

Mitsuchem Plast Ltd.

(Formerly known as Mitsu Chem Pvt. Ltd.)

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Date: November 9, 2021

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai- 400001

Script Code : 540078

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors and Analysts held on November 3, 2021

With reference to our previous communication dated October 29, 2021, intimating you about the Conference Call with Investors and Analysts held on November 3, 2021, please find attached the transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

FOR MITSU CHEM PLAST LIMITED

Drishti Thakker

**Drishti Thakker
Compliance Officer**

Encl: as above

Manufacturing Units

Unit-I: N-83/84, MIDC, Tarapur,
Boisar, Dist. Palghar -401506.
Maharashtra.

Unit-II: J-237, MIDC, Tarapur,
Boisar, Dist. Palghar -401506.
Maharashtra.

Unit-III: Plot No. 24/11, 24/12, 24/15, 24/8B & 25/1,
Village-Talavali (Lohop) , Post: Majgaon,
Opp. Birla Carbon Ind-P Ltd., Tal. Khalapur,
Dist: Raigad, Pin: 410220. Maharashtra, India.

• Industrial Containers • Furniture Parts • Automotive Parts • Medical Devices etc.

Blow Molding | Injection Molding | Custom Molding



“Mitsu Chem Plast Limited Q2 FY2022 Earnings Conference Call”

November 03, 2021



ANALYST: MR. VASTUPAL SHAH – KIRIN ADVISORS PRIVATE LIMITED

**MANAGEMENT: MR. MANISH DEDHIA - JOINT MANAGING DIRECTOR &
CHIEF FINANCIAL OFFICER - MITSU CHEM PLAST LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of Mitsu Chem Plast Limited hosted by Kirin Advisors 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 hand the conference over to Mr. Vastupal Shah from Kirin Advisors Private Limited. Thank you and over to you Sir!

Vastupal Shah: Thank you. Good afternoon everyone. I would like to welcome Mr. Manish Dedhia, Joint Managing Director & CFO of Mitsu Chem Plast Limited. Manish Sir over to you!

Manish Dedhia: Thank you. I thank you for taking time out from your busy schedules and extend a warm welcome to all of you for the conference call of Mitsu Chem Plast Second Quarter of FY2022. I would like to wish you all a very happy Diwali and a prosperous New Year. So before we take you through the performance of your company in the second quarter let me give you a brief review of the industry and business for the period under review. We have seen demand recovery in past few months. The first and second Corona wave was the biggest concern for the world as well as for our economy, but speedy vaccination and stricter government policies have tackled the issue very smoothly. We have seen a tremendous demand coming for molded products in the last year that kept our business growth update. The concern which we faced is not from the demand side but on the operational trend. Our key raw material polyethylene and polypropylene is a crude based product. As we all know crude prices have skyrocketed in the last year, all products linked to the crude have also seen a sharp rise in the prices. This has severely impacted raw material cost in the plastic molding industry. The quarter gone has also witnessed higher global logistics pricing that has affected the business all over the world as price per container goes to five to seven times in this quarter so it has impacted Indian export oriented company. It impacted also our export oriented clients and held back their export shipments so orders are booked but not capped in our book. Business and difficulties go hand in hand; we have our strategies in place and have implemented plans and process optimization in the previous quarter which has averted the severity of the situation. As you all know Mitsu Chem is a leading manufacturer of molded plastic products with more than 500 plus SKU's is having more than 30 plus fortune 500 clients in India. We want to assure you that your company is all set to ride on rising demand from the packaging industry as well as the hospital and medical segment with its strong product portfolio and proposed new launches. Product innovation and value engineering are in the DNA of the company and your company has set new benchmarks in offering quality products and highest customer satisfaction which has made the Mitsu brand a name to be recognized with.



