you're saying 2 lakhs to 3 lakhs additional?

J. Lakshmana Rao: 75,000 to another additional of 2.5 lakhs to 3 lakhs square feet is possible in the new land what we acquired. Currently it is only 50,000. 25,000 is being added, that will be ready by September.

Pranjal Mukhija: Right. So with this new land, we can 5x -- basically 5x like pharma capacity?

J. Lakshmana Rao: Yes. Another 4 to 5x is possible.

Pranjal Mukhija: All right. Thank you, sir. That was insightful. Sir secondly, like you mentioned in the call that there are some 20 products under development in Pharma. So like I just wanted to understand like what kind of products are these? Are these like slightly more complex products in terms of like how you're making them like how are the realizations on these products related to the current products are making EV tubes, canisters and like caps. So just wanted some clarity on that?

J. Lakshmana Rao: I think it's a good question you asked because when I say 20 products, it's not 20 new products. 20 products which are required by the industry. For example, I told last time also, there is a 300-ml jar with, say, 25 grams weight. Some clients require thicker bottle. Some people want light bottle because of the product. And they want same 300-ml bottle, same dimensions, but at 35-gram instead of 25-gram or they want 15 grams.

So how you quickly develop those course and cavity to change the weight is something I call it as a new application. In sustaining product, I should have said a new application for the same product. So those changes, we are doing almost 10 to 15 of them and new products another three to four of them, which are completely new for us in our product range, not necessarily new in the industry.

So that way, we are widening our product. And there's value additions, if they are bottles and caps, as I said, they are medium range, somewhere around INR80 to INR100, INR120 per kg, maybe INR80 to INR100. But if it is other products like caps and new products, there will be in the range of INR150, INR170 per kg EBITDA.

Pranjal Mukhija: And sir, like -- now that you've also like gotten into moulded wide trails resin like the CRC cap, how are these products compared to the current products you're making in terms of realizations?

J. Lakshmana Rao: They will be middle order, so something around INR120 range.

Pranjal Mukhija: Right. And sir, finally, one last question. I just wanted some update on the exports part of the division like that you were getting -- we have supplied some trial quantities in U.S. And again, like you are looking to -- looking for some opportunities in Europe as well. So some update on that sir?

- J. Lakshmana Rao:** Yes. We are now actually actively pursuing exports to Bangladesh and Europe because U.S. is kind of stagnation -- stagnated. Clients are waiting for some clarity on the duty structure. So repeat orders are not yet received. There is one inquiry going on, but they are waiting for clarity on the duty structures before they make firm orders.
- But going forward, there are opportunities for exports. And we set up a team to work on it, a two member team is working currently on export push. So things will happen. As I said, in pharma, it's always a long run process of approval trials and commercial orders. So that process started with a couple of clients in U.S., one or two clients in Bangladesh. Europe, 1 client has accepted, then we've taken a small batch for filling price.
- So maybe another few more months down the line, something can happen there. And we are also participating in the European Pharma Exhibition sometime in October.
- Pranjal Mukhija:** End of October.
- J. Lakshmana Rao:** End of October. So probably, we'll have better leads and have bigger product range to display when we go there. So I don't count our big export number this year, but that can start adding reasonable quantities from next year.
- Pranjal Mukhija:** Right. And sir, since sort of like thought on pharma capacity in terms of the demand that we are seeing in this segment. So like how would the management like sort of distribute the bandwidth in terms of if they focus on Pharma division in domestic versus export market. And generally, like what is the realization spread, like is the realization better in exports of pharma products compared to India?
- J. Lakshmana Rao:** Not necessarily, given the transport cost and other elements of costs, even Indian and export margins are almost similar. A little better in export in especially products like canisters and small products like caps, but there'll be equal and bottles and other bigger products because the transport eats a consumable cost. So I would say exports to countries like Europe and U.S. will be marginally better in terms of margins, but not so exciting.
- Pranjal Mukhija:** Thank you, sir. These are my questions and all the best to the team.
- Moderator:** Thank you. That was the last question for today. I now hand the conference over to the management for closing comments.
- J. Lakshmana Rao:** Thank you all for participating actively in the Q1 conference of Mold-Tek Packaging and I also thank Nitin from Emkay for giving us this opportunity. And thanks operator for conducting the meeting in an organized manner. Thank you very much all. Have a nice day. Bye.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.