



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

MTPL/SECT/20/2024-25

Date: 3rd June, 2024

The Secretary, Listing Department, BSE Ltd. , Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. Scrip Code: 533080	The Manager, Listing Department, National Stock Exchange of India Limited , Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. Symbol: MOLDTKPAC - EQ
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Sub: Transcripts/Outcome of Analysts/Investors/Earnings Conference Call for discussing the Audited Financial Results of the Company for the fourth quarter and financial year ended on 31st March, 2024 and other Business Updates

Ref: Regulation 30(6) of SEBI (LODR) Regulations, 2015.

This has reference to our letter dated 27th May, 2024 where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investors conference call of the company for discussing the Audited Financial Results of the Company for the fourth quarter and financial year ended on 31st March, 2024 and other business updates on Friday, the 31st day of May, 2024 at 4:00 P.M. (IST).

In this regard, pursuant to the requirement of Regulation 30(6) read with Para A of Part A of Schedule-III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcripts of the Analyst/Investors conference call of the company and the same has been uploaded on the website of the Company at:

<https://www.moldteckpackaging.com/investors.html>

For Mold-Tek Packaging Limited

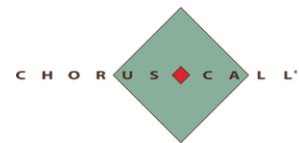
Subhojeet Bhattacharjee
Company Secretary & Compliance Officer

Encl: A/a



“Mold-Tek Packaging Limited
Q4 FY '24 Earnings Conference Call”

May 31, 2024



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

**MODERATOR: MR. ABHISHEK NAVALGUND – NIRMAL BANG
EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Mold-Tek Packaging Q4 FY '24 Earnings Conference Call hosted by Nirmal Bang Equities. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you, and over to you, Mr. Abhishek.

Abhishek Navalgund: Thank you, Renzo. Hello, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to Mold-Tek Packaging 4Q FY '24 earnings conference call. We have with us Mr. Lakshmana Rao, the Chairman and Managing Director of the company, along with the entire finance team.

Without further ado, I would request Lakshmana sir to start with his opening comments. Post which, we can open the floor for question-and-answers. Thank you, and over to you, sir.

Lakshmana Rao: Thank you, Abhishek, and thank you all the participants who are online. I'm happy to be here today to talk to you all about the Q4 results and the year ending March 31, '24.

As we have on hand, the sales volume for the year has increased close to 5%, 4.84% in terms of sales volume. Revenues looked; they have been dipped because of the raw material price reduction. So we always go by with volumes. So volume-wise, there is an increase of 4.84%.

The main segments which have grown rapidly were Food & FMCG and Qpack, whereas the Paints has registered a native growth. And secondly, we have -- I mean the good news is that we have started our Pharma commercial production in our pharma plant at Sultanpur and there is a very good response so far, and numbers are also picking in, in terms of sales volumes from April onwards. That is a good news.

And also, we have started the 2 plants of Aditya -- for Aditya Birla Group at Panipat and Cheyyar. They went into commercial production sometime in Feb-March this year, and the numbers are improving starting from April onwards. So that way, these two are the major positives, which will take forward the company's growth in the coming years.

One is the 2 plants of ABG, and the third plant will be getting ready by October, November. That is at Mahad. So these 3 plants will be adding considerable numbers towards in the coming months or maybe coming years.

And the pharmaceutical entry brings Mold-Tek into the foray of pharma packaging, which is very high-growth and high value-add line of activity. This is basically the data about the company. But anyway, we'll share more details during the question-and-answers.

I now ask the moderator to go through the Q&A.