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Now I will take you through the financial performance of the company in the last quarter. Your company witnessed strong demand growth in the last quarter. Mitsu Chem Plast reported a robust 28.1% rise in total income to Rs.57.9 Crores for Q2 FY2022 over Q2 FY2021. Higher raw material prices are linked to higher crude prices affected our direct cost of material which has impacted the EBITDA of the company which fell by 22.3% to Rs.5.1 Crores year-on-year EBITDA margin for Q2 FY2021 was at 8.81%. The company reported a net profit of 2.46 Crores. The net profit margin of the company for the reported quarter was at 4.25%. For the quarter our capacity utilization is approx 60% of the total available annual capacity. Further to this current quarter our working capital cycle was at 60 days. If we talk about the first half of the current financial year I must say the year started with strong sales revenue cumulatively. For the half year ended September 2022 the company reported an impressive 51% rise in total revenue to Rs.116.73 Crores, EBITDA was higher by 11.1% to Rs.13.09 Crores while EBITDA margin came at 11.1%. Net profit rose by 23% to Rs.6.15 Crores and net profit margin was at 5.23%. Also I would like to highlight that during the period we have generated an operating cash flow of Rs.12.69 Crores and we have also reduced long-term borrowing by Rs.7.36 Crores in H1 FY2022. We have completed H1 FY2022 on a promising note and the challenges that we have faced in Q2 had made us stronger. Further new marquee customers added by us in last few quarters are going to fuel our growth in coming quarters. Now I open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nilesh Karani from Magnum Broking. Please go ahead.

Nilesh Karani: Good evening everyone. Just a simple question if you compared quarter-on-quarter this quarter was a little bit too in the lower side marginally low but it is lower side so any special note on that or any special can you explain something on that like what happened or what went wrong?

Manish Dedhia: I think you are starting well. Q2 was a little okay compared to Q1 and I mentioned in my speech is that due to raw material prices increase, second one was there is a lot of supply chain problems in the export market so that export order was like order to us but we could not deliver to them because they have not lifted the material and then we have to sent for some other customers so like there was a profit decline also. We can see the quantum almost is the same, the turnover is also same, and the profit margin has gone down.

Nilesh Karani: If you can elaborate more like if the consignment does not reach the customers so basically we face one more challenge or something?



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- Manish Dedhia:** No, it is not like that, it is like I supply to chemical company who export that product in our drums. Due to lot of problems with the export of freight, there were lot of cancellation of orders from our customer side, hence the same with us also, so they have cancelled our lot of orders, so although we have a book with orders but we could not ship to them.
- Nilesh Karani:** For the raw material basically we did not pass the prices to the customers is not that?
- Manish Dedhia:** Yes we could not pass it immediately because there was lot of other prices also increased which has affected due to steep rise in each and every price like plastic bags and every local items.
- Nilesh Karani:** So basically if we say from Q2 to Q3 this would be taken care of or still there would be some lag?
- Manish Dedhia:** Yes, definitely it will be taken care, some customers take longer time to pass on the prices, now everybody understands that each and every items prices have been increased, so definitely end customer started giving us now.
- Nilesh Karani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.
- Gaurav Shah:** I just wanted to wish Diwali to the entire Mitsu Chem team. I have a couple of questions first one is on basically understanding the sustainability of business better so basically you get 80% of business from the container segment and more number of big chemical clients like Aarti, BASF, so once we supply container to our clients can we get it reused, at the end of the day they are expecting to their clients it cannot be reused but if they are using it domestically can we use our container just wanted to understand the sustainability of business?
- Manish Dedhia:** Wish you all happy Diwali and happy new year to you as well. People do not use sometimes drums depending on the customer, depending on the product so every customer has a different, different requirement and most of the clientele base what we have is all M&C companies and big companies so they do not reuse that drums generally, but in other secondary market they might be using this.
- Gaurav Shah:** So basically if you can say like most of our business should not get affected because of reusing that?
- Manish Dedhia:** No, should not be.
- Gaurav Shah:** Retail path might be subject to this but not declined?



