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

Date: 31st May, 2019

To, The Manager, Department of Corporate Services, BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. Scrip Code : 533080	To, The Manager, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051. Ref: MOLDTKPAC - EQ

Dear Sir,

Sub: Outcome of Investors Conference Call held on 28th May, 2019.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 28th May, 2019.

This is for your kind information and records.

Thanking you,

For Mold-Tek Packaging Limited

Mold-Tek Packaging Ltd.
Hyderabad

Thakur Vishal Singh
(Company Secretary)

"Mold-Tek Packaging Limited
Q4 FY2019 Earnings Conference Call"

May 28, 2019

ANALYST: **MS. DHARA MEHTA – NIRMAL BANG INSTITUTIONAL EQUITIES PRIVATE LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited Q4 FY2019 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now like to hand the conference over to Ms. Dhara Mehta from Nirmal Bang Equities. Thank you and over to you Ma'am!

Dhara Mehta: Hi! We have with us the Managing Director of the Company - Mr. J. Laxman Rao. We will begin with the opening remarks from Laxman Sir followed by the Q&A session. Over to Laxman Sir, for the same.

J. Laxman Rao: Good afternoon everybody and thanks for joining our conference call for the annual results. I am glad to inform you the company has registered a healthy growth of 16% on the topline and bottomline at EBITDA level is up by 13.2% and at the PAT level it is up by around 12.35%. The volume growth if you remove the factor of the raw material pricing the volume growth is actually 11.52% in production and in sales terms it is close to 9%. So the sales are effectively up by 9% and profits are up by about 12.35%.

Going forward company's two plants at Vizag and Mysore have just started production in the month of March for Mysore and in the month of May for Vizag. So these two plants as you know we have invested about 45 Crores on these two plants with a capacity of 3000 tonnes per annum each and they will be starting adding to our numbers in the coming quarters for Asian Paints mainly and any other questions regarding the food and FMCG will anyway go through question and answers.

I now leave it back to the coordinator to start the question and answer session. If any other issues beyond this I will talk in the closing remarks.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dilip R an Individual Investor. Please go ahead.

Dilip R: Good evening Sir. I am an independent long-term observer and investor of your company. I have the two questions Sir. The number one being, we had an investment in Ras Al Khaimah and I think we are writing-off for onetime loss in this income statement. And so the question is like are we planning any other future sort of investments in these foreign location and my number two questions is regarding our FMCG sector like going forward in another maybe five years of time, what percentage of revenue do you think will be contributed from food and FMCG?

J. Laxman Rao: We do not have any plants to set up any units outside India as of now yet RAK plant we have decided to wind up gradually. Already part of the machinery has been shifted, majority of the machines has been shifted and rest of the machines will be shifted after completing due formalities and those machines have come here are already put into production. And coming to your second question that FMCG has gone up from 61 Crores last year that is year ending March 2018 has gone up to 85 Crores, a handsome growth of 40% from 61 Crores to 85.3 Crores and it is expected to grow further in the similar fashion and reach, we are projecting about 125 to 140 Crores or at least 125 Crores to 130 Crores for the financial year 2019-2020 and probably going at the similar rate of 30% to 40% per annum it will be crossing 200 Crores mark within 2021-2022 financial year thereafter maybe it all depends upon how the other FMCG reactions, changing over to food containers in IML would happen, but next two, three years I think from 85 Crores now in three years we hope to cross 200 Crores turnover coming from food and FMCG. That answers your question?

Dilip R: Thank you.

Moderator: Thank you. The next question is from the line of Viral Shah from ACN Investments. Please go ahead.

Viral Shah: Good afternoon Sir and thanks for the opportunity. Sir what is the year end volume FY2019 in terms of tonnes?

J. Laxman Rao: In number of tonnes it is 21500 tonnes.

Viral Shah: And if you can segregate within F&F, lubricant and paint Sir?

J. Laxman Rao: Lubricant and paint, the breakup is 47% in paint in terms of value, in terms of tonnage it is 55.5% in paints, 33.5% lubes and about 16% in food & FMCG in tonnage.

Viral Shah: And Sir our IML and non-IML?

J. Laxman Rao: IML and non-IML, we have IML is around 60% now all together and non-IML is 40%, for the full that is for the Q3 sorry 59% is the full year IML against 41% non-IML. It was this last year numbers.

Viral Shah: And sir regarding this RAK plant now it has been shut right?

J. Laxman Rao: The operations have stopped now.

Viral Shah: So the capacity which was there, so it has been transferred to India?

J. Laxman Rao: Yes, four of the major seven out of seven machines, four big machines have already arrived and started production in India and the other three machines have just landed and they will be put into production in the next couple of months.

Viral Shah: So it will be around 3000 tonnes.

J. Laxman Rao: Yes it is close to 3000 tonnes capacity, same capacity.

Viral Shah: Sir regarding the Vizag and Mysore plant, what kind of capacity utilization is expect in FY2020?

J. Laxman Rao: See the capacity created is around 3000 tonnes at each plant, but I do not expect it to be deployed more than 40% to 50% in the year one. So probably both plants together should be able to give around 2000 to 3000 anywhere depending upon how they grow in the sector.

Viral Shah: So finally Sir, looking at the overall volume which you have right now at the RAK plant maybe this new plant and the aggressive plant, which you have for a food and FMCG. So what kind of growth you expect in FY2020?

J. Laxman Rao: See we are aiming a 20% topline growth I mean volume growth and it should be more than 15% at last, but 20% is still possible, volume growth.

Viral Shah: 20%.

