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

Date: 29th January, 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 27th January, 2022 (Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 27th January, 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

"Mold-Tek Packaging Limited
Q3 FY2022 Earnings Conference Call"

January 27, 2022

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

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

Moderator: Ladies and gentlemen good day and welcome to the Moldtek Packaging Limited 3Q FY2022 results 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 hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you, Sir!

Abhishek Navalgund: Thanks Raymond. Good evening everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to this earnings conference call of Moldtek Packaging for Q3 FY2022. We have with us Mr. Lakshmana Rao Chairman and Managing Director and the entire finance team at Moldtek. Without further ado, I request Lakshmana Sir to start with his opening comments post which we can open the floor for Q&A. Thank you and over to you Sir.

J. J. Lakshmana Rao: Good afternoon and welcome to the conference call of Q3 results of Moldtek Packaging. Thank you all for your interest in our company and its performance. I am glad to inform you that in the Q3 the revenues are up by about 20% and PAT is up by 11% and in the nine month period the PAT is up by 54% percent and revenues are up by 42%.

This was the quarter again where the raw material were ruling very high in spite of that the per kg EBITDA margin of the company could be maintained or rather little improved over the Q2 but compared to the Q3 of last year there is a comfortable 18% up from 36.5% to almost 43.05%. So that is a sizeable improvement in the EBITDA per kg was achieved. Thanks to the robust growth in the food and FMCG sector products.

I am also glad to inform you that the first order, commercial order for our QR-coded IML Packs has been received from a company which is manufacturing aqua products and nutraceuticals for aquaculture industry in the sizes of one, four I think five, ten and 15 kg size packs which are being produced and delivered to them in the month of February. That is the beginning of for bringing in digital packaging into the country and many other lube and paint companies are also vying to introduce this but owing to be COVID they were not very actively functioning and taking trials and running, trial lots in the market and filling trials on their filling lines were getting delayed, but this company being a local company and having a very good outlook about traceability and controlling the counterfeit markets, they have adopted this technology and I am glad this will be the beginning of digital marketing of digital packaging of products in this country again introduced for the first time by Moldtek.

So as we go forward I will take the question and answers to convey more information about the company prospects. I hand over back to the operator, so that we can have questions one after the other.

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 Rahul Jagwani with PGM India Mutual Funds. Thank you. Please go ahead.

Rahul Jagwani: I just had a basic question. So you know in terms our realization what we have in each of the segments what would be our like RM cost per kg like you know against the segments including all the raw materials?

J. Lakshmana Rao: The blended raw material cost is about Rs.110 for the Q3 compared to it was the Rs.85 last year that is almost rise of 30%.

Rahul Jagwani: Okay so on a per kg basis our RM is Rs.110?

J. Lakshmana Rao: Yes Rs.120 per kg, the blended cost after affecting the SFG, FG all that is coming to Rs.110.

Rahul Jagwani: How are you placing the RM front now, I mean as price is still increasing?

J. Lakshmana Rao: RM prices are still stagnant at least for in the month of January there is just Re.1 price hike again. There was a little downtrend in December but again in January they have risen by Re.2.

Rahul Jagwani: Thank you.

Moderator: Thank you. The next question comes from Archana Gude with IDBI Capital. Thank you. Please go ahead.

Archana Gude: Thank you for the opportunity. I have two three questions so in the press release it is mentioned that you know we have received some orders from Amul, PVR etc., can you throw some more light on for which products and what is the in terms of the value size?

J. Lakshmana Rao: You are talking about the from the companies like PVR and others?

Archana Gude: Yes.

J. Lakshmana Rao: I just do not have the exact numbers but Amul I know is close to about 15 Crores, initial orders and PVR is for starting order. So Bio-Shad and PVR and others are just starting. There could be opportunities of one to two crores per annum to start with. Amul I know because it was a bigger tender we won so it is around 15 Crores.

Archana Gude: Also we do understand this paint is slightly subdued in Q3 uh but then how is the scenario in like you know in the beginning of January, is there any improvement? Also can you just quantify like how we did in paints in Q3 in terms of volume and value?

J. Lakshmana Rao: Paints in Q3 in spite of overall growth of Q3 on Q3 growth of 20% in value, in tonnage terms paints are down by about 6.3% compared to the Q3 of last year because of the price rise that has been taken by the paint industry in the month of November they pick up in the month of November and December is subdued. That has impacted our sales in the paint sector, which is a major contributor to our company's topline; however, the bottomline has been well guarded by the growth in tin wall that is food and FMCG where we have seen 38.5% growth in volumes, in terms of thin wall products compared to the Q3 of last year. So whatever the improvement what we could see in the per kg EBITDA is mainly due to the increase in sale of thin wall food and FMCG business this quarter.

Archana Gude: Is there any improvements than what we saw in Q3 at least in the month of January, as the January month is almost over?

