



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

MTPL/SECT/123/2023-24

Date: 13th February, 2024

The Secretary, Listing Department, BSE Ltd. , Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. Scrip Code: 533080	The Manager, Listing Department, National Stock Exchange of India Limited , Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. Symbol: MOLDTKPAC - EQ
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Sub: Transcripts/Outcome of Analyst/Investor/ Earnings Conference Call for discussing the Un-audited Financial Results of the Company for the third quarter ended on 31st December, 2023 and other Business Updates

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

This has reference to our letter dated 6th February, 2024, where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investor conference call of the company for discussing the un-audited financial results of the Company for the third quarter ended on 31st December, 2023 and other business updates on **Friday, the 9th day of February, 2024 at 6:00 P.M. (IST).**

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

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

For Mold-Tek Packaging Limited

Subhojeet Bhattacharjee
Company Secretary & Compliance Officer

Encl: A/a

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“Mold-Tek Packaging Limited
Q3 FY '24 Earnings Conference Call”

February 09, 2024



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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Mold-Tek Packaging 3Q FY '24 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 star then zero 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, Sagar. Hello, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to Mold-Tek Packaging 3Q FY '24 Earnings Conference Call. We have with us Mr. Lakshmana Rao, the Chairman and Managing Director of the company, along with the entire finance team. Without further ado, I request Lakshman to start with his opening comments, post which, we can open the floor for question and answers. Thank you, and over to you, sir.

J. Lakshmana Rao: Good evening, Abhishek, and good evening participants. Thank you very much for your time to participate in our Q3 analyst meet. As you all might have been from the announced results, Q3 sales volumes are up by 14%. This is the first time this year that we could cross 10% -- I mean, double-digit volume growth. However, the EBITDA is up by only 5.23%.

And net profit due to increased depreciation and financial costs has come down by about 15%, I guess -- PAT is down by 12.97%, say 13%, because there's almost 50% increase in the financial costs and 26% in depreciation due to the new machines being added in a big way.

And as you all know, in the current year, already INR105 crores of investments are made. And in the remaining 2 months, we hope to reach our targeted investment of about INR120 crores in the financial year. There's further spillage of another INR15 crores to INR18 crores investments coming up in the Q1 and Q2 of next financial year.

However, next year, plans will be made in the next few months, maybe in the next couple of weeks because we need to add a lot of balancing equipment at all our new plants, during the year, '24, '25 also to achieve better capacity utilization.

So having said that, I wish we'll go through question and answers, way to discuss further. Over to the operator.

Moderator: Thank you very much. We will now begin the question-and-answer session The first question is from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: Sir, firstly, on your Paints segment, what you've seen is the volumes have remained sluggish over the last 6 quarters or so. And even last quarter when you had indicated that some of the sales got shifted to third quarter because of late Diwali and rains. But we are still seeing almost flat volumes on the Paint segment.

So one, if you can explain the reason behind the sluggish volumes, especially from your top customers over the last many quarters? And then when do you expect the volumes to uptrend for your existing clients, that is ex of Grasim?

J. Lakshmana Rao:

Okay. Yes, Paint volumes are at least not dropped this quarter. If you have -- as you currently observed, last 4, 5 quarters, there is a drop in paint volumes due to Satara Plant, one of the major plants for Asian Paints was underutilized due to various maintenance and remodification work they have taken up there.

And because we have only 3.5 plants, I can say -- because Vizag, Mysore and Satara are our main clients for Asian Paints and Hyderabad happened to be one of the very world plants providing services to Patancheruvu here.

So one of the major plants of Satara, which services to Asian Paints got impacted, in the last 3, 4 quarters. And now it is back to normal, I would say. And that's when we are at least not dropped in our numbers. I also mentioned in the last quarter that we are not chasing any more new Paint other than the new ABG, that is Aditya Birla Group, we are not going after the small and medium players in this field because of the tight pricing norms they are following.