- Moderator:** Thank you. The first question comes from the line of Jaiveer Shekhawat with AMBIT Capital.
- Jaiveer Shekhawat:** Sure. Mr. Rao first question is on your thin packs. So we have seen that growth during this quarter has fallen to single digits and most of your growth in the F&F segment is being led by the Qpacks. So I want to understand what has led to this single-digit growth in the thin packs, give the thing we have been experiencing very intense heat waves across the country, and that should have highly resulted in higher ice cream volumes for you? If you could clarify that?
- Lakshmana Rao:** Yes. The previous year numbers are what counted in the total year because April to June of this year will come into the Q1. So the ice cream consumption picks up from middle of March and peaks in April and May. So last year, if you all remember, there were a lot of rains and early set of monsoon, which has impacted ice cream industry by more than 17% to 20%. So that is one of the reasons why our Food & FMCG numbers are down to the single-digit growth.
- And a couple of projects like Kissan Jam and Horlicks, which we have supposed to have started were delayed into this year. Now just now in April, May, we have started their commercial production. So that is one of the major reasons why we could not post double-digit growth in Food & FMCG.
- Coming to Qpacks, not only edible oils, but many other sectors have started finding the usefulness of Qpacks, and our ability to push our IP rights in the High Court of Delhi and subsequently stopping some of the competitors, who are copying our designs without consent and using them that also helped in establishing our products better in the market.
- And today, we have seen 80% growth in Qpack sales in the current financial year. And even the trend during the first few months is still better. We still see a growth of high -- very high -- I mean maybe at least 30% to 50% rise in Qpack numbers even in this current year.
- Jaiveer Shekhawat:** Sure, that's helpful. So if I understand it right, I mean, given that the Kissan and the Horlicks volumes they will also come in and plus the ice cream sales that have been pushed to 1Q. I mean, do you stick to your earlier guidance of maintaining a 20% to 25% growth in our thin packs?
- Lakshmana Rao:** Yes. With the addition of Panipat thin wall facility getting into production by August, probably we thought of June, July, but probably it'll go into July, August. That will also be adding numbers for the sweet boxes and other products, if not ice cream, we might miss the ice cream season.
- But other product trends will be adding the numbers from July, August onwards. So we are still confident that we'll be aiming at 20% volume growth in Food & FMCG and thin wall also. Apart from a good jump of 30% to 40% in Qpacks.
- Jaiveer Shekhawat:** Sure, sir. And secondly, sir, on your Paint segment, we have seen that sluggishness over many quarters now. So except for Grasim, what's your expectation for the next year from your existing clients?
- Lakshmana Rao:** See, our Grasim plants have gone into production now and current consumption, if things go as well, they are very close to their projections, like they were mentioning 2 plants to contribute

about 4,000 tons for the year. So now currently, this month, I would say, in the month of April, May, I would say, in May, we are almost about 200, 250 tons of sale we could achieve with them.

So if the same trend goes or improves, we may be able to reach 3,000 to 4,000 tons of sales to Aditya Birla Group in the current financial year, which was hardly anything last year. Last year, in March, we made hardly maybe 100 to 200 tons all put together.

But steadily from April, the sales are in the region of 200 to 250 tons at least 200 tons. So it may pick up as they also improve their productivity. And also Mahad plant will get into production from November -- October, November. So probably last 2 months of the year, Mahad also will contribute to some numbers.

So we are still confident we will be in the region of 3,000 to 4,000 tons at least 3,000 tons for sure is what I'm expecting from ABG, which is almost 8% to 9% of our total volume.

Jaiveer Shekhawat:

Sure. So my question was in terms of your existing clients, excluding Grasim. So what is your expectation of growth for those -- because we have been seeing foreign volumes from those clients so last many quarters. So what's your expectation there?

Lakshmana Rao:

See, there are 2 reasons. One of the major drop in our volumes is because we -- some of the small paint companies last year, and we are not pursuing those orders because of high competition and pricing -- low pricing. And purposefully, we are using those capacities for our Qpacks, where we have better value addition. So that is one of the conscious decisions where we have taken a hit in the Paint segment.

And also in the case of our major client Asian Paints, last year, numbers were better in the Q2, Q3 and Q4 because we have developed how low wage containers first time, and we were given the entire volumes, our additional tender volumes, majority of the volumes during the Q3 and Q4, which now being developed by other competitors also.

