Date: 11th May, 2022

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, Sandra Kurla Complex,** **Bandra (E).** **Mumbai-400051.** **Ref: MOLDTKPAC - EQ**

Sub: Outcome of Investors Conference Call held on 9th May, 2022 (Regulation 30 of SEBI (LODR) Regulations, 2015).

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 9th May, 2022.

Kindly take the above information on record.

Yours faithfully,
For Mold-Tek Packaging Limited

Mold-Tek Packaging Limited Hyderabad

Thakur Vishal Singh
Company Secretary

Corporate Office :
Plot # 700, Road No. 36, Jubilee Hills, Hyderabad - 500 033, Telangana, INDIA.
Phone : +91-40-40300300, Fax : +91-40-40300328, E-mai l: ir@moldtekindia.com
Website : www.moldtekgroup.com CIN No: L21022TG1997PLC026542

"Mold-Tek Packaging Limited
Q4 FY2022 Earnings Conference Call"

May 09, 2022

ANALYST: **MR. ABHISHEK NAVALGUND – NIRMAL BANG INSTITUTIONAL EQUITIES PRIVATE LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited Q4 FY2022 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you Sir!

Abhishek Navalgund: Thanks Nirav. Hello everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to Q4 FY2022 earnings call of Mold-Tek Packaging Limited. We have with us Mr. Laxman Rao, the Chairman and Managing Director of the company along with the entire finance team at Mold-Tek. Without further ado, I would request Laxman Rao, Sir to start with the opening comments post which we can open the floor for question and answers. Thank you and over to you, Sir!

Laxman Rao: Good afternoon everybody. Thanks for your patience. I am glad to inform you that in spite of severe inflammatory situation in raw material pricing, the company could maintain or rather improve the EBITDA margins during the current financial year ending March 2022, just concluded year and our overall revenue growth has been 31.85% over the last year and PAT is up by 32.4%, but the exact volume growth is only 11%, so with 11% volume growth, we could maintain a PAT growth of 32.4%. the EBITDA per kg has also shot up from somewhere around 31.7 to 41.78 or something, so almost Rs.5 increase in the EBITDA per kg was achieved during the year due to increase sale in our foods and FMCG products. Coming to the segment wise growth, in the paint and lubricants, we have seen reasonable growth in the revenues, but in the volume terms they are still 11% to 13% growth.

In the food and FMCG, in the edible oil sector where it was impacted in the first two quarters of the year, we had a de-growth of 25% though in the fourth quarter there is handsome growth of almost 60%, overall year still registered a negative 24% in Q-pack that is edible oil pack excluding that in the thin wall section that is food and FMCG we have a handsome growth of 40%. This is the most positive aspect of the current year's performance apart from my good 13% growth in paint industry volumes. This is where our EBITDA margins are much higher and that has what resulted into a sizable increase in the EBITDA margins per kg.

The raw material price have shot up more than Rs.30, it is 28% to be precise from Rs.93 for the full year to Rs.120, so this is almost like 30% increase in the raw material price that we could pass on successfully to the consumers. Before you ask this question, I want to also convey to you, in the current Q4 consistently the price have raised in January, February, and again in March twice taking up the price by almost Rs.17 to Rs.18 in the last quarter and because we generally have the one month lag or sometimes one-quarter lag in pricing that means whatever is the pricing of January is applicable in February, February in March and similarly March and April, so whatever price hike in March, we could not pass on till April, so to that affect the profitability is reduced in the Q4. In spite of that we ended up with a 4% to 5% growth in the top and bottom lines in terms of volumes.

In terms of revenues, it is 11% to 12% in the Q4, 10.7%, but actually volumes if you consider it is around 5%, similarly the bottom line growth is also about 5%, so the prices have started falling from April 1, 2022 reasonably, not great extent, but up to around Rs.8 to Rs.10 per kg they have come down, so those benefits of March pricing will be now applicable in April and similarly April in May, so when the down trend there will be a beneficial accrual to the company's P&L. So having said this and also I want to just give a hint of April, April were grown at around 20% on volumes, 18.9% to be precise and in the food and FMCG also we have noticed around 30% rise and the prospects of ice cream, restaurant, fast food sections are beyond our expectations, so things started on a very bright note for the next financial year that is the current financial year 2022-2023.

As I explained in the past, IBM project is moving as per schedule. The pilot will be ready sometime in July at our unit one and the Sultanpur unit will be starting sometime in October. The OTC products production will started in July-August, but pharma sample submission and stability test will take six months after the trial production, so pharma may not add any numbers in this current financial year, but OTC products will add and another good news is, we have now commitment from US and GSK to develop some products for their new packaging products, already molds are under way for one of them and the other two molds are just initiated. These products put together would be adding around 25 Crores to 30 Crores to the top line in the current financial year and in a full year, it will be in the region of 35 Crores to 40 Crores per annum, so this is a sizable addition in our food and FMCG for the current financial year and going forward.

So, with these trends that are positively happening for the company, I leave the floor open for questions and answers through which we can interact, back to convenor.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Laxman Rao, Sir, thank you very much for nice result, you have given overall growth in the year, I am looking this company since last six to seven year and find when we attended AGM, you display so many products in the AGM, but along with the result you never give investor presentation in which you may show what new product we have introduced by the company where we investor may benefit a lot, this is my request, if now onwards if you can post it will be nice and will help us. Secondly, debtors rises too much is on March 31, 2022, any specific reason behind it?

Laxman Rao: Sorry, what is the second question?