So, but I am very glad now the commercial supplies to ABG have started in the middle of January and they are picking up pace in February, at least for Cheyyar plant for ABG, and indications are that in a month's time probably supplies to Panipat Plant also will start. So by the time we close this financial year, there will be some numbers coming from ABG, and they will very strong improve the Paint numbers in the coming quarters, starting from Q1 of next financial year.

Because their indication was above almost 4,000 tons between these 2 plants, keeping hard from October, there is an additional 1,000 tons. But out of 5,000 tons, even if they pick up half of it, it will be a kind of 6% to 7% overall growth for the company and about 12% to 14% growth for the Paint segment alone.

So we are very positive that the stagnation or drop-down in Paint numbers would be reversed definitely from Q1, and another news is that we also have developed a couple of new products for Asian Paints, which we will be starting in February, one of them starting in February one maybe in March, which will also be adding maybe a couple of percentage points to the overall Paint numbers growth.

So going forward, we'll be back to double-digit Paint sales growth, which was a major miss in the last 4 to 5 quarters.

Jaiveer Shekhawat:

Sure. And sir, did I hear it right that you were saying with the addition of Grasim, you'll be able to clog that mid-teens kind of a volume growth for the next year?

J. Lakshmana Rao:

Yes, something like, even if we achieve 3,500 tons, our Paint sales are close to 18,000 tons, 19,000 tons. So that itself will be a 10% growth for us in terms of volume in the Paint segment and another 2% to 3% growth we are anticipating from Asian Paints because of the 2 new

products we developed for them. So we should be in the 10%-plus zone in the paint segment, which was negative or even below zero, I mean, for the last few quarters.

Jaiveer Shekhawat:

Sure, sir. And on the Pharma Packaging side, I appreciate the disclosures that you have provided with respect to stage of progress for different products. So sir, I want to understand where would you be in your process of starting commercial supplies. I mean, where would you be in that journey? And then what would be your revenue expectations from the segment over the next 2 to 3 years?

J. Lakshmana Rao:

Pharma Packaging, we are coming out with small USPs in all the segments. For effervescent tubes, we are the first company to establish IML, in-mold labelling. There is a company which is not so successful in developing the IML solution. But our samples and our first lots of trial samples, what we supply to clients are well accepted. So our effervescent tubes would come not only in HTL, but also in IML for the first time in the country.

And we definitely see a great advantage there because in Pharma, label -- label quality and clarity and its stickiness to the container is very important. In IML, we'll be giving that as permanent skin like kind of decoration. So definitely, there is a good interest from the Pharma companies whom we have approached so far. So that is, having said that, in the canisters also, we have come out with a single-piece canister as against 2-piece canisters that are prevalent in the country.

So the 2-piece canisters have the problem of the lid coming off during transformation or usage. Even one in a lakh of pieces have that accidental opening, that could lead to a major problem in Pharma. So our single piece completely crippled model would certainly accept -- get better acceptance, is my guess.

Similarly, we are going for larger etching, which is the latest in the canister manufacturing in the world, which would give us an USP against the labelled canisters. So these 2 are the USPs we are coming out with and already the initial samples were well appreciated by the industry, as you all know that there are approval processes and stability tests for all the Pharma products.

In the case of effervescent tubes, that process has already started. And that's not very long because most of them are for domestic consumption. Hence, stability tests could be completed in a month's time. But coming to the regulatory market where we expect it to be exported, like canisters and tablet pack, the stability test and the process of commercial supplies would take 3 to 6 months. That process just started.

So in Q1, we might see some numbers coming in from those 2 segments also. And Iodex project, which has been long delayed, is now starting. Their assembly lines have been corrected and recent trials are approved. They're ready to go for commercial impression from March. So if not much, at least from Q1 definitely, Iodex will also be adding numbers.