J. Lakshmana Rao: In the month of January yes things are improving. Actually it is not January. January was like similar to December November but forecast given by the major players of Asian Paints and other paint players is much better rather they are back on track I can say because whenever they take a price rise a few weeks before onwards their filling lines will take a little cut in their productivity but the ultimate numbers until the goods in the transit or goods in the distribution channels are all cleared then they start all again so I think the trend is improving from February onwards.

Archana Gude: My last question is on this IBM I believe that the new machinery should be operational by let us say April 2022 so have we received any order for that particular technology.

J. Lakshmana Rao: in IBM we have three sectors we are aiming at one is pharma, regulatory market, one is OTC products and another is cosmetics and general FMCG goods. So in the general FMCG and OTC we have won solid inquiry which we are about to close maybe in a week or two weeks, which would be almost able to fill the capacity of our pilot plant, which is coming up by April, May and our idea was to while these products are produced, the pharmaceutical containers will be also produced simultaneously and clearances of all statutory clearances, DM clearances would take about five to six months and by that time we will have our major plant at Sultanpur ready to go into production. So without wasting idling capacity we will be in a position to start off with FMCG and OTC products right from April May onwards hopefully May onwards and by end of the year, we will get the clearances from pharmaceutical companies and by then our expanded Sultanpur facility will be able to take up those orders.

Archana Gude: How much you are spending for these the one which is like will be operational by March 2022 and the second by December 2022? How much is the total capex for these two?

J. Lakshmana Rao: The May 2022 the pilot plant is hardly around nine to ten Crores but the major plant which is constructed in a 40000 square feet area is a Greenfield project that will gradually in the year 2022 and 2023 together there will be investment close to around 35 Crores to 40 Crores. As the demand increases will be in a position to quickly add the machines but the buildings will be ready to have the facility by hopefully around September or October 2022.

Archana Gude: Thank you so much. That was very helpful.

Moderator: Thank you. The next question comes from the line of Rohit Reddy, investor. Please go ahead. Thank you.

Rohit Reddy: My question is regarding the raw material. **(Inaudible) 11:20?**

J. Lakshmana Rao: Your voice is not so clear I understand you are asking about use of recycling material. Is it correct?

Rohit Reddy: Yes.

J. Lakshmana Rao: Yes we have started actually with the consent of some of our clients like Asian Paints and some of the FMCG clients. We have started using a recycled material which is completely cleaned and provided in a very what you call clean and dust-free and hygienic manner. Of course the material cost difference is not much maybe 15% 20% but that material is so clean and segregated that we do not have any problems of processing and slowly companies who are very conscious about cutting down or making use of recyclability they are slowly asking us to mix that material, which we have started using for last few months. So recycling now what it is available recycling material now is way better than what it was couple of years ago and there are big plants which are having facilities that completely clean the plastic, remove the dust and also you know any contamination and provide even they are claiming that their material is a food grade. So I am glad that the recycling industry in the country has improved a lot. Earlier such kind of material was only available in Singapore or Thailand and such countries now it is available in India and the process they adopted is very, very suitable for easier recycling in injection modeling. So that process has started and our company is forheading this development also with companies like Asian Paints and other MNCs.

Rohit Reddy: So are we buying those recycled plastic or like are they only trying to create this from other secondary marketplace like how are you doing it currently?

J. Lakshmana Rao: No. There are recycling companies which have set up in different parts of the country, one in north and one in Daman area and they are able to supply reprocessed, cleaned and re-granulated material directly so we do not do that process. The process is done by a third party who offer that material back to us, back to us means to us and then we use it in our compounding.

Rohit Reddy: How much is the cost per differential like a normal one and the recycled one?

J. Lakshmana Rao: The cost differential is hardly 15% but the idea is not only the cost difference, but also getting into the recycling, which is a point of content for environmental angle. So some of the companies like Asian Paints and others who are very concerned and like us we are also concerned about bringing in more recycling so we are working closely with them to adopt this material.

Rohit Reddy: Thank you again. That is it from me.

Moderator: Thank you. The next question comes from Mrunal Shah with Axanoun Investment. Thank you. Please go ahead.

Mrunal Shah: Thank you for the opportunity Sir. I have two questions first can you have the EBITDA margins for all the categories like IML, Non-IML and IBM and second can you throw some light on company succession plan if we have any? Thank you.

J. Lakshmana Rao: See coming to the EBITDA margins on a segment-wise I may not able to provide right now but the EBITDA margins of thin wall food are the highest among all four sectors that is paint, lube, square packs and thin wall packs. Probably if you send a mail I will ask my finance department to give you that breakup but roughly if you want I can say that the paints EBITDA margins will be somewhere around Rs.30 to Rs.35 per kg, lubes also will fall in the same category, square packs also fall similar to maybe better Rs.35 to Rs.40 and then thin wall products it is as high as Rs.80 to Rs.90 or even Rs.80 to Rs.100 per kg. So the overall blended EBITDA is around Rs.43 that is your answer to your first question. Coming to the succession plan I am very glad to inform you that you might have also interacted, my son Rana Pratap who is from IIT Delhi and IIM Lucknow has been in the company for the last eight years. Mr. Sandeep is also son of our Deputy Managing Director. He's a MBA from Purdue and B Tech from REC, Kurukshetra and he has been in the company for last year nine years now. He is completely looking after production planning and controlling and coordination while Rana Pratap who is my son is taking care of marketing and new business development and he is instrumental in actually getting into IBM and new product development. He brought in a lot of currencies especially Hindustan Lever, Proctor & Gamble, GSK are brought in after he has taken out the marketing in the last couple of years and they are also involved in project management, selection of the moulds and the machinery. I think they are getting well groomed and I am confident they will be a position to succeed and take the company forward.