So their volumes have just started shared. And in the Q3 and Q4 of the current financial year, those numbers look negative in the sense we have lost sale. So that is one of the reasons why our overall paint numbers are negative because when compared to Asian Paints, all other paint sales put together will not even be 1/3 of what is Asian Paints contribute to us.

So when Asian Paints Q3 and Q4 numbers have fallen we got hit. The fall is mainly because of this thin wall mounts are now shared -- the volumes are shared between our other competitors also. So that advantage we didn't have this year. So that is one of the reasons why there is a dip in the paint volumes.

Jaiveer Shekhawat:

Sure, sir. That's helpful. Last question on the Pharma Packaging side. So how much more time do you expect for the customer audits to get completed? And your commercial supply should start for all the products that you have been developing. And then what would be your revenue expectations possibly this year and possibly over the next 2 years as well?

Lakshmana Rao:

Yes, I'm really happy the way we are getting the response for our Pharma Packaging facility. Actually, the facility I also request all of you on this call to come and visit our plant, to see, how world-class facilities we have set up and those facilities are having impeccable hygienic conditions that are required by all the pharma companies across the world, I would say.

And I'm also very glad that unlike others who have typically bottles and caps. We have come out with 3 product range that is canisters, EV tubes that is effervescent tablet tubes and tablet containers and caps. So all these 3 range is giving us a very good advantage when our marketing people approach a client because they had generally buy these 3 products from 3 different sources. And there's always like a conflict of matching volumes or quality issues and audits -- several audits there to do.

So now in one go, they will be finding 1 company, which is giving all 3 major packaging needs of a company. And apart from that, we have added In-Mould labeling for EV tubes for the first time in the country, which has given us an excellent advantage, wherever we went and submitted our showcase in our IM capabilities, there's a positive response.

And actually, now the commercial sales are happening in a reasonably a good manner in EV tubes, even in the month of April and May, and in the month of May at least I can comment, we crossed 5 lakhs EV tube sales and things can improve further because there are so many other products under development.

So the advantage of IML in EV tubes is very, very -- I mean evident, and we are in a position to exploit this situation to our advantage because none of the -- our competitors as of today, though they are there in the field for the last 5 to 6 years, have set up the IML capabilities. Even they set up, they couldn't give the quality that is demanded by the clients. So we are first people to break the ice in IML EV tubes and that is going to give us an edge, I'm sure, to an Indian market, but also exports that are available.

Coming to the canisters, I told you all last quarter also that we are introducing canisters that are with laser marking and single piece, whereas the competition that is there in the country today are 2 pieces with a paper -- printed paper wrapped on it, which can cause ink digression into the medicine and various pharma companies are having issues with that.

So with our laser marking, that problem is solved and being a single piece, the risk of opening of a canister is completely eliminated. So with this USP, even canisters, we are finding very good response. Already 3, 4 companies have taken -- even I don't want to name the companies, some of the top-notch companies in the country also has taken up our stability test.

Those test might end up sometime in July-August, and hopefully, commercial production and good numbers can start for the canisters from them. Coming to the bottles and caps, the regular bottles and caps. We already have Indian top players like Akums and other 2, 3 companies started picking up for the domestic market needs. Small volumes are happening, but very big companies in pharma have already taken a stability test.

And there are so big the inquiries that even if out of 3, 4, who have so far visited us and visiting us soon, even a couple of them decided or 2, 3 of them decide on the numbers what they have indicated, our capacities will be almost filled by that time. Probably, it may take 6 months because of stability tests, sample, evaluation and all that.

We will be submitting some of them are readily available in our molds, some of them new molds have to be made. And 3 months down the line, if we give the samples and then they take another 3 to 4 months. So hopefully, by third quarter of this financial year, we will be running our pharma to a reasonably good extent, capacity utilization, something around 70% to 80%.