J. Laxman Rao: As against 9% this year.

Viral Shah: Okay, and Sir lastly there is 1.5 Crores of receivable which has turned bad debt, so what was that Sir?

J. Laxman Rao: 1.5 receivable from what?

Viral Shah: RAK.

J. Laxman Rao: Is that turned bad debt. So going on more towards wherein you have mentioned in the 1.5 Crores of receivable has turned bad debt, so what was that?

Viral Shah: Yes that is bad debt of payment receivable from the subsidiary, which we do not expect to receive. So we have considered that also in the exceptional item.

J. Laxman Rao: Okay. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

Akhil Parekh: Congratulations Sir for good set of numbers. My first question on FMCG Sir, you mentioned we clocked around 85 Crores of sales. Would you be able to classify it under edible oil, ghee, ice cream, how we have fared in the FY2019 how much was their contribution?

J. Laxman Rao: Yes, edible oil is close to 24 Crores, 25 Crores, edible oil and ghee together and ice creams has gone up from just 2 Crores, 2 Crores, 2.5 Crores last year to almost 10 Crores in this year. M2K has actually come down from 32 Crores, 33 Crores to 25 Crores, 26 Crores in this year. But other food and FMCG also shot up from a nominal number of 8 Crores to 10 Crores last year to almost 25 Crores.

Akhil Parekh: Sir if I remember correctly last quarter you had mentioned that edible oil we are expecting around 55 Crores to 60 Crores of topline for FY2020 do you anticipate similar kind of growth?

J. Laxman Rao: For edible oil?

Akhil Parekh: Yes last quarter and maybe around 55-odd Crores is the target for FY2020?

J. Laxman Rao: Yes, even now it is again target actually in this two months of April and May we have done more than 8 Crores sales in edible oil alone. So going this year we may able to hit 50 to 60 Crores from 22 Crores last year, last year means 2018-2019 we did around 22 Crores and that was only 7 Crores a year before that is the year 2017-2018 we did just 7 Crores that shot up to 22 Crores in the last financial year and the current financial year 2019-2020 we are projecting it to reach anywhere between 50 Crores and 60 Crores.

Akhil Parekh: Sir any progress in volume because last year you had mentioned that we are planning to reduce the five of the containers any light on that?

J. Laxman Rao: No, no, the height of the container has been adjusted, locking system has been improved that is what has made this container successful in the last one year now and major brands have now tested them and found this container is well suited in the market.

Akhil Parekh: Yes, Sir you are speaking the volume, how are we shaping up there?

J. Laxman Rao: In the first year we have done almost 33 Crores but this year it slipped to around 25, 26 the reason is not the volume drop, the reason is the container size has been brought down and the pricing also has been reduced by almost 20%, so the smaller containers pricing is less. So our sales value has come down from 32 Crores to 25 Crores this year.

Akhil Parekh: Sir in terms of this IML and non-IML breakup can you just give me absolute numbers for fourth quarter tonnage wise as well as sales?

J. Laxman Rao: Yes, in tonnage wise the tonnes from 2001. He is asking for food and FMCG.

Akhil Parekh: For the quarter, no Sir, the total?

J. Laxman Rao: For the total full year…

Akhil Parekh: Sir the total IML for fourth quarter 2019 and sales wise as well as volume wise?

J. Laxman Rao: IML is it. Okay, IML and non-IML put together the volume growth is from 52% to 59% and the numbers if you want 10100 has gone up to 12600.

Akhil Parekh: That is for IML.

J. Laxman Rao: That is for IML, yes, non-IML has come down from 9200 to 8900.

Akhil Parekh: Sir sales wise?

J. Laxman Rao: And the sale value you mean?

Akhil Parekh: Yes value wise.

J. Laxman Rao: Sales value wise, the IML sales last year was 195 Crores become 248 Crores.

Akhil Parekh: Sorry 195 gone to 200…

J. Laxman Rao: 195 gone up to 248.

Akhil Parekh: That is for IML sales, out of 395 Crores. Sir and our EBITDA per kg, if I look at it for the quarter has gone down to 31.75. Is it mainly because the edible oil segment because last time I remember like edible oil is slightly less margin accretive as compared to other FMCG product and is that the reason why EBITDA per kg is a bit down for the quarter?

J. Laxman Rao: Not EBITDA has come down actually in fact EBITDA per kg has gone up in the overall full year and for the Q4 to Q4 it is just 33% has come 34% actually. So it has gone up more in Q4 overall year it has gone up from 33.4% to 33.9%. So I do not see any way the EBITDA coming down. You are looking EBITDA as a percentage then it is a wrong thing to see.

Akhil Parekh: No based on the volume data which you have provided last year?

J. Laxman Rao: I understand is that the food and FMCG sales value has gone up by 40%, but the volume growth is somewhere around 57% that is basically edible oil contribution much less than the smaller packs like M2K and curd and ice cream cups.

Akhil Parekh: We are relatively less margin accretive as compared to food.

J. Laxman Rao: That is right. Relatively less compared to food and FMCG, but better than the paint and lubes.

Akhil Parekh: Sir one last question, if I may squeeze in. RAK you had mentioned last time that we are expecting around 2, 2.5 Crores of winding down for some exceptional items almost 11-odd Crores. Can you just provide why the number are in credit?

J. Laxman Rao: Sorry I did not get you.

Akhil Parekh: The RAK, you said, the only loss is because since the most of the space and everything is on a lease basis you had mentioned that the losses we might incur at RAK would be around Rs.2, Rs.2.5 Crores, but in exceptional item I see almost Rs.11 Crores. So could you please explain why this?