Mrunal Shah: Thank you.

Moderator: Thank you. The next question comes from Hitesh Taunk with ICICI Direct. Please go ahead.

Hitesh Taunk: Thank you for the opportunity Sir. My first question pertains to overall volume growth during this quarter or overall volume if you can give us?

J. Lakshmana Rao: Volumes are flattish because there was a big drop in not a big drop, drop of 6.3% in paint which contribute more than 55% to our company. So there is a drop of about 2% to 2.5% drop in volumes in this quarter compared to the Q2 and whereas the volumes have gone up in the case of thin wall there is a 12% is compared to Q2 in the food segment that is thin wall segment whereas other segments have registered, paints have registered minus 12% in volume terms, lubes have registered positive actually they have gone up by 15% so overall net it is around 2.5% 2.6% drop in the volume compared to Q2.

Hitesh Taunk: We have seen a good traction in the lubricant segment is it a kind of a one-off event or will it be kind of a sustainable demand you are looking at this segment?

J. Lakshmana Rao: See in lubes if you notice, we never hope lubes will be a great winner because lubes are getting more and more stagnant and in fact by getting into our public sector that is BPCL is where we have seen growth, the main reason for our Q3 growth in lubricants is public sector companies which we generally do not get tenders we got the tender from BPCL six months ago and they started picking up the numbers from September October onwards. So the growth what you see in lubes is mainly because of BPCL two years tender we won recently, which has started picking up from October onwards. So that is the one reason for lubes growth but in lubes through QR code we anticipate growth coming our way because once they adopt QR coded container because lubes are the most affected by counterfeit next to paint we can say after lubes it is paints, the number one product which has been counterfeited in the country is lubricants. So they are very much interested in adopting our QR code at IML. Unfortunately, because of this COVID situation their plants neither their clients nor their marketing teams are actively coming physically to the office to adopt this change and test the change in the market. Any moment there is some couple of months of peace resumes from this COVID I am sure they all will go for it because they already now understood what QR coded IML with inside the IML code can do the even the IT part of that controlling of counterfeit which I explained in my previous talk are all ready now so we have now tied up all the regions both are the hardware side and the software side because this is a kind of digital packaging where sitting in the office, the clients can monitor which pack is lying where and when it is sold and they can ensure that that repack will not be sold again because of the counterfeiting control they get through the QR code, hidden QR code and outside QR code. So all these concepts are ready but unfortunately with the COVID going on physically they could not test it. I am sure once normalcy comes they all will go for it that is when I anticipate growth coming in the lube sector, real growth.

Hitesh Taunk: Earlier you have given a guidance of volume growth of around 20% over the next two years I mean are you stick with the same guidance so I mean you?

J. Lakshmana Rao: We are aiming at that. This year we are at around 14% for the nine months. Our volume growth is 14% and hopefully we may end up similar or maybe 13% to 14% because the fourth quarter also we may look at around 10% growth is what looks feasible. So overall we may end up the overall year at around 13% is my guess, but next year our IBM products will start and many new products for MNC's in food sector food and FMCG mainly food sector are on the anvil. I cannot tell the names today because the orders are about to be received but we have stuck deals at least for four products which will contribute handsomely to the food and FMCG that is thin wall sector from April May onwards because the mold development will take three four months. So hopefully from May onwards those three four products will be added to our thin wall segment and they will be contributing considerably in the next financial year so we are aiming at 18% to 20% volume growth again next year if no pandemic and things go smooth.

Hitesh Taunk: What was the pump revenue during this quarter?

J. Lakshmana Rao: Pump revenues are now picking up. They are just about a Crore of rupees in the quarter but we have now got the clearance from Hindustan Levers just few days ago and supplies will start from next month for HUL. Our Reckitt Benckiser and Himalaya again these two players are also impacted by COVID, some of them and they could not visit for the final trials but their corrections were done and their models you know every pump has a small minor difference in the caps on the outside actuator so those corrections were made and submitted so once that is cleared Himalaya and Reckitt Benckiser are also expected to add volumes. As I said hopefully from April there will be at least 100% to 150% improvement in the pumps sales.

Hitesh Taunk: My last question will be recently we have done a QIP and from that QIP the promoter stake has reduced another you know one percent on the QOQ basis so is there any plan to increase the stake or what is your take on that?