So with all this put together, next year, the overall capacity of the plant, if it turns at of full capacity, which may not happen in the year 1, would be in the tune of around INR50 crores per annum in terms of revenue, INR50 crores to INR55 crores. But probably, I'll be very happy if

we can reach around INR20 crores -- INR20 crores to INR25 crores turnover in the year 1, that is '24, '25; within 3 years, we should be not only covering this entire capacity, but also would be adding capacity both at Sultanpur. And even at Panipat, there are a couple of clients who are asking us why not you have a plant in North.

So probably our Panipat plant would also have some numbers. All these decisions we want to take once we see some traction by April, May. So going forward, the numbers can only go up rapidly from INR20 crores, INR25 crores in the year 1, that is '24, '25. They should at least cross the entire capacity of INR50 crores to INR60 crores within 2, 3 years can be better. But I can only comment once we see the market response from sometime in June, July.

Jaiveer Shekhawat: Sure. So sir, if I understand that right, I mean, you're saying your tubes, bottles, your CRC closures, almost all of those products will be up and running for commercial production by end of FY '25. Is that understanding right?

J. Lakshmana Rao: End of '25, we will be completely fully occupied by then, I hopefully, guess so. We should aim to have all the products running by middle of Q1, if not for the regulatory market for the domestic market, and probably in Q2 onwards for the regulatory market also. These effervescent tubes are mainly meant for Indian market, which would start as early as March in a small way and pick up speed from Q1 itself.

Our canisters might start picking up in Q1? HDPE bottles and other caps like CRC caps and CT caps might start in Q2, commercial sales. So by end of the calendar year '24 itself, all those machinery should be at peak of the production.

Jaiveer Shekhawat: Understood, sir. This is very helpful. Sir, on the F&F segment also, I mean, most of the growth continues to be led by your Square Packs or Qpack and your Tin Packs are continuing to grow at mid-teens. So one, given you had earlier highlighted that you're confident of growing the Pin Pack segment at 20% to 25%. I mean, do you stand by that? And what will be the levers for that?

J. Lakshmana Rao: The main lever for Food and FMCG going beyond the current team level is our plant at North, that's Panipat, which is starting in February for ABG and March for thin wall, would also be adding to our numbers. We already identified 6 products to be introduced in the month of March, April, and another 4 -- I think 4 more products in June, July.

So these 10 products would be having numbers in the year '24, '25 at least for 8 to 9 months. And going forward, CD also will be expanded. And the next season, we'll be having an entire range of -- which currently, we have 40 to 50 SKUs in Hyderabad.

Probably at least half or more than half would be produced in North, that's in Panipat. So going forward, again, we'll be going into 20s for growth in Food and FMCG.

Jaiveer Shekhawat: Understood sir. Sir, the last question is in relation to your capacity. Once you are done with the capacity expansion by end of next year, FY '25, how would your capacity stand across different segments?

J. Lakshmana Rao: The current capacity is what we are creating would take the capacity from 48,000 tons to almost 57,000 tons by middle of this financial year. And there will be some more balancing equipment, some more additional machinery will be added at all the locations, at least at Panipat and Cheyyar based on ABG's growth and based on our traction for Food and FMCG.

And in fact, if you have read the press note what we sent, we are finding very good growth in Qpack sales, that is our Square Pack and adoption option by Gemini and Patanjali for their edible oil has also now increased the attraction in that segment. In fact, we grew by more than 100% in that segment this year. And we expect to grow at least 30% to 40% even on this -- increase the number for the next financial year.

There are two reasons. One is the big brands are now adopting our pails and we could push out patent rights on the Qpack and could take up kind of suspension of activities by some of our competitors, who have completely copied our concept and model. So that is also going to help us in a big way, especially with the organized sector companies who don't want to play with patents and IP rights.

So these two points and addition of capacities at Panipat and Cheyyar for Square Packs for cashews and edible oil would also sustain or probably maintain the growth in Square Packs in the current years also.

Moderator: The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher Private Limited.

Amnish Aggarwal: Sir, I have a couple of questions. First, a very maintenance question -- sir, can you share with us the volume and value of various segments like Paint, Food and FMCG, Square Packs and Lubes?