J. Laxman Rao: No, you took me wrong. 2.5 Crores to 3 Crores was the loss per annum. So last 3.5 years if you notice the consolidated numbers which we have been publishing the accumulated losses itself have come to more than 10 Crores. So in this 11.5 we have not only written-off current year loss, but we have written-off the entire loss for the 3.5 to 4 years.

Akhil Parekh: Okay, got it Sir. If I have question I will get back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Madhuri Thakare from Tamohara Investment. The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: Sir what is the tonnage growth that we are expecting to see in the current financial year?

J. Laxman Rao: We are anywhere between 15% and 20% would be the tonnage volume growth we are expecting to see.

Ashish Kacholia: And value growth would be similar or it could be a little higher?

J. Laxman Rao: Little higher because basically the raw material is on the upward trend, last year the raw material average was 87 this year ending 2019 March it was 94.6. So the raw material has gone up by almost Rs.6, Rs.7, currently the raw material prices change at around 95 but if the prices go up in the next few months then the number might be better more than 20% to topline growth would look like more than 20%, but we always follow the volume growth. So volume growth last year was 8.7% and we anticipate it should be in the region of 15% to 20% in this current financial year.

Ashish Kacholia: And the year after this Sir, this financial year 2021 also what is the kind of volume growth that we have to see?

J. Laxman Rao: Actually next three years we are anticipating the volume growth will be in the region of 15% to 20% because of two major reasons one is the Asian Paint plants which started would pickup volumes in the next financial year much better than this year and edible oil pack is doing pretty good numbers and those volumes are also shooting up. For example for last full year we did 22 Crores, 24 Crores including ghee 24 Crores as against that in the first two months of the financial year we done more than 8 Crores turnover. So looking at that we may hit 50 to 55 Crores topline in edible oil from 22 Crores and we anticipate that to shoot up to 90 to 100 Crores in the financial year 2021. So that and the Asian Paints two plants apart from that ice creams and the ghee retail packs which are picking up right things were hardly 2, .2.5 Crores last year is now 10.2 Crores. So almost five times growth but I do not expect it to grow that way next year probably from 10 Crores we can expect 18 to 20 Crores next financial year and ghee retail pack which we just launched in this year has done hardly a Crores in the last financial year hopefully that will pick up to 5 and maybe 15 Crores in the next two, three years. So we always have couple of fast runners who will be picking up phase and couple of solid sale coming from plant like Asian Paint plants so all together we foresee the next three years we should be in the region of 15% to 20% volume growth.

Ashish Kacholia: Are you seeing any kind of a technological threat to our product where we are kind of disrupting other suppliers are you seeing any potential threat for our kind of technology in mold labeling.

J. Laxman Rao: No in mold labeling as such is the only technology which is at the top of the ring, rung at the anywhere in the world. So as of now to my knowledge because we keep visiting

Chinaplas, we visit K Fairs in Europe, we do not see any new technology that has come in place of IML as of now.

Ashish Kacholia: Are we evaluating any further technologies in terms of expanding our product portfolio beyond IML or we are happy with what we have at the current product line?

J. Laxman Rao: No, currently we have no choice but to our hands are really full with this kind of a growth anticipating around 20% CAGR for next three years, plants are busy and people are getting busier and IML as such has a long way to go in food and FMCG. So I think we want to focus on that unless we see anything new coming in we are already there, we always there we are also in talks with Swiggy and Zomato for tamper proof containers for them so they are at initial stages some trials and sampling is going on but at this stage I am not counting on them but for future they will be also can be major players.

Ashish Kacholia: And do we are we seeing that EBITDA per kilo will go up or will kind of stay where we are at this point of time?

J. Laxman Rao: Actually last year also I thought I will be happy if it remains somewhere around 33.5, 33.6 but we hit almost 34 that is 33.9 and going forward probably it will be in the region of 34 to 34.5 if all our expectations happen and the volume growth happens close to FY2020 there is no reason why it should not hit 34.5.

Ashish Kacholia: And can we pass on any raw material price hikes to our customers?

J. Laxman Rao: That is a standard practice, we always pass on and either way upwards or downwards so that practice continues.

Ashish Kacholia: So our aim is to hitting our EBITDA margin at Rs.34 per kilo?

J. Laxman Rao: Yes, Rs.34 to Rs.35 is the target so probably Rs.34.5 can be a good estimate.

Moderator: The line for the participant got disconnected. We move to the next participant. The next question is from the line of Madhuri from Tamohara Investment. Please go ahead.

Sanjay: What is the check the 18 clients what kind of volume that we are expecting and I believe all will be IML? So what kind of IML and non-IML contribution for the share is going to change in future?

J. Laxman Rao: As you see the volume of IML in tonnes has gone up from 52% last year to 59% and going forward it might reach even 60%, 65% but it may not grow rapidly because our product range is now getting more and more into FMCG so that will be added. But Asian Paints has not shifted will continue to be around 25% of our sales. So the number growth of overall IML and as against non-IML might stagnant somewhere around 70% in future unless Asian Paint takes a call to change.

Sanjay: And the new capex that we have now to a cent we get for the Hyderabad and land acquisition that we are talked about could you please throw some light on that?

J. Laxman Rao: Yes, so this land acquisition is basically this is a land developed by the Telengana Government about very close to our existing plants and this industrial estate is very close to the ORR which is the growth driver for the twin city so our land bank in Hyderabad is exhausted more or less, we have utilized this entire space available so for any growth that come in Hyderabad we need to have good land parcel that is why we have picked up this 4.5 acres of land offered by Telengana Government that is basically a reserve where we wish to keep the future growth.