And that can yield at that stage, they're probably around INR2 crores to INR3 crores turnover per month. So taking all this into account for the current year, for 6 months, I'm not looking at big numbers, but for the next 6 months, the numbers can start improving. And the full year, we have kept the target close to INR20 crores for this current year. And next year, it can easily double because all these clients will be going in a smooth way and supplies will be just happening without any hinderance and new clients will be added.

And looking at the kind of demand and traction we could create, probably during the period at the Q3, Q4, we have to take a decision about expanding our capacity. But however, I'll keep that to be reviewed during the Q3 time, in the time of Q3.

Jaiveer Shekhawat: Sure, sir. I think this is very helpful. Wish you all the best.

Lakshmana Rao: Thank you.

Moderator: Next question comes from the line of Jenish Karia with Antique Stock Broking.

Jenish Karia: First is a recordkeeping question. If you can just help us with the segment-wise and IML-wise volume and revenue numbers for the quarter and full year?

Lakshmana Rao: The IML overall is stagnating around 64% for the last year and this year also. And coming to the segment-wise volumes Paints have dipped in the Q4 by 9%. Lubricants have stagnant. Food & FMCG also down by 10% compared to the previous year Q4. Qpack is up by 75%. So total overall our growth volume compared to Q4 is flat with 0.5%. But in the Food & FMGC, together along with Qpacks, the growth is 31%. So ultimately, the total volumes are flat, just by 4, 5 tons. So that increase breakup between the sectors compared to Q4 to Q4.

Jenish Karia: And sir, in revenue terms?

Lakshmana Rao: Full year -- and for the full year Paints are down by 6.7%, Lubes are up by 3.4%, Food & FMCG 6.9%, Qpacks by 88%. Overall growth is 4.85%.

Jenish Karia: Okay. Sir, similar numbers in revenue terms if you can answer.

Lakshmana Rao: Sorry?

- Jenish Karia:** If you can help us with the similar numbers in revenue terms, these are volume numbers, right? So...
- Lakshmana Rao:** In revenue terms, it's all because of the raw material, but anyway, for Paints it is down by 15% for the full year. In Lubricants also down by 5.6%. Food & FMCG down by 0.17%. Qpacks up by 70%. Total minus 4% because basically, when the raw material prices fell considerably from INR110 to INR95, our -- we passed on the pricing advantage to the whatever raw material price to consumer -- I mean our clients. Hence, the revenues should always look in tandem with the raw material prices.
- Jenish Karia:** Okay. That's helpful, sir. Sir next, I just wanted to confirm that you mentioned in fourth quarter, we did 100, 200 metric tons of volume for Grasim, right?
- Lakshmana Rao:** Yes.
- Jenish Karia:** And what would be the volume for Pharma segment in the fourth quarter?
- Lakshmana Rao:** In the fourth quarter of this last year, you mean completed year.
- Jenish Karia:** Yes, fourth quarter FY '24.
- Lakshmana Rao:** So only in the fourth quarter, sometime in February, we started some commercial production. The capacity is around -- per quarter is around 400 tons, we can say. So more or less, most of the machines are erected and commercial production started in Jan-Feb, but the numbers are yet to pick up. From April-May, we are seeing the numbers picking up now.
- Jenish Karia:** Okay. That's helpful. Sir, next is on the volume growth and the margin. So despite 0% volume growth for the quarter, our margins for the fourth quarter reached INR39 per kg. So is it because of the Pharma and just running for 2 months, or there is something that you are missing out because Grasim was also a smaller volume, pharma was also smaller, but still we achieved a INR39 per kg margin compared to the 9-month earlier average of INR35, INR36. Can you comment on that?
- Lakshmana Rao:** Yes. The improvement is mainly because of increase in sale of Qpack, which contributed around INR43 to INR45 per kg compared to Paint packs, which are below our average, it's somewhere around INR30 to INR35. So we are now using more of the capacity for Qpacks of the paint capacities, machines that are meant for paint are going -- being utilized for our Qpacks. They are not very great like Food & FMCG, but definitely better than paint. So that is where we are able to get a better EBITDA per kg. And some annual discounts of raw material also added about the rupee to the benefit of this quarter.
- Jenish Karia:** That's helpful, sir. Next is on the capacity consolidation that we are doing. So how much of the benefit that will flow to the EBITDA, how much of the overall will we save, how should we look at the consolidation et cetera, is it just rationalization of capacity? Or will there be some benefits which in monetary terms, which will accrue?