Ravi Naredi: Debtors rises too much?

Laxman Rao: Debtors?

Ravi Naredi: Yes. Debtors increase is too much, it was 90 Crores in March 31, 2021, it is raised to 143 Crores.

Laxman Rao: 19 Crores in last year March 31, 2021 and it has now become 143 Crores may be there is some typographical error?

Ravi Naredi: No, it is not error, 90 Crores to 143 Crores.

Laxman Rao: Oh, 90 Crores has become 143 Crores?

Ravi Naredi: Yes.

Laxman Rao: Basically the sales growth it you look that is almost 33%. So, obviously when the sale grow more rapidly towards the end as actually the billing value has increased by almost 35% to 36% compared to last February and March, so that is basically raw material prices have shot up making the debtors look ballooned, that is the major reason and of course there are a couple of reasons like Asian Paints and others have increased their credit period during the year that is another reason for increase in the debtor days. I am taking your advice of new products introduced in FY, I will ask my people to upgrade it in the website or send one separate presentation about it.

Ravi Naredi: Yes, it will help definitely. Sir, second my advice is there, you have given Rs.8 dividend this year and raising equity also, so why not you pay lesser dividend and the less equity you raised because on dividend you have to pay 20% TDS tax also, so this is my idea.

Laxman Rao: Now the dividend tax is in the hands of individuals, it is no more under the company, so whoever receives it, in fact if you are receiving Rs.8 this year it is less than Rs.7 that was given last year, effectively, I mean many of the investors will be incurring 20% to 30% tax bracket, so they will end up receiving only maybe effectively Rs.6 or so, whereas last year it was tax free and only 10% TDS is deducted as the norm.

Moderator: Thank you very much. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir, if you can share the fourth quarter volume numbers for the three segments, paints, lubes and food and FMCG?

Laxman Rao: Yes, the volume numbers of paint for the Q4 is 4676 tons, lube is 2140, food and FMCG is around 1580, overall it is around 8400 tons, paint is 55%, lubes is 25% and food and FMCG is 19% in the volume wise. In the sale value wise, paint is 52%, lube is 24% and food and FMCG also is 24%.

Kaushal Shah: Right and Sir, you have stated about likely 15% to 20% volume growth for the current year, so if you can throw some more light on that, which are the areas that you are expecting growth because for FY2022 in the past we were hopeful of 32000 volumes, but we have done a little less than 30000, so in the current year, if you can just share some more thoughts as to where you expect this growth to come from and on the margins also you mentioned that the February-March price increases will be passed in April, so before kg margins whether you will be able to maintain, whether you can increase this number from Rs.42, so some thoughts on that, Sir?

Laxman Rao: Certainly, see in the volume side I am confident because of two factors, hopefully one of the factor is the hope that there is no pandemic this year assuming that the pandemic is in the control at least like what we do today then the basic consumption of frozen food and readymade foods and ice creams will continue to grow, which is very evident in the months of April and May so far and we have now three new products cleared by top MNC for mold development and the one of them is getting ready in the month of June maybe let us say towards end of June and the other two will be in the second quarter that is somewhere in July-August, so these three projects and IGM OTC products have an ability to add about 5% to the top line around 20 Crores is what we are anticipating from the new products altogether and food and FMCG, which is now currently in volume side is around 19% of volumes would add at least 30% to 35% growth, so that means 6% to 7% growth will come from food and FMCG sector and in paints, lubricants, lubricants I do not generally expect major growth though this year we got surprisingly 11% growth, generally we will take 3% to 4% or 5% growth in lubricants. The paint industry again we have been given an indication by Asian Paints to ramp up our capacity at Mysore and Vizag and the indications are pretty strong, so those two plants increase if it happens as they promised from June-July that will be adding to another 12% to 15% of the total or at least effectively adding another 5% extra growth, so these three put together itself we are seeing around 14% to 15% growth and the basic growth of economy if it continues to be even at 3% to 4%, we will be in the bracket of 15% to 20%. So this is the confidence of 15% to 20% volume growth this year and coming to the margins because all three products what we are introducing along with the OTC products are high end margins in the tune of Rs.80 to Rs.120 per kg, so even if we add 5% to 6% we will be able to add considerably to the EBITDA per kg and with the increase in volumes, our overheads will tend to be reduced a little bit, so overall margins I am confident it will be definitely better than 42, but whether it can reach 44 to 45 level if the internal target is set is 45 and we will see how the price change go on. If the raw material prices go up as they did last quarter very rapidly they went up, actually in the month of March alone the loss to the company because of increase in March price, which has been not reflected in our pricing, it will reflect in April comes to almost 3 Crore to 4 Crore, so though the raw material price is passed on there is a lag in passing, so by the time we pass on in April, the raw material pricing in April has come down, so April will see the gain. May again the prices have come down, so again May will get the benefit of April price reduction, but if the prices start going up again let us say from June or July onwards that particular quarter might get affected like what the Q4 got affected now. In spite of that affect we have sustained a 5% top line growth and 5% bottom line growth, but if you look at the per kg that has come down little bit to 39 level from 41 to 42 last quarter because of this particular reason of not able to pass on the price rise as rapidly as we wish to because there are agreements that we pass on next month. Either way, when the price come down also we do not do price reductions in that month we will do it in the next month, same thing next quarter, so hopefully the first quarter Q1 will gain if the price trend is what it is going to be and if the price trend stabilizes, still 42 to 43 is possible. If the price trend is increasing there could be some challenge, so I will still take 42 to 45 is the possible range given the new orders in the food and FMCG sector.