J. Lakshmana Rao: Yes, yes. The volumes wise -- tonnage-wise, Paint for this quarter was 3,800 tons, Lubes is 2,270 tons, Food and FMCG is 1,022 tons and Qpack is 1,510 tons. So total, it was 8,600 tons as against 7,550 tons last Q3, a growth of 14.3%. In terms of value, Paint is INR67.5 crores, Lube is INR40.4 crores, Food is INR31.4 crores, Qpack is INR26 crores. So a total of INR165 crores in terms of rupees.

Amnish Aggarwal: How much was Square Pack's volume in the same quarter last year?

J. Lakshmana Rao: The volume growth in Square Packs for this quarter is 106%. For the overall year, it is 93% so far in the 9 months. So for this particular quarter, the sales in Qpack have doubled.

Amnish Aggarwal: Okay. So sir, what is actually driving. Because, Qpack earlier were not that fast growing. So what has changed in Qpack?

J. Lakshmana Rao: Yes. One of the reasons is we have widened our product ranges. Currently, we have 2, 5, 10, 15 and 17-liter Square Packs. Multiple molds have been created and capacities are spread in Daman and Hyderabad now. And in the second phase, that is by March/April itself, Cheyyar and Panipat also will have these Square Pack production setup, to reach the regional players in North and further south.

And as I explained just now, we are also successful in pushing our patent case against some of the competitors who unscrupulously copied our patented designs. Courts have given us positive powers to legally take up issues and even close some of the supply chains of the supplier -- competitors who have copied our design without any permission.

So this is also leading to increased volume. And adoption by cashews and fertilizer and nutrients, which started a year ago, are really picking up pace. And they find this pack very useful and very attractive also in the marketplace. So that is one of the reasons why there is a spurt in growth in Qpack sales.

Amnish Aggarwal: Okay. So in next year also, this kind of, you can say not maybe this kind, but what sort of growth you are expecting in Qpack next year?

J. Lakshmana Rao: We are aiming around 40%. Let's see how it goes because now Gemini Oil, which is one of the largest in South, in Hyderabad. They have adopted our 10-liter pack and they've also taken some 5-liter later packs. They are indicating interest in other packs also. Patanjali has started taking for the last 2 months in decent volumes, but comparative to Gemini, it is much low. And we are also having some Sunpure and other big brands inquiries for 10-liter pack.

So hopefully, even edible oil will continue to give us traction. There is one leading one leading vanaspati manufacturer in the North also is asking us. So now the small players and middle payers who have taken the plunge are getting -- not replaced, are added by bigger players who see the benefits of this pack in the modern trade and the preference of consumers to go for these as against tins -- metal tins or blow-molded tins, is slowly getting into the reality.

And one more reason what we are now solving is most of these companies like Gemini or Adani or all these big players, they are fast streaming lines meant for tins. For them to adopt to plastic and change the way of filling, change the way of lidding is something resistance, which we are now solving starting with Gemini. We want to provide that solution also which will enable them to adopt our pails in a better manner.

Amnish Aggarwal: Okay. And sir, my next question is on the margins. Because a couple of years back or even last year, our EBITDA per kg used to be in the range of around INR40, INR41, INR42 also, whereas in this year, 3 quarters, we are INR38, INR36, INR35 kg kind of a level. So what is the outlook going forward for fourth quarter and for FY '25?

J. Lakshmana Rao: See, as I told in the last meet also, we have the expenditure or costs, which are being spent on creating the teams that are meant for all these 3 plants -- sorry, rather 4 plants, including Mahad. So various people have been taken at various levels. They are under training, they are getting -- in fact, the delay in pharma plant inauguration, though inaugurated last month, commercial supplies might start now in February/March.

So we thought initially this will be ready by October/November. But the various statutory compliances that are required in Pharma, it took us longer time than what we anticipated.