Lakshmana Rao: Definitely, the consolidation is going to help the company in controlling the cost, even getting the value of the land at assets back into the company for utilization. I can't quantify that now, but definitely, it is going to be sensible because Unit 2 used to be a fairly big unit with about 10, 12 machines. And those machines have been now scattered to Vizag and other plants of Hyderabad and that unit is more or less near to the closure.

And the second unit of Unit 6 is basically a printing unit. That's where the printing happens. But unfortunately, due to space constraints, we were doing printing at that location. We are doing printing at Sultanpur, and then die cutting is happening at our unit at Annaram. So -- and then the die cut pieces for IML have to be transferred more to Sultanpur and also to Daman and other locations. So all this is causing -- several locations are causing lack of accountability, some more wastage in terms of curling or in terms of rejection.

And now that at Sultanpur central unit, we are going to set up all the printing machinery, including die cutting, storage and distribution. It's all going to be under 1 roof. It is a 3 storeyed building where you have from top to down, there's a logistically controlled way of manufacturing the IML labels, which is going to save enormous, it's not enormous, sizable amount of wastage reduction cost reduction would be expected from that operation.

And by curbing Unit 2 into Sultanpur, Vizag and Hyderabad, we are letting go on overheads of entire team there, because the same teams in this 3 units are now taking care of that production. And Unit 4 is another small unit, which has been running for mainly Asian Paints, local Hyderabad needs. And that is too small a unit to have head of plant and quality and all other people around.

So those savings also will come from sometime towards the end of this year because that we are planning to do at the end. First is Unit 2, which is completed, Unit 6 is printing. So the integration of printing will happen by July-August maximum in 6 months from now? And then we will take up the integration of Unit 4 to dissolve it between these 2 units. And our Unit 1 at Annaram and Sultanpur will become 2 major plants, which will be absorbing these 3 plants.

Jenish Karia: Yes. Just one last question. Could you reiterate your guidance in terms of capex for the next 2 years, how much capacity will be added and your volume growth for 2 years and the EBITDA target that we are doing?

Lakshmana Rao: Yes. We are hopeful that the EBITDA should cross 40% again in this current financial year, up from 37.7%, which we could achieve last year. So we are hopeful that we'll be in a position to come above 40% again because of 2 reasons. One is better capacity utilization at all the new plants, which were just started these 4 months ago.

And second is better product mix, more and more of Qpacks and Food & FMCG and even Pharma that will contribute handsomely to the EBITDA, should take us above 40%. And given these figures, we are expecting volume growth from 4.8% to at least 15% plus because ABG alone would be giving us at least 7% -- 8% to 9% -- 7% to 10%, let us say, depending upon how they shape up their market share.

So [inaudible 0:24:36] will be giving us a good jump in volume. And our Qpack will continue to give us good numbers and Pharma is adding. Food & FMCG seems to be doing better than last year because as you said, the summer is very wild this year and consumption of ice creams is reasonably good compared to last year. And with that, probably we'll be in a position to see a 15% less growth in the volumes and the improvement in EBITDA to the tune of at least INR40. That is our estimate.

Jenish Karia:

And sir, capex guidance and capacity additions that we will be doing in tonnage?

Lakshmana Rao:

See, capacity addition will be based on need. Actually, huge capacities have been added in the last 2, 3 years, you are all aware. And those capacities are set to go into production this year. Only Mahad plant is to be created in this year, that being a smaller plant, probably the investment will be in the tune around INR15 crores in the first year.