J. Lakshmana Rao: See you have correctly noticed that there is a drop in the promoters holding after the QIP, but there are warrants which are getting converted in the month of April May this year 2022 wherein promoters stake will come back to almost 33.7% to 34%. So we will be back to the previous levels of 34% after this conversion.

Hitesh Taunk: Thank you. That is it from my side. If I have more questions, I will come on the queue. Thank you.

Moderator: Thank you. The next question comes from Akshay Chedda with Canara Robeco AMC. Thank you.

Akshay Chedda: The first question will be if I have to look at the EBITDA per kg last four quarters I mean it has been on the improving side only I mean 41.6% to 42.2% and then 42.5% and now 43% so but at the same time even the RM was on the inflationary trend. So assuming that the RM stabilizes then how should we see as a sustainable EBITDA per kg I mean this is the question before the pharma starts because pharma will again have some positive impact on the EBITDA per kg, so just your comments on that that will be my first question.

J. Lakshmana Rao: I will answer this EB increase is mainly due to the increased sale of food and FMCG in spite of drop in volumes of paint in overall quarter why we could make a better EBITDA margin was there is a jump of 38% in tonnage wise compared to Q3 and Q3 in the segment of thin wall food and FMCG. So that is the main driver of our growth as of today and pumps is the second segment which will add to higher EBITDA margin as high as food and FMCG or may be better and as you correctly said once we start pharmaceutical or even OTC products in IBM that is maybe starting from May June onwards we will certainly have much higher EBITDA margins coming from those product range. So with the improved sales of thin wall, pumps, pharma and OTC product packaging, our EBITDA margins will gradually improve. How far it will go? All depends upon the growth what we achieve. I am very confident on at least these two segments that it thin wall, food and FMCG and pumps for the next year. Why I am saying IBM and other products may take little time because the volumes in the beginning would not really sizable to make an impact but during the year or maybe second half or maybe in the year 2023-2024 onwards you will see a IBM segment that is pharma, OTC, cosmetics also contributing to improving the EBITDA from the current levels. So while the next one year growth comes from thin wall and pumps 2023 to 2024 margin improvement per kg will come from IBM and their related products.

Akshay Chedda: Second question will be if you can provide with the value and volume break up between IML and then non-IML for Q3?

J. Lakshmana Rao: While in IML and non-IML now it is getting stagnated because whatever could change have changed, we are at around in tons wise, 65.5% as against 62.5% last year. On the nine months period we are at same level somewhere around 62.5%, it has become 62% now. So as I told you that unless some of the existing screen printing brands shift to IML overall IML growth is only coming through thin wall and food segment which is 100% percent IML. So in the paint and lubes there is still a stagnation in terms of increasing of IML adoption but we may have some good news in the couple of months with some of our painted lube companies looking at IML through QR code or otherwise.

Akshay Chedda: Thank you Sir.

Moderator: Thank you. The next question comes from Vijay Karpe with Bryanston Investments. Please go ahead.

Vijay Karpe: Thank you for the opportunity. Congratulations to the entire team of Moldtek. What is the capacity of the mold which we are setting up for Berger and when will it start and are we in talks with Grasim for their paint division?

J. Lakshmana Rao: Sorry your voice is not clear.

Vijay Karpe: Are we in talks with Grasim for their paint division?

J. Lakshmana Rao: Grasim, Aditya Birla Group. Yes the capacity for Berger plant at Lucknow will be decided in next few months, but the construction of the new plant will start only from middle of this year because they also deferred their production plans I think to the second half of this year so by then we will be meeting their needs from our existing leased premises already set up near Kanpur and at Sandoli, where we have taken land next to Berger plant that plant will be constructed during the financial year 2022 to 2023 and that will be minimum of 2500 tons capacity to start with. Your second question we are in touch with ABG but no confirmations of working with them as of now. We are working.

Vijay Karpe: What kind of volumes what do we see in FY2023 and the capex for FY2022 and FY2023?

J. Lakshmana Rao: Capex we have major plans in 2022-2023 wherein we have to complete our IBM major plant and Kanpur plant for Berger and probably another new plant for a new client and expansion of our Vizag and Mysore so there will be considerable investment coming up in the year 2022-23, already started at Sultanpur, with the construction of the building there and the pilot plant at unit 1 is nearing completion. So in the current year we may end up with a 50 Crores investment currently already we did 36 Crores and about 11 Crores of balance payables for the machineries that are ordered is already there that means under construction at Sultanpur and other areas and molds will take the investment in the current year to around 55 Crores but I see next year it will be much better much more in the tune of 70 Crores to 80 Crores depending upon how the IBM product demand opens up. So for Berger it is a capacity of 2500 tonnes to start with.

Vijay Karpe: What kind of volume growth do we see for FY2023?

J. Lakshmana Rao: We are aiming at anywhere between 15% and 20% because in IBM and other products we may not see sizeable contributions but the as I told you some of the major product wins we made in tin wall recently which will go into production from May onwards might add comfortable numbers in that sector again. So hopefully we should be seeing a 15% to 20% growth during the next financial year.