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- Manish Dedhia:** Yes Sir.
- Gaurav Shah:** Second question is on the pricing power so I understand like we do not have order book more than one month because of the frequent changes in using the raw material prices and all that, this quarter we got affected because of the raw material prices so is it like the worst is behind us and we can pass on the raw material price increases in the next quarter?
- Manish Dedhia:** Once initially the prices dropping and then the prices immediately rising so at that time it affects a lot, but now it is a little easier to pass on the prices. I am sure what your question come from it was difficult in the last quarter I agree with you, but it will not be in this quarter.
- Gaurav Shah:** I think worse is behind us.
- Manish Dedhia:** Let us hope for Diwali gets better for everyone.
- Gaurav Shah:** Thanks a lot and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.
- Gaurav Shah:** In your earlier conference call you have guided for growth rate of 40% sales wise and 60 Crores run rate for the quarter so just wanted to reconfirm you still holds this particular thing?
- Manish Dedhia:** Yes.
- Gaurav Shah:** EBITDA margin perspective also?
- Manish Dedhia:** I think that will be definitely improved. We will try to maintain as per the first quarter.
- Gaurav Shah:** Sounds good.
- Moderator:** Thank you. The next question is from the line of Nilesh Karani from Magnum Broking Limited. Please go ahead.
- Nilesh Karani:** We have reduced our debt by 7.36 Crores is it correct?
- Manish Dedhia:** Yes.
- Nilesh Karani:** So now how much debt now in the gross debt?



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- Manish Dedhia:** Long term and short term including is around 59 Crores.
- Nilesh Karani:** Out of that it is actually 65 Crores so it has come down to 59 Crores?
- Manish Dedhia:** Right.
- Nilesh Karani:** Going forward also we will do similar divesting or what?
- Manish Dedhia:** I think right now with this capacity we will reduce the thing, but now if expansion comes and then let us see how we are going ahead with that.
- Nilesh Karani:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nishwanti Khedkar, an individual investor. Please go ahead.
- Nishwanti Khedkar:** I just wanted to understand we have seen a sharp decline in EBITDA margin so what you would like to say considering high crude prices, which is affecting your major raw material, how flexible is the margin would be?
- Manish Dedhia:** EBITDA margin has been reduced I explained the reason and everything, but it is not like that this will sustain, we will try to maintain our EBITDA margin except Q1, so some of the quarter or sometimes it affects, but there we cannot pass on all the prices, so I think that was at Q2 so we will try to maintain EBITDA margin like Q1.
- Nishwanti Khedkar:** How other orders are coming up on the healthcare because in the corona period we have seen mega order boost coming from that segment, so is it sustainable?
- Manish Dedhia:** I think corona three was supposed to come and it has never come so I think all the things were there, but yes if I say 13%, 14% is a very good sustainable base, last year was 11%, last quarter what we did is around 18% so we are a little more and this quarter we did 15%. I can assume as far as the whole year it will maintain average of 13% to 14%.
- Nishwanti Khedkar:** Any new fortune 500 client added in our current quarter?
- Manish Dedhia:** I think we have headed two, three more clients in fortune 500.
- Nishwanti Khedkar:** What will be your top 10 client contribution to the overall sales?



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- Manish Dedhia:** Top 20 clients are contributing around 75% business.
- Nishwanti Khedkar:** Order from them are sustainable?
- Manish Dedhia:** Yes.
- Nishwanti Khedkar:** That is it from my end. Once again wish you happy Diwali and a prosperous new year.
- Moderator:** Thank you. The next question is from the line of Apurva Mehta an individual investor. Please go ahead.
- Apurva Mehta:** Sir my first question is what was the quantum of impact of shipping crisis on your revenue?
- Manish Dedhia:** We are not exporting our articles, we are giving it to exporters like company who export their chemicals and they fill in our drum. Now for them export freight is very, very important. Now we supply them locally. When they did not have orders or maybe the sea freight is not viable they do not export that container, so basically directly we are not affected in the export market.
- Apurva Mehta:** If crisis was not there what should have been revenue?
- Manish Dedhia:** Revenue is a little bit same, the profit margin could have been better, revenue could have been a little better, and revenue could have been a little better because we had very good orders initially but we had a very good order initially, but we could not execute the sales because of this freight. So we understand from our customer that many orders have been canceled or maybe it is revived later on.
- Apurva Mehta:** What are the margin difference in export and local orders?
- Manish Dedhia:** It makes little difference in that because 1 to 2% difference is there.
- Apurva Mehta:** That is it from my side Sir.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors Private Limited for closing comments.
- Vastupal Shah:** Thank you everyone for joining the conference call of Mitsu Chem Plast Limited. I would like to wish every participant happy Diwali and prosperous New Year here from the end of Kirin Advisors. If you have any queries or further questions you can write to us at vastupal@kirinadvisors.com. Once more, many thanks everyone for joining the call.



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Moderator:

Thank you. On behalf of Kirin Advisors Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.