Later on, we'll be adding other machines, but as of this year, after land being already acquired, recent investments would be tune of INR15 crores. But investments in Pharma, investments in other balancing equipment mainly for IML and Panipat thin wall and even in Panipat, we have a plan to start some domestic pharma products because of some demand indicated by some big clients.

If those plants happen, again, there will be investments, but there won't be as much as last year. Last year it was INR140 crores. Probably we may still have at least half of the investment plan for the current year, which again depends upon what we have to do in Pharma. Pharma takes off in a big way, and then we need to quickly invest there it will probably it may grow. As of today, we are looking at about INR70 crores investment possibility in this current year.

Jenish Karia:

Okay. All the best.

Moderator:

Next question comes from the line of Prathamesh Dahake with Motilal Oswal.

Prathamesh Dahake:

Sir, I just wanted to ask, as of FY '24, what was the total capacity that we have installed for Asian Paints, what was the capacity utilization of that? And how do you see capacities being added at Asian Paints level and the volumes going forward?

Lakshmana Rao:

See, is nothing called capacity only meant for Asian Paints because all the plants, all the machines are fungible. But however, as you said, there are clients which are mainly meant for Asian Paints, I would say Satara. That is where only Asian Paints products are being produced. Whereas in Vizag, we have now Castrol, we have Valvoline. We have several Cashews companies' square packs. Edible oil like Gemini is being produced there.

So now Vizag has become a plant, which is producing for several clients. Of course, the Asian Paints would be more than 50% of its capacity. But it's not totally meant for Asian Paints. Similarly at Mysore, we have now cashew products. We have some edible oil products also being produced -- started production.

So given all our clients only Satara plant, we can install the capacity of about 5,000 tons is more or less meant for Asian Paints and the capacity utilization there is hardly around 60%. Last year, it was only 56% to be precise. That is the only area where we have under capacity utilization because we don't have any big clients in and around that area.

So other than that, other plants are fungible capacities, where we can either produce lubricant containers, we can square packs depending upon the capacity availability and the nearness to the clients.

Prathamesh Dahake: What was the contribution from Asian Paints in terms of volume and revenue in this year?

Lakshmana Rao: Contribution from Asian Paints is fungible. They continue to be our major client, almost 12,000 tons, I guess, it would be from them. That is almost 1/3 of our sales.

Prathamesh Dahake: Okay. And sir, F&F, thin wall in this quarter has been a bit soft. What are the areas or end segments, which you felt did not receive traction as compared to what you would have planned?

Lakshmana Rao: Yes, the volumes of ice cream have not picked up in March. They started late, but they are good in April onwards. So April, March generally, we used to see a good traction in the March itself. But this year, in March, the numbers were not so positive. And another reason was that in the case of Food & FMCG, the products like Kissan and Horlicks, which we have developed more than 7, 8 months ago, we're going through various trials and corrections.

So ultimately, only in May we started the volume more than 1 million pieces were sold and Horlicks also started picking up numbers now. So those molds, which were made capacities that are created were not used until April, May. So that's one of the reasons why the Q4 Food & FMCG has dipped.

Prathamesh Dahake: Understood, sir. So going forward, apart from ice creams, Kissan, what are the product categories that we are planning? And do we have customers onboarded for the same or they come as and when the capacities at Daman and Panipat come up?

Lakshmana Rao: Certainly, as when the capacity set Panipat, Daman is now defer for a while. We are concentrating on creating thin wall capacity at Panipat now. The Panipat will be catching up for the festive season with sweet boxes and other products that are meant for various food applications. That will be starting from July, max August. So that will be the time when we will be seeing it some numbers coming in from Panipat, but I would say next financial year only, that is the next season starting from March, April, we will find good numbers coming from North.

So that will be a new addition altogether because our distance is a very big negative for customers who are in the North because their numbers and requirements happen very fast, and our transport cost and transport delays can impact them in the season. So that is why they prefer nearby suppliers. So by setting up a plant in north, we hope that disadvantage will go, and we will be able to gain market share there.