But the teams were recruited and there's -- those costs and overheads have also played a part in reducing our EBITDA to some extent. Once these lines of activity becomes productive, I think we will be back to the INR40 level in the -- as early as next financial year. And things can start improving thereafter as Pharma and Food FMCG sales start picking up.

So currently, this year, we might end up at around 37 kg only. But for the Q1 onwards, we will see a definite improvement in the EBITDA per kg also.

Amnish Aggarwal: Okay. And sir, can you share with us what sort of capacity utilization or new facility at Panipat and Cheyyar in Chennai is operating at?

J. Lakshmana Rao: Currently, there is hardly anything. They just started in January. Panipat is yet to start. They have taken only trial samples and their lines are getting debugged. So I think on a middle of February or end of February, they have a formal inauguration of Panipat. Cheyyar started already in January. So we'll be going along with them. So hopefully, in these 2 months, before March 31, both the plants will be up and running.

And as I said, I can only comment upon the numbers and the capacity utilization only seeing few months of operations sometime in the month of June/July. But as for the trends at Cheyyar, they're very reasonably good. But as I cannot comment on the quantities and other numbers unless we see few months.

Moderator: The next question is from the line of Prathamesh Dahake from Motilal Oswal.

Prathamesh Dahake: Sir, wanted to understand the split of 1,000 tons in F&F. And what expected growth are we expecting in the next year in F&F? That is the first question.

J. Lakshmana Rao: I missed your part.

Prathamesh Dahake: So my first part is, we have 1,000 tons in this quarter, right, in thin wall F&F?

J. Lakshmana Rao: 1,000 tons of?

Prathamesh Dahake: Thin wall F&F.

J. Lakshmana Rao: 1,022 tons. Yes, correct.

Prathamesh Dahake: Yes, yes. So I wanted to understand the split if there are certain clients or sector which is contributing to this 1,000 tons. Second would be across all the four products, what EBITDA per ton are we enjoying? And third is 57,000 tons is the expected capacity installed by FY '24. Could you also please give us capacity installed by product?

J. Lakshmana Rao: Yes. Your question, the Paints and Food and FMCG 1,000 tons is mainly contributed by ice creams, restaurant packs, sweet boxes, our square packs, our regular products for M2K, that is Cadbury's. And now new products to start, but on the anvil are Horlicks and Kissan. These all contribute to the Food and FMCG 1,000 tons.

- Prathamesh Dahake:** Do we have any clients contributing more than 10% of those 1,000 tons?
- J. Lakshmana Rao:** HUL would be more than 10% alone. Maybe Hatsun, that is an ice cream major in South, Arun Ice Creams. They also must be around 10%. Cadbury's could be somewhere around 7%, 8%. That is M2K Lickables chocolates. That one is around 7% to 8%. So rest all spread over more than 500, 600 clients.
- Prathamesh Dahake:** Okay. So these three contribute 30% and others is long tail?
- J. Lakshmana Rao:** Yes. They're a big list. We have dairies also. There are a couple of big dairies, which will contribute to 5% to 6% of our sales, like [inaudible] here in Hyderabad and some of the ice cream majors like Walko. But they generally appear only in the months of summer, starting from February/March, they pick up until June/July. So this is a 5-month -- now starting from February, we'll find those companies becoming very active.
- Prathamesh Dahake:** Okay. And my next question was, what growth are you expecting in thin wall F&F?
- J. Lakshmana Rao:** Thin wall F&F, we are looking at least 20% growth in the next financial year because we already are expecting, I mean, seeing about 14% growth in this 9 months so far. And with the North Plant is getting operative, that will be adding to at least another 5% to 6% growth. So we are aiming at 20% growth for Food and FMCG in the next financial year.
- Prathamesh Dahake:** Okay. Understood. Sir, if you could also give us some colour on the EBITDA per kg in this quarter for different product lines across Paints, Lubes Qpacks and F&S?
- J. Lakshmana Rao:** This may be a very detailed study to be done. We have not done that for this quarter as of now. Maybe next few days, it will be ready. But roughly, always I mentioned, Paint, Lubes and Qpacks fall in the region of INR30 per kg to INR35 per kg. In case of some of the paint companies, it is less than even INR30 per kg. But in the case of Food and FMCG, it is in the range of INR80 per kg. And going forward, in our pharma, we are aiming at INR120 per kg to INR150 per kg.
- Prathamesh Dahake:** And sir, one last question. If you could please break down the 57,000 ton installed capacity by FY '24, how would it look across products?
- J. Lakshmana Rao:** Across products, it will be almost 50% will be for the Paints because ABG capacities have been added in a considerable way this year. So we'll be back to 50% in Paint, Lubes maybe around 22%, 23%. And Food and FMCG should be in the region of 14%, 15%. Qpack also will be in the region of 15%, 17% or 18% of the capacities. And these are fungible.
- The beauty of injection molding process is sometimes, let's say, the paint industry does not grow as per our anticipation, we can use the same molds and -- sorry, same machines and robots also for the Qpacks. Similarly, some of the smaller machines of the pail manufacturing can also be used for Food and FMCG. So that fungibility is there across the capacities. So there is no worry that let's say, if I aimed at 20% growth in Food and FMCG, but there's a growth of 30%, we can still handle it.