Kaushal Shah: Sir. last question from my side, if you can share some names on the F&F side I think in the last quarter you would also mentioned on the lubricants we had received the BPCL tender so may be some names where you know which can add to our volumes in the current year?

Laxman Rao: Yes, GSK we have already more or less confirmed with them, mold development has also been cleared by them, but the mold will be tested and all that will take time, so first one is in June we are hoping, then sometime in July-August.

Kaushal Shah: Sir, last quarter had also spoken about Amul?

Laxman Rao: Amul has been already reflected from March onwards, and in April we have seen considerable improvement in the Amul and even Hatsun, that is Arun increase cream.

Kaushal Shah: Clear and that was helpful, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mahindra Asset Management. Please go ahead.

Bhargav Buddhadev: Good afternoon Sir and congrats on a good execution. Sir, we had added one customer in QR code Himel any new signups from there?

Laxman Rao: Yes, gulf is almost cleared our QR code and another edible oil company government cooperative, they have placed an order with QR coded lids also, they want even lid to be having a QR code, so that machinery has just arrived last week for printing on the dynamic QR code on the lid, so these two clients will be supplied in this quarter, Gulf and the edible oil company.

Bhargav Buddhadev: Sir, what is the revenue run rate you are looking from this business in FY2023?

Laxman Rao: In QR coded products?

Bhargav Buddhadev: Yes.

Laxman Rao: I will be very happy even if you can reach at least 5% to 6% of the revenue is coming through this QR coded that means about 30 Crores to 35 Crores, Gulf alone can contribute around 8 Crores to 10 Crores if they are currently shifting with one brand and they have indicated once, their concern is in the supply chain, all the dealers and distributors have to get into the mode of reading QR code and invoicing using QR code, which is something new for the hardware shops in our country, so they want to first start with their premium product or the products generally sold across the towns and cities and then they want to go for other products, which go into villages or further down into towns, so this experiment we are starting in the month of June and I am sure by July-August once they have confidence, they will be putting in across the country and Castrol is also taking trials once this cap printing is done, but they have not indicated time lines, but Gulf has indicated they want to go from June.

Bhargav Buddhadev: Any traction with this paint company because that can be big revenue value for us in QR coded IML?

Laxman Rao: Sorry, your question is not clear.

Bhargav Buddhadev: I am saying that any progress signing up with any of these paint companies for QR coded IML?

Laxman Rao: No, QR coded IML as it is IML is still not there in most of the paint companies, so for them to go for a QR coded IML maybe a little far fetched thing, but the lubricant companies are very keen because they face lot of duplicate markets and challenges from that duplicate market, so they are very keen to go for it once the cap and jars are aligned, so that machinery is something special we have just imported a week ago for cap printing, jar and

IML and IML reverse also is already established and supplied also, on the cap they want printing directly on a plastic surface, so we need a special laser equipment with the dynamic QR code feasibility that has been just arrived so we will be submitting samples and probably Castrol will also initiate trials in the month of June.

Bhargav Buddhadev: And then IBM you guided about 38 Crores of revenue in FY2023 for the OTC products, but in the next two to three years can it be 200 Crores to 300 Crores kind of revenue line for us IBM?

Laxman Rao: Yes, our internal target is to reach at least 200 Crores in three years starting from October this year because this October even we submit the samples of both the CRC caps and bottles, they take about five to six months to give the clearance, so effective commercial supplies for pharm bottles will happen only in the next financial year or early calendar year of 2023 that is the best we can expect, so I would not be counting any numbers from IBM pharma this year, but in then the IBM other areas we have one major breakthrough hopefully, we will be getting that on hand by end of this month and that will be the first products will be producing, the orders worth around 7 Crores to 8 Crores per annum and other products will be added once the products are established, so this year our guidance for IBM would be in the region of 10 Crores to 12 Crores for year one, but year two it can shoot up like say next year 2023-2024 both pharma will be added, CRC caps will be added and the OTC products will be converted so something like 60 Crores to 75 Crores we can expect in the year two that is you can call it actually year one because this year is more of a trial production and sample submission for pharma, but three years down the line that can reach level of 180 Crores to 250 Crores, so it will take an average of 200 Crores achievable three years down the line say 2025-2026.

Bhargav Buddhadev: And EBITDA per kg in these products would be upwards of Rs.100 right?

Laxman Rao: Much higher than even our food and FMCG, so once they start contributing, the overall numbers should improve.

Bhargav Buddhadev: That is good and in terms of our press release I read that in this year we are seeing good export orders, so how big can this segment be maybe in the next two to three years?

Laxman Rao: See, this year probably again this is an initiation and definitely we found some good response from restaurants, confectionaries and Indian stores in USA, we are also trying for American applications, American companies or American restaurants and hotels who are now getting more and more into home deliveries that has become either it is not epidemic reason due to pandemic, but it has also become a habit, so those hotels and confectionary suppliers wherever they need attractive packing with IML, we are pitching in and initial success is coming through Indian stores and Indian restaurants, it is catching up one or two, which we did last year now not only recurring, but also new inquiry is coming from other restaurants. One negative features in the whole thing that is otherwise by now it would have include a lot is the freight cost which has shot up from $3000 to $4000 to more than $10000 for a 40-feet container so that is kind of a hindrance if they are always saying that this quarter the prices are softening a bit, but they have gone up is tremendous from $3500 to $4000 range, they are currently still at around $9000 to $10000 per 40-feet container, so once the freight price stabilize even at least around $5000 to $6000 there will be much more savings for the people who are importing from us and there could be a good jump so that is one deterrent otherwise, we are confident about decent numbers.