Vijay Karpe: The value in absolute numbers for paints, lubricants?

J. Lakshmana Rao: In terms of absolute numbers of 160 Crores, 87 Crores is paints, 37 Crores from lubes and 36.5 Crores from foods and FMCG.

Vijay Karpe: Volume numbers I am asking?

J. Lakshmana Rao: Volume wise 4200 tons from paints, 1800 tons from lubricants, the balance about 1320 from food and FMCG.

J. Lakshmana Rao: Thank you for answering that. Best of luck.

Moderator: Thank you. The next question comes from Vivek Tolat with Acme Family Office. Please go ahead.

Vivek Tolat: Could you actually give us a more better idea of the timeline for the expansion in Mysore and Vizag and how much we are taking our capacity ahead for that was my question number one? And question number two Sir if you could give us a broad how we propose to use the 100-odd Crores that we have raised from the QIP given that you know already the business was throwing about 60 Crores to 70 Crores of cash every year so do we see that you know QIP amount also going into additional capex and how do you propose to use that?

J. Lakshmana Rao: Actually in Mysore and Vizag the expansion is already underway, the buildings are ready and will be added as and when Asian Paints indicate their growth and at Vizag we are even planning some of the products manufacturing for Castrol, Calcutta which will be supplied directly from Vizag to Calcutta which will save freight and time for supplies. So these two plants expansion might involve about 20 Crores to 25 Crores in the next one and a half year. In this year probably half of it in the next six months or nine months and then followed by the balance 50% in the next nine months because by 2023-2024 we are supposed to have 6500 tons that is the projections given by Asian Paints at each plant. Currently we have about 3300 to 3500. So we need to almost double our capacity in these two plants in the next 24 months. So accordingly there will be investment into the tune of about 30 Crores in both the plants put together. Coming to the QIP utilization of funds, as I told you we are now getting into a major segment that is IBM and we foresee IBM and other similar products of OTC, not only not necessarily an IBM technology it could be an injection molding, it could be in multi-color injection molding we are keeping an open mind but with IBM as a thrust area for regulatory pharma and other OTC products along with it we are also going for ISO15378 that is a pharmaceutical standard for OTC products like Vicks Vaporub or Vicks inhalers or Iodex or all these products which are like Himalayas Liv52 and such products they need to be produced in 15738 premises. Currently most of the companies are procuring from just ISO companies which is not good enough and government regulations are becoming tighter and tighter wherein they are insisting on ISO153738 facility. Very few companies have such facility in the country and we are ramping up that facility at Sultanpur along with our IBM products facility. So this will enable us to enter into high value added OTC counter products also which may have IBM products or which may have injection molding products or by double color triple color molding products. So the idea is to enter into OTC products during this phase wherein we may foresee a sudden improvement or jump in investment requirement anytime in the next six to nine months so that is where the these QIP monies will be invested but anyway they plan to invest about 200 Crores to 250 Crores in the next 24 to 30 months so with this plan in mind this QIP has been raised and already projects underway will be requiring at least 80 Crores to 90 Crores in the next 12 months and additional OTC products the mold requirement can shoot up and we are also planning to expand tool room capacity and printing capacity, during the next nine to twelve months. That may need another 20 Crores to 30 Crores so in my opinion 2022 to 2023 we are just making the budgets. We made them here at the time of QIP so there are about 120 Crores requirements may come up during the financial year, in the next 14, 15 months. So that is where cash will be utilized from the QIP issue and that will be 12 to 14 months.

Vivek Tolat: Sir if I can squeeze in one more question with regards to our thin wall containers what are the next leg of future areas of growth. I know over the last two or three years we have converted ice cream containers for a brief time, we had edible oils particularly at a more strategic level what are the future areas of growth that we think are possible conversions in the next one or two years if you may?

J. Lakshmana Rao: Nutraceuticals, beverages, Nutraceuticals you have jams, you have butter and cheese, you have dates, we have various FMCG products like detergents children products so all these are where we are now stepping into because there is a concept for more and more hygienic way of manufacturing in the country now only it has been very late I would say because in many countries these kind of standards were practiced for quite some time we are too a little late to get into that in the country but all the MNCs have now set up standards that going forward they will not make these products in ordinary conditions they have to have highest 378 or FSS 6.8 premises or even DMF certified in case of regulatory pharma. So going forward we see that these nutraceuticals, beverages for children are even patients protein powders, jams and cheese and other products where there are some cheese and jam there are some brands, which have shifted but not all. So these are the areas where we would be concentrating. There will be some exotic caps and closures which are requiring high-end technology. We are open to enter into those segments. So as we mentioned at the time of QIP we are looking not restricting ourselves to just containers and bottles, we are also open to look at value-added injection-molded or IBM products and we see a lot of opportunities. I cannot convey some of them because they are at a drawing board stage but definitely they will be value-adding in nature, higher evaluating in nature.

Vivek Tolat: Thank you Sir. That is all from my end.