Sanjay: Thank you Sir. That is it.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir joined a bit late, if you could give out the volume of IML for the full year and non-IML and what is the capacity utilization?

J. Laxman Rao: Yes, full year it was 59% as against 52% last year that is IML and IML food so non-IML is obviously down from 48% and 41%.

Pritesh Chheda: This is the mix right.

J. Laxman Rao: This is the mix.

Pritesh Chheda: And what is the volume sold in IML and non-IML and the capacity utilization of the plant?

J. Laxman Rao: Yes, volume sold is around 12600 tonnes in IML, 8900 tonnes in non-IML and the total overall sales are 21540 so that is close to 75% of the installed capacity in India.

Pritesh Chheda: 21000 tonnes, 21540 is equal to 75%.

J. Laxman Rao: Close to that yes, because you have to take the average capacity at the beginning and end of the year.

Pritesh Chheda: And this IML 12600 was against 10000 last year right?

J. Laxman Rao: IML last year was 10100 yes.

Pritesh Chheda: And the 8900 was against 8100 last year?

J. Laxman Rao: 8900 is against 9200 last year.

Pritesh Chheda: Sir you mentioned that Asian Paints capacity will come and that will lead to some extra growth so that Asian Paints capacity will again be for lubes right or will it be for IML?

J. Laxman Rao: Asian Paints…

Pritesh Chheda: Asian Paint lubes right.

J. Laxman Rao: Not lubes paints only.

Pritesh Chheda: Sorry paint containers.

J. Laxman Rao: Yes.

Pritesh Chheda: The Rs.33 per kg EBITDA which you mentioned out that EBITDA is for IML?

J. Laxman Rao: No, it is a combination it is an overall company EBITDA.

Pritesh Chheda: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Shaily Parekh from PL India. Please go ahead.

Shaily Parekh: Sir I know you have given us the data for the full year but I would still request you to be now callout the data for 4Q please. I mean we can start with the value wise breakup for IML, non-IML then the volume and then we can also break it up between paints lubes and food for me please?

J. Laxman Rao: Yes, in terms of IML tonnage wise in the Q4 has gone up to 64.5% as against 56% last year, 56.5%. So from 56.5 the IML sales in tonnes has gone up to 64.5 in Q4 and in value wise it was 51.7 has now become 69%.

Shaily Parekh: Sir I know RAK is not of any consequence now but I still like to know what the volumes were in Q4 for RAK?

J. Laxman Rao: We did fourth quarter 153 tonnes?

Shaily Parekh: And domestic?

J. Laxman Rao: Yes, you asked RAK. RAK is not included in these numbers what I spoke to you, that 153 tonnes is a different quantity altogether which has been the production in RAK in the last quarter that is January to March.

Shaily Parekh: No and in India what was the production at our Indian plants?

J. Laxman Rao: The sales in India plant is 5608 tonnes as against 5191 tonnes last year in Q4 I am talking Q4.

Shaily Parekh: 5191 what Sir can you repeat?

J. Laxman Rao: 5191 has become 5608, 8% growth.

Shaily Parekh: I got that and can you also breakup this volume across paints, lubes and food for me?

J. Laxman Rao: The tonnage wise 49% paint, 29.5% lube, 21.5% food and FMCG and coming to value wise 46% paint, 27% lube and 27% food. So more or less lube and food have become almost equal in value terms.

Shaily Parekh: So a lot gets spoken about food and FMCG and paints, I just like to know where are we placed in the lube segment can you please throw some color there and tell us what is happening there?

J. Laxman Rao: See even in lube if you notice for the full year of course you did not ask the question, the full year I will also give you the growth of three sectors, paint has gone up by 9.41% in value but just take the tonnage paint has gone up by 5%, lube is up by about 7% and food and FMCG up by 57%. So overall rise is only 11.53%, but because this food and FMCG were much less in number even 57% rise is not impacting the overall growth but I am glad that all three sectors have grown paint has grown 5%, lube by 7% and food and FMCG by 57%.

Shaily Parekh: No, and but then going forward what kind?

J. Laxman Rao: In tonnage.

Shaily Parekh: Yes in tonnage I got that but going forward what kind of growth can we look at in the lube segment?

J. Laxman Rao: See lubes and paints I will be very happy if we can do a big single digit growth. So 7% to 8% is an excellent growth actually I am very happy to see that the lubes have grown 7% it is basically because not that individual numbers are increasing but more and more people are turning to IML and when they come to IML they find Mold-Tek is a major our one option so that is where the lube growth is coming and the paint growth is basically coming from thanks to Asian Paints adding us as a new supplier in Mysore and Vizag so otherwise paint industry as you know has not done very well in this year. So 5% growth is just averaging whatever is the paint industry growth I guess but going forward that growth will be good because of this two plants will start adding numbers for us whether the paint industry does well or not we will have initial numbers coming from these two plants.

Shaily Parekh: Alright and Sir on capex front, what kind of a spend I do not think we had have any capex happening in this year, but in terms of maintenance capex which we just wish to share?