Bhargav Buddhadev: Sir, this one primarily be an export market for us right?

Laxman Rao: Sorry?

Bhargav Buddhadev: This product will be primarily for exports right or we are also looking at domestic client?

Laxman Rao: No, these are the products which are already there in India, we are selling to our Indian clients, the standard container for ice creams, containers for confectionary, sweets and you know all kind of including even the one of the inquiry it is for dough for idlis and dosas, in US they sell it in containers with the sticker and all, now we are giving with IML, so they need about a million pieces a month, so that is a kind of applications are similar like what we are doing in India and there is no need to invest a new set of molds, from the same molds and same robots we can produce, so to cater to this increase demand in IML food container we are almost doubling our printing capacity, we have placed orders for two more Flexo machines, they are arriving one in July-August and one in December, so by next year we want to almost if it is not doubling 70% increase in our IML printing capacity we are creating so that that should not be a deterrent in meeting our customer schedules and exports.

Bhargav Buddhadev: Lastly, Sir, on the pump business, is there any updates you are looking at sign ups like Himalaya, Wipro?

Laxman Rao: Yes, with Himalaya we have progressed trial lot has been given, but commercial production you know there also very much stuck with the drop in volumes, but we are now inching up at least Rs.50 lakhs to Rs.60 lakhs per month sales we have achieved in this quarter and hopefully, it will touch about a Crore per month in the coming quarters, Wipro who was supposed to start their Hyderabad unit in a full fledge manner by now, again they postponed as I told you last quarter to December 2022, they have committed 2 million pieces that is worth around 11.2 Crores per month revenue, if is that come through only I see a big jump in pumps otherwise this year would be limiting our sales to a level of around 8 Crores to 10 Crores.

Bhargav Buddhadev: Okay, Sir. Thanks for your answers and all the very best.

Moderator: Thank you. The next question is from the line of Nirav Savai from Abakkus Investment Advisors. Please go ahead.

Nirav Savai: Thanks for the opportunity, Sir. Sir, I just wanted to understand your view on this EPR regulations, which are going to come in FY2024 onwards and how do we see demand side post EPR norms?

Laxman Rao: Yes, we are getting ready for that actually the recycling plants in India have now developed to an extent of almost equal to the international standards, their products some of them are climbing even food safe and companies like Hindustan Lever have approved a couple of products in PVT and they are also examining polypropylene for food applications and if that really happens we are in touch with them and we are also even experimentally buying some quantities of recycled polymers from three to four reputed companies who have come up, couple of them in south, couple of them in Haryana area, north area. We found the success in the initial trials, which are not affecting the quality nor the dimensional stability, the problem in the previous uncleaned or I would say un-separated recycle material was, it was impacting the physical characters or mechanical characters of the containers including the dimensions, which is now not the case, the cleaning is happening up to the polymer level, so it is not that just grinding and washing and making a polymer out of it, I believe the new system is to go to the polymer level and then clean the whole mixer whatever added in the scrap and then create the pellets out of it, so in this process they are reaching almost 99%, 98% characters of the basic resin, so adding even 30% to 40% is what they say at least is possible without impacting the mechanical and dimensional qualities, so it is very encouraging and with this new reprocessing techniques that have come in, adapting to those norms is not a big challenge for containers manufacturing company like us, the film and other packaging lines will continue to have challenges because in film, recycling is still a big challenge and contamination in film collection or contamination in the garbage because of film is generally torn and it is difficult to collect it is going to be a challenge for the film packaging companies, but I think for a containers company like us with the advent of this new techniques of reprocessing we are able to easily meet the norms.

Nirav Savai: Right, beyond FMCG companies you also see this going into a lubricant companies?

Laxman Rao: No, paint and lubricants has already started, in the case of paint, Asian Paints have come out with a couple of brands where it is mandatory to mix 10% to 12% of RCP, recycled plastic and submit them and already being last one year or one-and-a-half year we have been supplying and now from 7% to 8% they have accepted to go for 10% to 12% increase the recycling and everybody is testing, one or two brands they are testing, they want to check is a mechanical properties are really not affected, it is happening and we are already collaborated with three to four RCP companies, reprocessing companies, I have given them a lot of guidance and over the last one-and-a-half years our relations with them have also grown and they have committed their capacities as per our requirements.

Nirav Savai: There are also on the food grade side there are companies in India who has been doing it?

Laxman Rao: They are claiming, but we have not yet tested, we have not used, we are using only our internal recycled plastics in them with their permission because there we have complete control on the contamination, for outside unless the client clears them we cannot buy and use, to tell you very frankly a big companies like, I do not know much about Mandali's but GSK and HUL and their R&D team, I have met recently they are working on PET to start with and they found PET completely recycled PET can be mixed with a food grade bottle manufacturing, which is a major breakthrough and according to them even on polypropylene copolymer, which is our major raw material, there we are finding some companies progressing to give food grade RCP.

Nirav Savai: Got it, Sir. Thanks a lot, Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Martin Josefsson from EAM. Please go ahead.

Martin Josefsson: Mr. Laxman, thank you for taking my question and congratulations to you and the team on some great numbers. I am wondering if you could repeat the 15% to 20% volume growth that you are expecting for the upcoming year where that is coming from, I believe you might have addressed it earlier, but I could not make out what is being said on the call, thank you?