Moderator: The next question comes from Krishna Samhitha Yethapu an investor. Please go ahead.

Krishna Yethapu: Good evening. Like high tech and paints do you see any large competition from food and FMCG space?

J. Lakshmana Rao: Definitely competition will be there in all segments. It is not that we are monopoly in even food and FMCG. There are a couple of players as I said Caps and Cones in the north and couple of players in the west are there for last five six years, but we have the best backward integrated facility which any MNC or any volume business player will be looking at because having an IML robots or having a mould is not just enough to ensure double free supplies. In injection molding the machines, robots they all work in very high temperatures, very high pressures and they run 24/7. so they are all prone to maintenance they are all prone to breakdowns so a company like Moldtek which makes its own moulds, which makes its own robots and even labels is only capable of handling these maintenance breaks without the pain being felt. So that is why even today we are the single source supplier for some of the companies even if they buy millions of components every month so that is where our strength lies and even that strength is getting more and more fortified with the addition of new five axis deep boring and milling machines we imported from Europe in our tool room and also high-end Italian machines with a reverse QR coding facility which we have imported last year. So like this we are creating industrial standards and this QR code reverse printing is something which in my opinion it will take few years more for any of our competitors to follow. So keeping these kinds of barriers and getting into higher value add segments is a way forward for us. So even a competition comes up will be in a question to maintain our leadership position.

Krishna Yethapu: On that front in the past you have mentioned that the reason for foreign players not entering Indian market is there is not enough traction in IML space but at present there is a lot of opportunities so how do you see the risk of foreign player setting up facilities in India?

J. Lakshmana Rao: Even foreign players if they set up facility here, none of the players are so much backward integrated like us, they buy IML from outside, they buy robots from outside, some of them buy even moulds from outside, some of them make their own moulds and their costs are so high that they will not be able to play with a Indian costing and Indian pricing which we have absorbed and survived or rather you know mastered in the last 30, 35 years. So that is one of the reasons why foreign players with IML technology do not look India with interest even if the volumes go up their pricing and the pricing of our Indian companies what they pay will not work out. In fact we are now setting up a small export cell in our marketing department, two persons have been shortlisted for that and we are trying to find opportunities of exporting thin wall containers or even pumps and our IBM products to as far as USA. We are even in touch with a Chicago based company but these are all at the initial phase of discussion so the companies coming and setting up plant in India for IML products I do not see a great threat in that even the volumes of IML adoption is increasing because of the pricing standards in India, they cannot meet.

Krishna Yethapu: Great to know and my last question is it possible to get EBITDA breakup sector paints, overall EBITDA margin?

J. Lakshmana Rao: I said I do not have the data immediately but I can give you a ballpark. In the paints and lubes it will be in the region of Rs.30 to Rs.35 per kg, in the square pack, it may be around Rs.35 to Rs.40. in the thin wall and pumps, it will be in the region of Rs.80 to anywhere between Rs.80 and Rs.100 rupees per kg.

Krishna Yethapu: As you said we are adopting the technology of using recycled raw materials. I am assuming that there would not be any margin increase because of that right?

J. Lakshmana Rao: No really. In fact it could be an improvement because when we use the seconds material there is a technology that goes into in molding, where we adopt that without impacting the quality of the end product so I do not see that we have margin reducing or anything. It could rather be beneficial to us.

Krishna Yethapu: That is it from my side. Thank you.

Moderator: Thank you. The next question comes from Chandrika Venkatesh an investor. Please go ahead.

Siddharth: I am Siddharth here. I have a few questions. My first question is dispenser pumps are a commodity item there are a lot of manufacturers of dispenser pumps in India and there are Chinese import also in this competitive segment what advantage do you have and how will you compete with your competitors in this segment and in three years what kind of revenues and EBITDA margin can we expect from dispenser pumps?

J. Lakshmana Rao: In the dispenser pumps the advantage we have started with is the high cavitation, high productivity modes, while our competitors like Ricki and others they have at the most 16 or 24 cavitation moulds we are using 36 and 48 cavitation moulds which will produce much higher productivity for Crore of investment or either way you look at it and another greatest advantage we have started with this the design is compatible to give the best leak resistance and higher number of shots, with standing up number more number of shots and the assembly line which you have adopted is completely automized and right from first item to the last are all including the deep tube are assembled online and they have a tested hundred percent. Most of the companies currently in India they test by Dutch model or by random sampling whereas our pumps are tested 100% that is the reason why we could get within a year approvals from Wipro, recently from Hindustan Levers and Himalaya and Rickett Benkeizer at the final stage of giving us clearance. So we are able to get into the likes of these top MNCs because of our quality and their adopted technology. In three years we envisage the full capacity that is around close to around 80 million pumps per annum that is with a price averaging around Rs.6to Rs.7 take it Rs.6 we will be able to reach around 50 Crores turnover, with EBITDA margin better than what we are currently doing.