J. Laxman Rao: I do not think we will just a maintenance capex there will be considerable capex but not to the extent of 80 Crores what we spent in the year 2018-2019. This is the additions to the future assets probably around 70 Crores is the money pumped in because some money was paid earlier year so overall almost 70 Crores has been pumped in, in the year 2018-2019 but that does not mean 2019-2020 it will be a zero because as I already told you in Hyderabad plant we have to add a land valued around 5 Crores and there will be continuous addition of molds and machines there because of the new FMCG orders we are pursuing so probably about Hyderabad unit will be needing about 10 Crores to 12 Crores of investment and our Daman unit is now filled with the RAK machinery so there we are contemplating to add additional space and similarly at Mysore unit also we are shifting part of M2K so we need an initial investment of space there so all put together, I anticipate that investments of around 20 Crores to 25 Crores would be made in the year 2019-2020 and one more opportunity for a plant in north is about to be finalize. It is not a big opportunity. It is basically to reduce the transport cost and be closer to the client to increase our volumes we are planning a unit near Kanpur if that happens another 5 to 6 Crores initial small plant in a leased premises we are anticipating. So at the most the year's additions of capital, capital additions could be in the tune of 20 to 30 Crores depending upon the north plant.

Shaily Parekh: And since you mentioned that north plant what kind of tonnage what kind of a capacity would that be?

J. Laxman Rao: It will be starting with a very small 1500 tonnes capacity but if the edible oil ramp up is more coming from the north probably we may add couple of machines for edible oil which could make the tonnage again back to around 2500 to 3000 but initial plant what we have in mind is hardly around 1200 to 1500 tonnes.

Shaily Parekh: This plant is essentially going to be for what suppose to be for paints or is this going to be an edible oil plant completely?

J. Laxman Rao: It is going to be to start with for paints we have Nerolac and Berger and we might add machines for edible oil also.

Shaily Parekh: And if this happens when should this happen?

J. Laxman Rao: It has to happen in this October November.

Shaily Parekh: Okay this year itself. And my last question would be sir this capex how do you look, how you are going to fund it, is this you intent to borrow more money?

J. Laxman Rao: As you know for the figures like 20 Crores to 30 Crores our internal generations are more than adequate even net of dividend outflow will have enough generation in the current year so I do not foresee any increase in debt either on long-term or short-term. Short-term there could be little because of the increasing sales volume our working capital needs may go up but in terms of term loans, we do not foresee any need actually there could be net positive cash flows if the investment is limited to 20 Crores because we anticipate next year inflows will be in the tune of 60 Crores plus for the including depreciation so even we consider 14, 15 Crores for dividend we still have around 40 Crores available for investments are reducing the working capital debt. So I foresee it will be more or less neutral.

Shaily Parekh: Thank you so much Sir. That is all from my side and all the very best for the coming year.

Moderator: Thank you. The next question is from the line of Archana Gode from IDBI Capital. Please go ahead.

Archana Gode: Thank you so much for the opportunity. Most of my questions have been answered. Sir like which new clients we added in Q4 in FMCG?

J. Laxman Rao: Hindustan Unilever's for their yogurt cups is the major client we have contributed almost 3 Crores in one quarter itself so they will be almost 40 Crores clients for our next year and we also added Walcro which is again a ice cream company and some couple of companies like Creambell, but another major addition in ice cream is Hatsun that is Arun Ice Cream, which have added numbers and in the edible oil sector every quarter we are adding about ten clients so I do not remember the names but one of the big names is Goyal Agro or Goyal Oils in Rajasthan that is added in the last four months and Gulab in Ahmedabad these two are major names added but there are another seven, eight small names added during the last quarter in edible oil.

Archana Gode: Sir earlier when you spoke about like you are very positive on the pharma sector like you are think that I remember that you are in talk with some of companies. Any update on that?

J. Laxman Rao: No, on the pharma company there were some thoughts we had but they did not come forward because they were still considering pet bottles so that is still on hold. One item what I thought at the time though is a pharma company they were talking about protein granules so that we are now getting small breakthrough from Mondelez for their protein product so that will be a small opportunity about 1 to 1.5 Crores sales per annum but that will be starting from August so the major one which we anticipated they have not decided to shift they are still with blow molded containers.

Archana Gode: In Mondelez we saw dip in this year so how you look at FY2020 Sir?

J. Laxman Rao: See the dip I explained is basically not volume dip they have shifted from a bigger container to smaller container from last October onwards so last six months the sale has come down the value of the sales, but the volumes also have dropped by about 10% but the overall reduction looks like more than 20% I would say the remaining 10% is due to the value reduction because the bigger container let us say cost Rs.5 the smaller one cost Rs.4 so that is why the value wise the sale has come down.

Archana Gode: Sure, but so sir FY2020 do we expect that volume to go up and since value will be still lesser but because you have higher volume that should compensate?

J. Laxman Rao: Actually that is what is the plan and in fact they asked us to enhance the capacity last October so we enhanced the capacity by more than 50% but in the last four, five months the volumes are still at the same level and I do not blame them because the summer is very negative for chocolate sale. So hopefully from July onwards we may see the trend reversing and the numbers would catch up, but we are not counting on a major growth from 25 Crores we are just taking 26, 27 for the next financial year.

Archana Gode: Sure Sir. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Systematix Group. Please go ahead.

Naushad Chaudhary: Hi, thanks for the opportunity. First question on our F&F division, just wanted to understand if you can share the margin profile of this business how much you will look in F&F?

Laxman Rao: See I cannot diverge the sector wise profitability, but I can certainly say it is much higher than paint and lubes.

Naushad Chaudhary: Can you talk about your rate terms in this division how much credit to our clients in F&F segment.

J. Laxman Rao: Credit period only for Cadbury is long because they have a certain way of functioning, but generally it is around 60 days and some of the new clients like edible oil and ghee we insist on advanced payment also. So off late slowly we are in a position to pull some advances from some of these new clients.

Naushad Chaudhary: So on a blend level the payment cycle of division would be higher than the overall business right?

J. Laxman Rao: Actually credit cycle has come down this year thanks to some of them coming into advances, actually it was 67 days it has come down close to 47, 48 days. There is a considerable drop in the credit cycle because the edible oil pack we are taking 100% advance.