Laxman Rao: See, we are assuming this numbers growth based on an assumption that there would not be a return of pandemic, as I mentioned earlier maybe you missed it, we have three to four new FMCG products of decent volume and numbers, which we have initiated mold development coming into production between June and August, these products put together along with the OTC product and IBM, we expect a sales of about 30 Crores for the current financial year and that might go up to a total of 40 Crores per annum in the next financial year because this year I am counting only on 8 to 9 months, so that is a sizable increase in our food and FMCG line and we also have been instructed by Asian Paints to ramp up capacities at Vizag and Mysore, which we are doing now and our plant at Kanpur has reached 1000 tons per annum kind of production that is about 80 tons to 85 tons we did in April and going forward Berger is asking us to start production and supply from July-August for this year and they are committing about 70 tons to 80 tons per month, so Kanpur plant, which over the last year hardly contributed around 200 tons to 300 tons will be contributing about 1200 tons to 1500 tons, so that is about another 4% to 5% growth, so we are seeing 8% growth coming from Kanpur plant and these new products in food and FMCG and Asian paints growth in Mysore and Vizag, we anticipate to bring in at least another 3% to 5%, so these three new initiatives would be bringing us something around 12% growth in the regular growth of about 5% to 8%, which we expect in the economy because paint industry generally grow 10% to 12% on a normal year and food and FMCG last year we have seen 40% growth and that itself another let us say even 30% growth we get this year on a 18% to 19% is another 4% to 5%, so if things go well and the economy is at least stays where it is today we should be able to reach our goal of 20%.

Martin Josefsson: Right, thank you very much.

Moderator: Thank you. The next question is from the line of Miraj Shah from Dalal & Broacha Stock Broking. Please go ahead.

Miraj Shah: Sir, thank you for taking my question. I had one question, the realization per kilo for this quarter has dropped, so I wanted to know what was the reason for it because even our EBITDA per kg has come down, so what would be the reason for this drop?

Laxman Rao: Yes, Miraj, as I explained to you maybe you missed it, our pricing strategy is always passing on the previous month price to the next month billing, so whatever price rise in the month of March, we realize only in April and in the case of Asian Paints, which is one of our largest customers, it is quarterly basis that means October-November-December average price will be applied for January-February-March, so these two itself impacted more than 4 Crores to the bottom line that has effectively decrease our EBITDA by almost Rs.3 to Rs.4, so otherwise this would have been even 43 to 44, it is now 39.11 as against last year number of 41.88, so this would have been 43 level and at least the March raw material remained at February level we could have saved this money, so now thankfully the prices have come down in April and also May, so this quarter we will get the benefit of increased billing value because March pricing will be billed in April, April raw material price will be billed in May and similarly January-February-March quarter average price will be billed for Asian paints and one or two other clients in this quarter of April-May-June where the price have come down, so as I always say in an up-trend the last month will always get hit in the profitability, in a down trend whichever maybe Rs.2 or Rs.3 coming down that will be gained during the quarter in a reasonable manner if not very big way so that is the major reason why this drop in EBITDA to 39.11, but the overall year we ended up with 31.78 again it is 36.72 that is about Rs.5 increase in the EBITDA margin, which is very considerable given the price scenario.

Miraj Shah: Understood, thank you. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital. Please go ahead.

Pulkit Singhal: Thank you for the opportunity. Sir, first question is on EPI norms, what is the percentage of recycling material that you need to use and by what date?

Laxman Rao: Basically the responsibility lies with the users of containers that is Asian Paints or FMCG companies, but the processor or sizable processors are also have to fall in line and show proof of utilization to the level of 20% to 25%, the industry is still trying to negotiate in injection molding and blow molding, it may not be a big issue, but in the film industry it will be very, very difficult for them to meet the norms, so currently I think what it was set for 24% to 25% is 20% reuse.

Pulkit Singhal: And this by April 1, 2024, what is the date?

Laxman Rao: I am not very sure about the date to review that, it has been gradually given in next two to two-and-a-half years and we are already using around 7% to 8% and more and more companies are allowing us or in fact requesting us also to start giving trial lots, so that they can check the containers for their mechanical properties and dimensional tolerances so there is a change in a way people are looking at RCP and as I explained to the previous question, a lot of new RCP techniques have been adopted by some companies and they are giving really good quality polymer after recycling, which can be definitely used more than 20% in paint and lubricant containers, which consume, which in our consumption contribute almost 75% to 80% so using 20% RCP would not be a challenge by the time these norms are to be adopted.

Pulkit Singhal: Right, but then if the industry has to move in this direction, do you think the cost of that recycled material can actually shoot up quite a bit because maybe the sourcing of that is yet not in place?

Laxman Rao: Actually the RCP material is marginally cheaper than the virgin polymer.

Pulkit Singhal: I agree with this point, but from that point it would be mandatory so everyone has to use it?

Laxman Rao: I do not think so because they always benchmark the virgin material minus some X percentage not much, as you are seeking more and more clarified material the delta is hardly about 5% to 10%, initially it used to 20% to 30% cheaper, but now it has come down to around 10% and it is staying there and obviously the mindset is that RCP is after all made out of scrap material they collect and generate and with the increased tendency and collection of this material happening in an organized manner availability of RCP will be there and the mandate is not 100% it is 20%, so I do not think we have a big challenge on price increase of RCP.

Pulkit Singhal: Understood, from a long-term perspective I am presuming they may start with 20% then again go to 30% and 40%, etc., do you think getting into sourcing this make sense in a long-term perspective?