Prathamesh Dahake: Okay. One last question, sir. Sir, in Paints segment, apart from the existing clients, do we have any plans of onboarding new paints or new paint customer or adding capacities within the existing customers?

Lakshmana Rao: See, where and when the paint companies are moving towards IML. There we are ready to take them. In fact, very recently, we added 1 client in Hyderabad itself, who has shifted completely his product range into IML. And when they move to IML, our capacity utilization is better, our realization per kg is better, and they also get a superior product. So that is how we want to add, we don't want to add clients who are at very low-price range, and they go for screen printing or even HCL, we are trying to avoid such low cost and low end clients in the Paint segment.

Moderator: Our next question comes from the line of Arnab Deb an individual investor.

Arnab Deb: Sir. In Q3, you have guided volume growth for FY '25 for sales around 12% to 14%. Do you maintain that guidance?

Lakshmana Rao: Yes, we are looking at double-digit growth because of the Lubricant -- I mean, sorry, ABG's addition, which will be itself should give us 8% to 10% growth. So having sure of that ABG, even if other segment Asian Paints and others remain at 2% to 3% or 5% growth level.

We have 1 or 2 major additions in the IML segment, which is giving us some other growth numbers as a new addition. So with all this, we should be in a position to cross 10% to 12% -- reach 10% to 12% growth in Paint this year.

Arnab Deb: Sir, one more question, sir. In terms of medium- to long-term strategy, Sir, are we clear on like we want to play around these 4 categories of Paints, Food, Lubes and Pharma?

Lakshmana Rao: See, actually, if you ask me, our vision is to move more and more towards Pharma and Food & FMCG. Not that we let go paint and lubes. But wherever the pricing pressure is there, wherever the decoration technique is still age-old screen printing or labeling, we wish to move towards IML.

So certainly, value addition is one thing which is driving our decisions, and we see a huge opportunity in Pharma. Let me explain, in Pharma, I have seen in the last 6 months of our interaction with the pharma companies and packaging departments. The feedback I got from our marketing and even in some of the calls I participated.

There is no agile player like Mold-Tek in pharma packaging as of today. I don't want to name them because they're all there for quite some time and then some of them are MNCs. They're doing a good job at their own pace and in their own strategies.

But when we see agility, what I mean the ability, new product development. Somebody need to quickly bring in a new concept in the market, the pace at which our established competitors are doing I noticed is not really price worthy.

That is where Mold-Tek can show you a difference. That is where we are trying to pitch in and talk to our clients that if you guys not only -- forget about your bottles and caps, if you have some other new needs coming in, you can bank on us because we develop the molds, we develop the 3D concepts. We develop the design concept useful to your application.

And that is where we step in right from product concept to mold design, mold manufacturing and you should studied there is an IML manufacturing. So that strength is what still we are going to use as an USP to penetrate into pharma packaging.

I still see, I was not so positive when we started 6, 7 months ago into pharma. But today, after interactions with the clients and what I see from my marketing people, there is more and more demand for new small variations need not be a complete innovation of earth to moon it is basically a small minor variations, but that require a mold change, that require a new mold to be developed quickly.

So that ability in Mold-Tek is what I'm sure can be a USP going forward in Pharma Packaging. So in my view as of today, at least, I can state that going forward, we will be shifting more and more of our energies and more of -- more focus on these high value-add clients like Pharma and Food.

Moderator: Next question comes from the line of Rakesh Wadhvani with Monarch AIF.

Rakesh Wadhvani: And sir, first question with respect to the Paint segment. First, last year, we had which witnessed the issue of some maintenance work with respect to Satara plant. That's why the volumes were impacted one of the reason that plant has come back to normalcy?

Lakshmana Rao: Yes. It's come back to normalcy, but one of the reasons why our numbers have dipped in Asian Paints, I explained just now. Is that last year, Q3, we have developed the thin wall that is light wall lightweight containers for Asian Paints. And those molds were developed by us in the beginning. Hence, we got better volumes in the Q3 and Q4, which later on were even manufactured by our other competitors at different locations.