Naushad Chaudhary: That is you are saying 67% is on a company level?

J. Laxman Rao: 67 days has come down to 48 days.

Naushad Chaudhary: Your inventory has also improved a bit 17 days reduction in inventory any specific reason if you can elaborate that?

J. Laxman Rao: Yes, last year if you recall there was a pressure from Reliance to buy huge quantity of raw material in the month of March so that spiked up our stocks very high and now there was no such pressure and because of decent growth of around 10% in volume growth we could consume the committed quantities so we could control our inventories reasonably and going forward also this trend will continue.

Naushad Chaudhary: You see further scope for improvement from here on?

J. Laxman Rao: Yes, it will at least stay here or it might improve marginally.

Naushad Chaudhary: In our 4Q P&L was there any cost due to this Vizag and Mysore plant?

J. Laxman Rao: Obviously there will be cost because they have been inaugurated in the month of February and March the expenditure of February and March have been taken in the revenue side. So there was some expenditure without any addition to the sales during those two months that might have dipped the profits a little bit and also because you ask me I am just giving more detail RAK LC charges of 26 lakhs also we have observed in the fourth quarter similarly in MES that is export incentive which was claimed by the sales to the subsidiary were denied by the government because within the subsidiary I believe they were not allowed so that is another 20 lakhs we have taken a hit so around 46 lakhs profits were reduced in the fourth quarter due to these two reasons, apart from that the cost of whatever employees and trial runs at both the units in Vizag and Mysore during February and March have been also taken into the P&L.

Naushad Chaudhary: Can you quantify that amount also Sir?

J. Laxman Rao: Yes, maybe you can take it around 15 lakhs for both put together.

Naushad Chaudhary: Would you like to comment anything on the margin side Sir, do you see as your F&F share we have guided 200 Crores in two, three years, how do you see your margins shaping up in next two three years Sir?

J. Laxman Rao: See while the volume of food and FMCG is going up the sale of paint containers also will go up parallelly, actually next year we are anticipating growth in food and FMCG to be let us say from 85 Crores we hit around 125 Crores, 130 Crores, the paint also will go up by another 50, 60 Crores. So by that the number as a percentage it may not look gone up but it is going to go up from 21% to 25%, 27%. So as a percentage once it goes beyond 30% you will see certainly a big jump in the EBITDA margins so currently it is Rs.34.9 I am aiming at 34.5 next year and probably it may cross 35 in the years and the following years.

Naushad Chaudhary: Lastly the correction on the capacity number as of now excluding Vizag and Mysore we have around 30000 tonnage capacity right?

J. Laxman Rao: 28000.

Naushad Chaudhary: That is including Hyderabad?

J. Laxman Rao: If you bring RAK back into India that is going to be 31 plus 6000 at Mysore and Vizag will make it 37000, overall capacity as let us say by next month because RAK machines are coming in batches, the last batch arrived only now, so it will be put into production by July. So from second quarter onwards we will have 37000 tonnes capacity available in India.

Naushad Chaudhary: Okay. That is it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Kawalpreet Singh from Ambit Capital. Please go ahead.

Kawalpreet Singh: Thank you Sir for the opportunity. Sir this land which has been purchased in Hyderabad any sense on what kind of capacity can be established on this process?

J. Laxman Rao: See it is as big as our Unit I which has 11000 tonnes capacity so going forward up to another say 11000 to 12000 tonnes capacity space can be created there.

Kawalpreet Singh: Sir can you give me a sense on the tax rate because I see compared to last year the tax rate so any sense on the rate going ahead?

J. Laxman Rao: Tax rate there are two reasons because of Ind-AS last year it was excess provision and this year because of the investments at Vizag we got some advantage in taxation the depreciation will be allowed only in Vizag not in Mysore.

Kawalpreet Singh: Okay, Sir so what would be the normal rate going ahead?

J. Laxman Rao: Normal rate will be 33.5 or whatever is the full tax 34.5 I guess.

Kawalpreet Singh: So Sir no sales were recorded in this quarter for Mysore and Vizag?

J. Laxman Rao: No, Mysore nominal numbers were recorded somewhere around a crore of rupees, but in Vizag we did not.

Kawalpreet Singh: Sir there was also a news report of fire incident at Vizag so any delay in production because of that?

J. Laxman Rao: Yes, disrupted just a week or 10 days so they are back in track and we are already started supplies from end of April and in the month of May we are making reasonable supplies. So their plant is fully back on track now.

Kawalpreet Singh: Okay Sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Bobby Jayaram from Falcon Investment. Please go ahead.

Bobby Jayaram: What is the Form F contracts you have with your customers is that an early offtake or is that quarterly?

J. Laxman Rao: See generally we receive volume indications for the full year, but we receive call ups on a monthly basis so there is no huge long-term orders other than Cadbury's, in the case of Cadbury we have a three year contract, but other than that all the other contracts are open contracts there is nothing like signs for next five years or 10 years. With Bharat Shell we had a five-year contract I think that is closing by next year, but they are planning to extend it. So majority of our orders are monthly in nature, but the indications of the annual were given to us by each and every client, but in the case of Asian Paint plant where we have a commitment to obviously setting up for their exclusive supplies to them, I saw the exclusive supply to make sure that they get supplies in time and we are close to them they give an assurance of volume that is again annual number, which will be plus or minus 10%, 15% so as a commitment or a long-term agreement we have only couple of clients it is a long-term in nature, but short-term in indications. One of the things are tied in with us is the molds some of the products we have molds made exclusively for the clients especially in food and FMCG where we are indirectly bound because the mold is with us, mold is running with us, so they do not tend to take away those orders. So other than that for paint and lubricants it is more of a regular supplies and indicative volumes there are no long-term agreements.