Laxman Rao: It hat is better to be careful and we are establishing our relations with already three major vendors in the country and we are being given the first allotment of material, so as of now there is no such desperation even with more and more companies are adopting this recycling material, there is a still lot of excess capacity available and some huge plants are coming up is what I heard with from Chinese technology or Japanese technology that is what I heard and those volumes will be definitely able to cater for next 4 to 5 years, but how it goes on beyond I do not see a big challenge and nobody can enforce beyond 20% to 25%, I do not think 100% recyclability of plastic would ever happen.

Pulkit Singhal: Okay, on exports you mentioned about freight price is going up, but in the current scenario I mean given that China provides a large chunk of raw material to US on this front, their freight prices must have also shot up and also they are going to a lock down in Shanghai so that is showing an opportunity for you I mean a lock down there plus their freights also going up?

Laxman Rao: No, not only lock down in China, but also China Plus one strategy is now well embedded in American minds I could see in a couple of calls I had with couple of agents who deal with the imports from China and Asia and their mindset is certainly affected by the recent developments and reduced belief on ne Chinese as a single source, so definitely even with a extra price from India they would like to keep us as a second source and that tendency and that kind of enquiries are increasing in number because even these exports what we are doing to US today they are in place of their Chinese suppliers, so going forward I see that more and more trend of China Plus one concept even in plastic containers, IML containers especially because in USA manufacturing costs are very high and with IML their cost shoot up beyond even the landed cost from India even at this freight cost, but if the freight cost goes up too much there is a less incentive for the people to import from India or China, so that is what I am worried about, it is not Chinese competition, if the price is too much they might as well produce in US or buy from US sources, but I think the freight cannot stay there forever, it was very unusual, they have gone almost 300% up, not recently it has gone up for last more than a year now, it is now trending down from 10000 to 11000 is now around 9000, hopefully it will settle down at around 5000, 6000 by end of this year or beginning next year, then exports become very, very viable.

Pulkit Singhal: Right, so how big could this segment be for you in three years?

Laxman Rao: If the freight are like this, this can be a kind of like say I do not think it will be more than 10% of our sales even if we can reach 5% to 10% in three years will be a good achievement, one area where I can see that number can be beaten is our CRC caps, which we are starting in October, but they become really available for supply from next March. US is a huge importer of CRC caps and once that range of products are available in our product portfolio we will be able to get more and more enquiries and orders especially with a much higher value add.

Pulkit Singhal: Understood, Sir. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Akhil from Centrum Broking Limited. Please go ahead.

Akhil: Hello, Laxman Sir, congratulations on a good set of numbers for FY2022. My first question is on those free cash flow generation if I look at last 7 years, we have done tremendously good in terms of sales growth, in terms of capacity addition, even in terms of operating cash flows, but because of continuous need of the business to invest in capex the FCF has continued to be extremely weak for last many years, what capacity levels should we feel confident that the FCF generation will continue to be healthy?

Laxman Rao: Which generation, sorry your voice broke?

Akhil: I am saying at what capacity level should we expect a healthy free cash flow generation?

Laxman Rao: See, free cash flow even today is healthy and we have in spite of a heavy dividend payout, we still have cash generation, which is covering our capital needs still now, but as I discussed with you all in the last couple of meetings or phone calls, going forward the investments in IBM and pharmaceutical and the new plants at Kanpur and probably one more in north expanding Mysore and Vizag and expanding our tool room and printing facilities would be requiring much higher cash flow something like to the tune of 200 Crores in the next two to two and half years, so that is where we made the QIP recently and with that we are completely cash flow comfortable, there is no negativity in the cash flows anticipated actually in the short-term rates and long-term rates now are just one of the very cheap foreign loans are what we are carrying, so the total debt has come down from 108 Crores to 44 Crores now and that also we wish to repay some of that, but these are coming at very low forex I mean loan the closer costs are higher than carrying, so we are continuing that and going forward the out flows to set up these projects are increasing, they are little lagging because of the building construction is taking place in Sultanpur and orders have been placed for machines, but the Sultanpur building is coming out in more than 130000 square feet RCC area with good DMF facilities, half of it is beyond GMP, it is actually drug master file DMF standards and half of the area is for our food and FMCG confining to

FRCC standards, so this plant construction is somewhat time taking, we started four months ago and I think it will take at least another seven to eight months or at least six month, by October-November, we wish to start our FSA production there and DMF production also will start soon after, so going forward the investment on the capital goods will be increasing hopefully from 51 Crores last year that is 2022, we may have to spend at least 80 Crores is what we think in the current year budget, based upon the new plant commitment from other paint companies other than Asian Paints, it can again be 80 Crores to 100 Crores in the next financial year 2023-2024, so what all the debts we have reduced with the QIP funds will be reutilized during this two years to ramp up capacities.

Akhil: Sure and just a followup on that, what capacity we are at right now 41000, right?

Laxman Rao: 41000 gone up, I think our current total capacity is somewhere around 44500.

Akhil: And the utilization rate would be at?

Laxman Rao: Utilization debt is close to 70% because some of the machines that are just installed have added much in the last quarter, majority of the machines have arrived in the last quarter from January to March and some of the machines are yet to come, it is an ongoing process because growth is there in all sectors surprisingly even in lubricants we have seen 11% growth maybe it is because of COVID numbers were more affected in the previous year compared to 2021-2022, so that is why lubricant numbers also have grown by 11%, which is a very healthy growth.