Siddharth: My next question is in IML packaging your competitive advantage is that that you have everything under one roof, you make your own mold, you have your tool room, you make your own robots so this all under one roof model makes you reduces your cost of production and also makes you a very memorable supplier, this is your competitive advantage in IML packaging as I understand, have I understood it correctly? Am I right?

J. Lakshmana Rao: You are correct. That is what I answered to the previous question. Our ability and a completely backward integration right up to robots, right up to IML labels because if we make 10 million containers in a month I need 10 million labels and buying 10 million labels at whatever margin or whatever risk of inventory losses would be causing our competitors pricing pain which we can control because we manufacture all of them in-house. So that is the greatest advantage which we have over the competitors.

Siddharth: You are the largest IML player in India but globally there are bigger players also what stops the global players from entering into the Indian market and competing with you? Why cannot they enter India and compete with you? If they do that how will you compete with them?

J. Lakshmana Rao: See as I again answered just a few minutes ago the IML global players are not completely backward integrated like Moldtek even you take Jockey Plus they make their own moulds but they do not make their robots. I think they do not even make their own IML labels so they have to procure the labels there, procure the robots and compete with Moldtek in India in the Indian pricing system will be a much bigger challenge for them than to us.

Siddharth: In the IML business, you have two direct growth drivers going ahead, one is put down FMCG taking to IML and the other is paint companies taking to IML these are your two great drivers for IML in the future. Am I right or are there other drivers also?

J. Lakshmana Rao: You are correct but there is one more driver that is QR coded IML which we are introduced recently which will also have a hidden QR code underneath the IML with a provision to tear it off at the time of sale. So that will provide complete counterfeit anti-counterfeit for many clients who are suffering from the anti-counterfeit and tampering in our country. So that QR-coded IML is what is getting introduced now in the country. The first orders have been received from a aqua food nutraceuticals manufacturing company, which is getting into the market in the month of February and many lube companies are examining this and they are about to enter into using this QR code IML so that is another area of FOR growth we envisage.

Siddharth: Just two questions you are planning to enter the injection blow molding segment now that is again a very competitive segment with a lot of players already. What competitive advantage do you have in this segment and within three years what kind of revenues and EBITDA margins will you achieve in that segment?

J. Lakshmana Rao: See again the same advantages even in IBM where we see our tool room, our strengths and molding and tool manufacturing and maintenance and even robotics where we are introducing IML capable machines IML attachable machines we are importing and these machines also will be having moulds made by us in future not in the first phase first phase we are importing these moulds but ultimately we will be making our own molds and even labels for IBM IML products so this same advantage what we enjoy in injection molding we want to replicate in and in IBM there is competition but there is not much of competition with backward integrated facilities, they are all standby operators with the machines, moulds everything imported and there we can again show how we can do better in productivity and profitability.

Moderator: Thank you. The next question comes from Karan Bhatelia with AMSEC. Please go ahead.

Karan Bhatelia: Thank you for the opportunity. Sir, like I understand you know we see a clear about four times asset turn on the pumps business model so what kind of you know revenue assumptions we have for the QR code and you know IBM project so can you help me with the total investment that we are doing as of now and the peak revenue potential for these two projects?

J. Lakshmana Rao: For the QR coded, the same asset turn is possible like 3 to 3.5 maybe but in the case of IBM the value of the product is not so high so probably it will be in the region of 2.5 but until we really get in and start manufacturing those products I will not be able to exactly give you a picture.

Karan Bhatelia: For us the QR code is much above 50 Crores, correct me if I am wrong?

J. Lakshmana Rao: Sorry.

Karan Bhatelia: The total capex for the QR code was somewhere around 40 Crores to 50 Crores?

J. Lakshmana Rao: No. For QR code it is hardly 10 Crores, for the printing machine which is again a versatile machine. It not only prints the QR code, if you do not want it you just switch off the feature and it can be used for your regular IML.

Karan Bhatelia: Any updates with respect to the Zomato, Swiggy, container packs or something with PVR, INOX anything material out there?

J. Lakshmana Rao: PVR we have a first order for some of their products. Swiggy and Zomato are still on the wall. They have not yet decided. They have been in discussion with us for quite some time but some of these major restaurants they are pushing them to adopt our containers where the volumes are sizeable. So indirectly we are getting business of Zomato and Swiggy but not a direct order from them.

Karan Bhatelia: One clarification volume growth quarter-on-quarter has a decline of 2.5% right?

J. Lakshmana Rao: Yes. Historically our Q3 is always lower than Q2 only last year it was an aberration because after the major COVID impact last year the Q3 was better than Q2 last year but typically if you look at 2018-2019 and 2019-2020 also our Q2 is Q1 and Q2 are higher again Q3 will be a dip and Q4 will be the best.

Karan Bhatelia: That is helpful. Thank you.

Moderator: Thank you. The next question comes from Pulkit Singal with Dalmus Capital Management. Please go ahead.

Pulkit Singal: Thank you for the opportunity. Sir you alluded to how backward integration allows you to be the lowest cost manufacturer for a pretty low price country. What is preventing us from therefore competing in a global landscape in a much more effective manner? What would be the challenges because we already have relationships with some large inventories?