Bobby Jayaram: So for edible oil what gives you the confidence in growth if you do not have committed?

J. Laxman Rao: Again edible oil it is a trend that we have set in, we are replacing the age old tins and also blow molded cans with our attractive IML packs and these packs are now catching up in the market and the market demand nobody can stop because if the dealers and distributors only want our products their manufacturers have to procure them and there will be competition coming in, but there is nobody with a proven IML technology of that size of containers, and we touches only the tip of the iceberg, hardly a couple of states like Gujarat and Madhya Pradesh, a little bit of Maharashtra manufacturers have shifted to our containers and now we are getting into UP and Rajasthan we have to have enquiries from Punjab and Bihar and Chhattisgarh so UP and Rajasthan we started supplies in the month of May and going forward we see that many more clients can be added to the list and that is why we are confident our numbers will more than double next year.

Bobby Jayaram: Do not the client mind having a single supplier?

J. Laxman Rao: They do not mind single supplier in the sense because they are not going to shift their entire tins into our plastic cans it is hardly 5% to 10% of their requirement as I said before the entire edible tin packaging itself is more than 1000 to 1200 Crores per annum segment, so what we are trying to tap is 10% of it or maybe 5%, 6% also.

Bobby Jayaram: But there is a potential for it to go higher if it really takes off, and what are you saying was that you are saying like 10% of the edible oil is with IML right now so is there a potential of that percentage to go up?

J. Laxman Rao: Yes, we are around 5% to 6% is what we are projecting for next year we hardly had 2% of the edible oil sales that are possible in the country that is for the tin containers the demand is to the tune of 1200 Crores so we did around 24 Crores this year that is about 2% hopefully next year we will be able to penetrate 5% to 6%. So we are aiming at around 50 to 60 Crores sales coming from that and that contributes in our sales turnover if you are asking it is hardly around 5%, 5.5%.

Bobby Jayaram: Right and what is the cost difference between tin and the liner?

J. Laxman Rao: Yes it is considerable it is more than Rs.20, Rs.20, Rs.25, a good tin with the protective liners would cost somewhere around Rs.90 our cost is in the region of 110.

Bobby Jayaram: And sir it is primarily the cost issue that keep from stretching fully to IML if there is anything else?

J. Laxman Rao: Only the cost that is the major issue because the pack is very attractive, the pack is better than tin it has no contamination, it looks better on the modern trade and it gives after use benefit to the end-user, so all things are very positive for this pack, but for the cost and some of the buyers who are typically business to business like kind of sweet shops and others for them the cost matters a lot so even Rs.20 they would say rather than buying a trendy container. So if we can shift at least 20%, 25% of the overall demand we will be more than happy in the next four, five years.

Bobby Jayaram: Have your cost has been coming down gradually like in the auto component industry certainly have to bring down your cost is that what you are striving towards?

J. Laxman Rao: Actually the cost reduction we could pass on only on the transportation so that is why our machines that have come back from RAK we set them up in Daman because Daman is closer to the markets in Madhya Pradesh and Gujarat and we are also planning to set up a plant in the North zone, which is primarily for paint industry to start with, but it will also eventually add edible oil production. So the transport cost is one thing we can save in the long run. So coming to the pricing of other than volume business in spite of increase in volumes the reduction, which is possible maybe marginal it is not like in automobile industry.

Bobby Jayaram: Thank you very much.

Moderator: Thank you. Due to time constraint we will take the last question from the line of Ankit Gor from Systematix. Please go ahead.

Ankit Gor: Sir my question is more to understand about Asian Paints plants considering we are doing 3000 tonnes in this year in Rs.180 per kg sort of realization we are expecting around 54, 55 Crores of revenue and 10 Crores of EBITDA if I take Rs.32 per kg sort of number so is it fair to assume that this Asian Paints new plant Vizag and Mysore will have EBITDA per kg of 32 or lower than that?

J. Laxman Rao: Yes, probably 30, 32 is a fair estimate.

Ankit Gor: So I will have 10 Crores EBITDA will get added because of this if I take 32 numbers in FY2020 itself and this number can go up to 16 Crores on EBITDA if I take 5000 tonnes sort of the production is it fair to assume that way on EBITDA I am just kind of adding up to EBITDA what sort of addition can be done because of this?

J. Laxman Rao: Yes you are fairly correct maybe 30 is a decent number do not take more than 30 because the paint industry the pricing is not as good as in food and FMCG, so, in two years time we will hit around 5000 tonnes because the capacity they wanted next year is 8000 tonnes so even we put in 8000 and 60% utilization it could be 4500 to 5000 tonnes for next year and at around Rs.30 it should add at least 14 to 15 Crores to the EBITDA.

Ankit Gor: And my next question with regards to again Asian Paints plant in light of consumer slowdown kind of across the consumer product have we seen any intimation from these Asian Paints in kind of reducing offtakes probably?

J. Laxman Rao: No, Asian Paints is growing as far as we are concerned Asian Paints has increased its percentage of sales of our product in fact it gone up from 20 point for full year from 88 Crores it has become 101 Crores that is almost 13%, 14% growth.

Ankit Gor: Sorry to interrupt you sir, what is this 88 to 101 Crores?

J. Laxman Rao: That is sale to Asian Paints.

Ankit Gor: Okay your sales okay sorry, yes please go ahead sir thanks.