Akhil: And last question from my side, on the FMCG part, what percentage would be edible oil and what percentage would be ice cream packs?

Laxman Rao: Not ice cream, it is a mix of all food products, so out of 43 Crores we have clocked in the Q4, 30 Crores is thin wall and 13 Crores is edible oil packs that is we call the thin wall is food and FMCG other than Q-pack, Q-pack, which is edible oil pack is also thin wall pack but it is meant for edible oil and other applications where the value add is much lower than the food and FMCG thin wall.

Akhil: That is it. Thanks a lot and best wishes for the coming quarters.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia: Sir, thank you for taking my question. Sir, can you share with us constellation of IML and non IML in terms of volume and revenues for this quarter?

Laxman Rao: They are in line with previous quarters because IML is stagnating around 67% now from 65% previously, and previous year it was 65.3%, now the current year it is 67%.

Karan Bhatelia: In terms of revenues?

Laxman Rao: In terms of revenue, yes, in terms of tonnage it is 63% up from 61% last year, 63.2% to be precise.

Karan Bhatelia: Sir, how is Mangalesh portfolio shipping up now?

Laxman Rao: There is no growth I think 3% to 4% drop is there, but not a major drop so it is stabilized now.

Karan Bhatelia: So, approximately what percentage could be that in terms of FMCG?

Laxman Rao: This is hardly value wise around 5 Crores out of 30 Crores what we did, hardly 5%.

Karan Bhatelia: And at peak this was 5 Crores our numbers?

Laxman Rao: Yes, it was almost 7 Crores to 8 Crores three years ago and 2.38 in the Q4, for the full year it is much more, for the full year it is 13.8 Crores, which touch the peak of 25 Crores two to three years ago, it now remains more or less same level, last year it was 13.5 Crores, now it is 13.8 Crores, it is improved by 2%.

Karan Bhatelia: And probably can give some clarity on the 70 to 80 Crores kind of capex budget we have set for next year?

Laxman Rao: Yes, we have a very clear investment in IBM and IBM pharma, in the Sultanpur project itself the investments will be in the tune of 35 Crores on the land and building, land has been already acquired, building cost will be to the tune of out 35 Crores we already spent 5 Crores to 6 Crores, so another 30 Crores of investment will go on building and machinery in the first phase at least 20 Crores to 25 Crores will be added so 55 Crores directly goes on to Sultanpur, we have an enhancement of Asian Paint capacities at Mysore and Vizag to be done immediately, which already machines orders have been placed and they are on the way that will be to the tune of 8 Crores to 10 Crores and we are doubling our printing by 70% growth in print capacity we are creating with investment of about 12 Crores, all these three are the major ones and in Kanpur construction may start and some investments will be made in the Kanpur plant for Berger and Nerolac, but not much, this year it maybe 5 Crores to 6 Crores, but a major amounts will be invested in 2023-2024 Q1 or Q2, maybe Q1 itself, so this is our budget, we have about 50 Crores for Sultanpur, about 13 Crores to 15 Crores for Asian paint expansion, 12 Crores to 15 Crores for the printing and dye cutting expansion of IML manufacturing and a little bit in Kanpur.

Karan Bhatelia: Thank you.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Thank you for the opportunity. Sir, I need just a few clarification on some numbers, you said like for FMCG there was de-growth due to edible oil and edible oil is nearly 70% of our revenue in FMCG is it a right understanding, Sir?

Laxman Rao: No, the total food and FMCG for the year 2021-2022, is 146 Crores out of which 38 Crores is edible oil, so hardly 25% is edible oil and the remaining 75% that is 108 Crores is from thin wall food and FMCG, we differentiate Q-pack and thin wall though they are completely IML, so the value add in thin wall that is the regular food and FMCG is much higher than Q-pack.

Hitesh Taunk: So, thin wall and Q-pack is largely for oil category only right?

Laxman Rao: No, thin wall is for food and FMCG, Q-pack is mainly for oil category, but there are other applications also detergents, nutrin powders and other products also, cashew nuts that these applications are also there for the Q-pack, but in terms of value add the thin wall for food and FMCG is much higher like say something like almost double that of regular Q-pack.

Hitesh Taunk: So for FY2023 will we see a kind of 20% of overall volume growth, what kind of volume growth do we see in this segment in FMCG category?

Laxman Rao: Yes, in FMCG food that is 108 Crores we are confident of hitting at least 150 Crores or more, because there are three major products like Mondelez, which is an item which is still giving us 13 Crores to 14 Crores, we have now grabbed three major products, one of the names I can tell you right now is the Kissan Jam and other two are also equally strong brands, which already orders have been received, but it is at a very initial stage to announce, so those three brands put together, they are already existing brands, if not that they are a new brand with need to pick up like Mondelez these are all existing brands converting from conventional packing to IML packing, so these three commitments themselves are worth about 40 Crores per annum, but this year I am counting on about 30 Crores for the eight to nine months of the remaining period of the year because the development will take next three months, so that is a major rise and at least another 25% to 30% growth would come from the other segments, which are like ice creams, restaurants, exports, export of thin wall, so from 108 Crores we are anticipating it to cross at least 150 Crores in the next financial year with a good EBITDA margin, so that will be a major contributor again apart from Asian Paints and Kanpur growth.

Hitesh Taunk: Sir, my other question is from IBM pharma product category, Sir, what kind of products are we targeting in this category, is it a kind of bottle?