J. Lakshmana Rao: The point here is trying and exporting from India is the way we want to go forward and that is what I answered in my previous questions that we are looking at exports as a major opportunity hereafter because more and more smaller components the China plus one concept is coming in the minds of Europeans and Americans, there are many more inquiries than there were before in terms of the small components like closures, like pharma bottles or even ice cream and other cheese and butter packs which can go one into the other and thereby saving on transport cost and effective landed cost will be much lower than their local manufacturing cost. So having said that the export itself is a good opportunity to drive and having a limited bandwidth of management and I would say technical people venturing into setting up plans outside it may be a little too early for us and because we had a bad experience with RAK but that is not a correct example to take because at that time we are mainly moved there with Iran, Iran in mind for their paints business of lubricants and oils, which has boomeranged because of U.S. sanctions but anyway the idea now is to explore those markets through exports from India.

Pulkit Singal: Would it be fair to say that you have not explored this opportunity much before, sorry I am not well aware of the historical?

J. Lakshmana Rao: We have been bogged down with local developmental work and not really concentrated on exports and with the pandemic and concern about China being kept as a single source all these years Americans and European companies are looking at India with more additional interest and the inquiry is what we are getting and the response we are getting from those companies is much overwhelming than what it was few years ago but anyway the fault lies with on our side also. We are not aggressively taken exports but going forward we are slowly creating a team which will focus on exports and which could be of a better value add.

Pulkit Singal: In the global landscape how much I mean for the products that you manufacture or that you can export out of India how much does China contribute of in terms of you know the percentage requirement of the global demand for the products that you manufacture?

J. Lakshmana Rao: Plenty I would say more than 40% percent of U.S. and European products, 30% to 40% of such products of injection molding, thin wall containers, pumps, closures and caps are procured from China.

Pulkit Singal: 30% to 40% and what could be the time you are targeting addressable markets for the products that you manufacture currently in your own assessment?

J. Lakshmana Rao: I did not have exact figures for that. We are using the non-Brad-Shad for some support in export data but I do not have exact numbers as of today but it is comfortable the numbers running to quite a few millions or close to a billion also.

Pulkit Singal: Lastly what competencies do you need to build like what action points do you have and what could be the timeline to see this operation exports that you could probably address?

J. Lakshmana Rao: What are the true requisites we already have for export? What even an exporting or importing client would look at us is our ability to continuously give supplies without hindrance and consistent quality so we have proved ourselves with Mandalese or Hindustan Levers or GSK that we are a reliable supplier even we are a single source millions of containers are being supplied from us without they developing a second source so that kind of reliability is one thing which we have already established and as I again say the backward integrated facilities of even developing them all developing a design studio where we have a design studio to develop 3D rendered images of products before they are produced and giving them rendered 3D images and videos to the client enable them to get a clear idea of what is it going to be so that they would not even get in all the packaging companies even in USA so or Europe so I think we have all the prerequisites only thing is lack of attention on this count and once more I want to give this credit to my second generation both Rana and his friend Kavya they both of them are concentrating on exports now and they initiated creating a team and even had a couple of talks with the us-based clients recently and they see a good future maybe in the next few quarters.

Moderator: Thank you. Thank you. Ladies and gentlemen in the interest of time we will take a final question from Karan Bhatelia with AMSEC. Please go ahead.

Karan Bhatelia: I just wanted to understand how is our working capital is shaping up given the fact that many of our clients are midsized and small sized, any major deviation we have seen?

J. Lakshmana Rao: You see working capital, you mean if you mean debtors we make sure that all small and medium players pay either in advance or along with supply so that we do not get into write-offs and major clients they generally demand 60 to 70 days 75 days on average credit and their payments are also completely assured, so if you look at our P&L, l there are hardly any write-offs there will be few lakhs but not sizeable right.

Karan Bhatelia: While you mentioned the volume break-up of IML and non-IML, can you also help us with the value breakup.

J. Lakshmana Rao: Value breakup is 68% is IML and 32% is non-IML, which was 65% last year, 65.4%, and 34.5% which has now become 68.3% and 31.7% in terms of value. This again because thin wall sales have grown in the last one year compared to the Q3 of last year.

Karan Bhatelia: Thank you. That is it.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities for closing comments.

Abhishek Navalgund: Thank you Lakshmanan Sir for taking all the questions and thanks to all the participants for joining in. Now I would like to hand it over to Lakshmanan Sir for his closing comments. Thank you and over to you Sir!

J. Lakshmana Rao: Thanks, Abhishek. and Nirmal Bang for holding this conference and thank you all the participants for your interest in our company and for actively participating in the questions and of course learning more about our company, the future plans and I wish you all the best and take care. I think we are again in the wave of Omicron but it is not so severe thankfully. Hopefully there would not be any more variants and we all live peacefully after a couple of months at least. Wish you all the best and take care. Thank you.

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