J. Laxman Rao: Our sales to Asian Paints. So that shows that they are buying more and more from us and this is with a very little contribution from Mysore in the last two months of the year so otherwise also it is a healthy 12% increase because our plant in Satara and Hyderabad is also providing services to them for last so many years so we got a green channel clearance from them, we are the only company among their five, six suppliers who has got a green channel supplier status that means our products would not be quality checked they will directly go into line filling. So obviously our share of business will go up as our rating is higher, so going forward if we can maintain that in Mysore and Vizag we can continue to grow with them.

Ankit Gor: Just trying to understand more on edible oil side of it to what is so different this time around vis-à-vis three years before, two years before when we started edible oil and it did not succeed that time so what is, is it cost has kind of favoring the customer now or the inventory on the ground has cleared so we can push more edible oil now at a distributor level what is so different and you are guiding some big numbers there as well?

J. Laxman Rao: Yes it is basically the entire change in the concept and the design we have brought down the ice we have increased the cap strength, improved the camper evidence and container now is in a position to withstand the transportation prevails in India and able to stay non-leak and the adulteration roofing feature has been further strengthened, so majority of the oil companies have now realized are more and more FSIC stringent rules are coming on them to maintain hygiene and not to reuse tins and the modern trade increase in the last three years has driven these companies to adopt our sales and today I am sure there is improved design parameters, there are absolutely no compliance of leakage or damages during transportation, but whereas in the three-year-old model there used to be a lot of compliance and they have to take extreme care to prevent leakages so that improved product design and improved features is what made the difference.

Ankit Gor: So cost was never an issue in that case?

J. Laxman Rao: Cost was the delta remain same when we introduced the raw material was little less for a while so the delta was maybe around Rs.15 today the delta is Rs.20, so it is not the really killer the concept of leak proof and adulteration what we made in our first design was not perfect so last two years ago when we started with a new design things started picking up and couple of clients have taken small lots and who are now become big clients for us and seeing them in the market and demand from the other distributors has gone up and then it is now kind of a rollercoaster, everybody in Madhya Pradesh and Gujarat have now want to take out price, but as I said it is not to replace their entire tin requirements, it is going to be for their modern trade and for the upper class segment of the clients.

Ankit Gor: When you see Sir this Saffola and all top end brand, which we always see on modern retail will able to adopt our containers so more and more people can see this?

J. Laxman Rao: See to tell you very frankly I had two different experiences, in the paint industry Asian Paints and Nerolac are the people to take the imitative when they shifted from tins or drums to plastics whereas when we started edible oils the small and medium size companies are showing more aggressive posture to shift to this modern containers than the biggies, only Emami is the one big client who have started trying our 5 liter pack and now their second lot is under testing and if that succeeds probably they would be our first big client. This big other clients Ruchi is also considering they are talking about introducing something in this festival season hopefully that will be adding more credentials to us. Cargill is also considering but they are not really come out with any proposal so far. I would be looking forward to Emami and Ruchi to introduce these packs, once they add their credentials it can further pickup in the market.

Ankit Gor: What would be the difference between scrap price of the tin for example 15 liter and this the injection molded what would be the difference in scrap price would you have any idea on that Sir?

J. Laxman Rao: Scrap price for a consumer probably tin you will get nothing or you may get few rupees, but if we can find the real scrap buyer our container you can easily sell at around Rs.20, Rs.25 so whatever Rs.20 is selling is spending more in buying the edible oil in case the oil companies are taking back that money you would get it in the scrap value, but if we can use it as a container or a bucket at home it is more than Rs.100 value for it.

Ankit Gor: Yes absolutely, Sir my last question with regards to again IML overall IML if you see when we say IML is 60% we actually include HTL as well in it right?

J. Laxman Rao: Yes.

Ankit Gor: So if we further beg this down actual IML in HTL and screen-printing what could be that breakup sir?

J. Laxman Rao: See the complete food that is 21% is the 100% IML and what are all we moved in paint and in lubes is IML only in the paint we have HTL so it is a tune of around 15%, 20%, 20% will be HTL you can say and 40% will be IML out of the 60%.

Ankit Gor: Okay and sir lastly if I may squeeze there what gives us so much confidence on F&F now if we see now kind of a turnover we did and we are actually eyeing for 125 Crores in FY2020 and 200 Crores in FY2022 is it just the demand in overall FMCG space offers a huge opportunity is that the reason or something else is there, which gives us the confidence there?

J. Laxman Rao: No, we have been growing at around 30% to 40% in food and FMCG last year from 61 Crores we hit 85 that is 40% growth and this year again we are anticipating 40% to 50% growth thanks to edible oil and also ice creams and ghee packs, which are picked up. From ice cream sales we have 2 Crores last year is now 10.2 Crores I do not expect that to go to 50 Crores next year, but it will certainly go to 15, 16 Crores next year so going forward we have couple of projects also on hand not as big as M2K that is Cadbury but a smaller projects which are adding to our numbers so with this generic packs like ghee and edible oil and ice creams we are adding specific packs also. So going forward maintaining a 35% to 40% growth in that segment on 85 to 125 and maybe 125 to 160, 170 and then more than 200 Crores in the next three years is possible. FMCG is a huge segment, huge area and we are capping only the curds and ice creams and little bit of ghee and lot many more products can also be used in IML containers, shifted.

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

Moderator: Thank you. Due to time constraint I will now hand the conference to the management for closing comments.

J. Laxman Rao: Thank you all for being interested in our company and participating in this conference. I thank Nirmal Bang for organizing this and for the coordinators as well. Thank you very much and you all have a good day. Bye.

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