Laxman Rao: Yes, to start with our idea is to go with the bottle and caps, the caps were simple caps and again CRC caps, so a set of fifteen varieties of bottles were selected and molds have been made, CRC caps six varieties, three plain and three CRC will be introduced in the initial phase and that will be expanded, so all this will be going into trial production by October and then there are stability tests to be conducted by different pharma companies, clearances from some pharma bodies that all will take at least six months, so the initial marketing efforts will start sometime from September-October once the samples are received from our mold makers and machine makers and the marketing team is being created, already one senior guy from Garish is joining us in July and we also had picked up quality control persons with pharma background, and also production persons in IBM background, couple of them are joining in June, couple of them are joining in July, so by July our team will be ready because some OTC products that name also I will be able to share with you soon starting from July, so those products production they will supervise initially and they will be ready to take off the pharma once those machines are installed in October, so all these steps have been taken actively to meet our target.

Hitesh Taunk: Sir, my last question is that what would be our expected capacity for FY2023, the overall capacity?

Laxman Rao: Overall capacity is currently 44500, I think it will cross beyond 51000 to 52000 at least 20% to 25% rise in capacity we need to create though the pharma capacity, which maybe in terms of numbers maybe 1000 or 1500 tons, but it may not be getting into use in this current financial year, so apart from that 1500 tons of pharma bottles and caps we will be crossing at least 51000 to 52000 tons capacity will be created by the end of this year.

Hitesh Taunk: Thank you very much for the answer, Sir.

Moderator: Thank you. The next question is from the line of Deven Kulkarni from Marcellus Investment. Please go ahead.

Deven Kulkarni: Hi, Laxman, Sir. Sir, our operating cash flow are reduced by 75 Crores odd to 20 Crores in FY2022, so can you just explain the reasons behind it?

Laxman Rao: Sorry, 75 to?

Deven Kulkarni: 20 Crores

Laxman Rao: Which one?

Deven Kulkarni: Operating cash flow has been reduced from 75 Crores to 20 Crores?

Laxman Rao: Operating cash flow is reduced?

Deven Kulkarni: Yes.

Laxman Rao: Because of the capex you meant to say?

Deven Kulkarni: No operating cash flow before capex?

Laxman Rao: Before capex is not reduced, how can it reduce, am I seeing the same numbers?

Deven Kulkarni: Yes, Sir, cash generated for operations in FY2022 was 2194 lakhs, last year this number was 7553 lakhs?

Laxman Rao: Net cash flow is 56.5 Crores before investments and it was minus 9.6 last year.

Deven Kulkarni: I am talking about operating cash flows, the first sub bullet cash flow number is 2194.34?

Laxman Rao: Okay, 2194 cash generated from operations I think something wrong, March debtors have shot up because of the increased value of the revenues, the volume of debtors if you notice it has gone up by about 21 Crores from 32 Crores increase in trade receivables that is debtors that is the major item and followed by inventory. Anyway I will ask Ram Babu to send you details?

Deven Kulkarni: Sir, I have your e-mail ID I will reach out to you.

Laxman Rao: You have Ram Babu's e-mail ID you can send it to him, he will answer.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital. Please go ahead.

Pulkit Singhal: Sir, just a couple of followup questions capacity utilization has always been in the 60% to 70% range, is that how it will always be going ahead?

Laxman Rao: Yes, Pulkit, because in the case of injection molding I explained in the past jars and caps when you utilize the capacities while the machine capacity has been taken at an average short weight of a machine, jars will be using almost 80% to 90% of the machine capacity, but caps will be using hardly 40% to 50% of the machine capacity, so that is why in injection molding anything around 70% to 75% is the best, anybody can achieve unless you are selling only jars or the only product which are deep and using the entire machines capacity, so we being a supplier of both jar and cap you need to under utilize the cap machines though they have higher capacity they are similar machines, it not same, which will be under utilized, so overall capacity would be 75% will be most ideal.

Pulkit Singhal: Sir, one data point if you could share the volume of the thin wall for the year?

Laxman Rao: Yes, the thin wall volumes, food and FMCG tonnage is 1575 in the Q4 and for the full year it was 5042 that is inclusive of both edible oil, which has fallen by 24%, but thin wall food and FMCG has gone up by 40%.

Pulkit Singhal: So, in the 5042, how much is thin wall, Sir?

Laxman Rao: Thin wall contributes to 3077 tons.

Pulkit Singhal: Thank you so much.

Moderator: Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Thank you for the opportunity. Can you just help me with the segment wise EBITDA margins for the year?

Laxman Rao: See, though we cannot share such a fine detail, but definitely the EBITDA margins in the pail segment and even Q-pack segment will be much lower than the food and FMCG, while in the pail segment that is both for paint and lubricants, it will be in the region of Rs.30 per kg and in the Q-pack it is around Rs.35 to Rs.40 per kg and in the case of food and FMCG it will be as high as Rs.80 to Rs.120 per kg.

Jenish Karia: Got it, Sir and that is all from my side. Thank you.

Moderator: Thank you very much. Ladies and gentleman, we will take that as a last question. I now hand the conference over to the management for closing comments.

Laxman Rao: Thank you, Nirmal Bang and thanks all the analysts who have shown interest to know about our company. I think most probably the pandemic is behind us or even if it comes back probably it would not be as pungent as it was and hopefully, we all have a good year ahead and at Mold-Tek we are confident that given this so many new initiatives we have taken up and new products that are coming up with higher value add, the future is looking brighter and I thank Nirmal Bang once again and hand it over back to the convenor for the closure of the meeting, thank you.

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