So when we come to this Q3 and Q4, those numbers have been distributed among 4 or 3 competitors at other location. So that is one of the reasons why we see a dip in sales to Asian Paints in the last 2 quarters.

Rakesh Wadhvani: Okay. Okay. And sir, the Asian Paint has come up with a new product, Asian Paint, Latex Paint advertise with Virat Kohli that product has been developed by us?

Lakshmana Rao: What is the name? Sorry?

Rakesh Wadhvani: Asian Paints has come up with a new product, Asian Paint Latex Paint with advertisement done by Virat Kohli, has that product has been made by Mold-Tek?

Lakshmana Rao: I'm not very sure because the last 1-month, I've been traveling, whether it happened recently or can you check with Raj Kumar. Virat Kohli show is winning product [inaudible 0:38:36] I don't know whether we are supplying. I'll check and let you know.

Rakesh Wadhvani: Okay. Okay. Okay. Sir, coming to the Pharma segment. So one of the key players in the Pharma segment that you have also mentioned in the previous calls, Shriji polymers, [Veni] polymers their revenues are in the categories of INR400 crores to INR500 crores.

And in the last 3, 4 years, as you mentioned, they have grown strongly 25%, 30% because of the shift from China and because of the announced in-country demand. Sir, but at the end their volumes are -- the sales are INR500 crores, and there are other small, small companies, which are sub-100 crores companies. There are not many big companies in this segment. Any reason for that?

Lakshmana Rao: See, that it's not an easy line to enter. One big the barrier is the technology, the hygienic way of manufacturing practices that are being audited almost like an FDA level, but of course, done by Indian companies that require very -- high end manufacturing facilities, that is one. And consistently maintaining that facility for various audit clients come and do is something which not everybody can do. So that is why this is between some 5 to 10 companies all over the -- across India are able to establish and run.

So Shriji and Triveni, Pravesha, which is a house company of Aurobindo, they are 3 big players, and there are Gopaldas Doctor Pack very -- like that, there are about 7, 8 companies, which are in the range of INR100 crores to INR300 crores turnover.

So all put together, there is a demand beyond INR4,500 crores to INR5,000 crores and the -- INR4,000 crores approximately, and growing at least 7% to 8% every year. And with Indian pharma also adopting DMF standards for their product, then the numbers can shoot up very quickly.

And as you might have noticed, Mankind has made an announcement saying that even in the local Indian packaging will be meeting DMF standards. So like this once the big company starts, others have to follow suit. So if that happens, I don't know when it will happen, but over the next few years, and then the numbers can shoot up more than 20%, 25% growth can be anticipated.

So we are in a sweet spot getting into that in the correct time. And with our strength of mold development, design and concept development, we'll be able to make things faster for our clients to develop, especially new concepts, we will be much faster than even the established players. So that is where the USP we are looking at.

Rakesh Wadhvani: And sir, one last question from my side. Why there's an increase in working capital in this financial year because the cash flow from operation has drastically come down versus last year, any reason?

Lakshmana Rao: If you look at what we borrowed is only INR40 crores. But what we invested is INR140 crores, okay? So it was not that money is fungible. We were using those working capital funds, which

were available for capital needs indirectly. And when the capital needs were met automatically, the working capital needs are -- in fact, the monies that have been collected in the QIP and all were kept in working capital account to save the interest.

So when these monies were used, the working capital is coming to the natural level. But today, even at that level, our -- what you call drawing power, is close to INR100 crores, but our utilization is hardly INR69 crores, INR70 crores. So there's still a big gap of unutilized working capital. You understood?

Rakesh Wadhvani: Okay. Yes. Yes. Got it. Best wishes always.

Lakshmana Rao: Thanks.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Lakshmana Rao: Thank you very much. Thanks to everybody for being a part of the conversation today. And in particular, I want to thank the Nirmal Bang for arranging this con call and to the operator. Thank you very much, and we wish you all a very great day ahead. Thank you. Bye.

Moderator: Thank you. On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.