- Moderator:** The next question is from the line of Manan Narang from Marcellus Investment Managers.
- Manan Narang:** Sir, Hitech volume growth in the Paint segment has been around mid-teens in Q3, whereas our volume growth in the Paint segment has been a bit lower than that. So the variance has been there for the last 3 quarters as well which has created variance in our share of business with Asian Paints. If the Satara plant is online, do you expect we will see one large uptick on volumes so that the share of business is what it used to be earlier. If not, then why?
- J. Lakshmana Rao:** Yes, what I understand from you is while the paint industry was growing, we didn't find this growth in the last few quarters. Am I correct?
- Manan Narang:** Yes.
- J. Lakshmana Rao:** That's what I explained in the beginning. One of our major plants for Asian Paints at Satara was underutilized for quite some time, that's almost for a period of 3, 4 quarters. And now it started getting back on track, because of this completely dependent on Asian Paints. In that region, we don't have any other clients.
- So when Asian Paints has those volumes corrected in that particular plant, we were having a setback. So now it's getting normal. That's why we have come back to 0. And as the endeavour to improve or keep up our margins, we are letting go some of the small players, which we used to service in the past.
- At least in the last 1 year, we have not aggressively following up or even letting go some of the paint companies whom we used to service in the past. These are the 2 major reasons for stagnation in the Paint segment for us. But going forward, two things I explained a few minutes ago. One is ABG, 2 plants are going into commercial production. One plant already started in January. We started supplies and decent numbers are projected in Feb.
- For the second client at Panipat, probably it will pick up speed from March. Definitely, in the Q1, you will see those 2 plants contributing significantly reasonably well to our growth in Paint segment. And coming back to our major client, Asian Paints, they have given us the opportunity in 2 new product segments. I can't reveal the details. And those 2, one of them started in February, other one will start mid-March. So those 2 also will be contributing to reasonable numbers to our growth in Paint segment.
- That's why I'm hoping that next year financial year, we should be seeing a double-digit growth in our overall Paint business.
- Manan Narang:** As you mentioned earlier, now the Satara plant is back online. Are you seeing a reversion to the share of business that you used to indulge with Asian Paints?
- J. Lakshmana Rao:** Yes. We are now getting back to normal levels of Asian Paints requirements in that Satara plant now.
- Moderator:** The next question is from the line of Kunal Ochiramani from Kitara Capital.

- Kunal Ochiramani:** I wanted to know your take on realization side. How do you see it going for next 2 to 3 years, realization for F&F and Paints to be specific?
- J. Lakshmana Rao:** See, Paints would improve because we have a good understanding with ABG and Asian Paints where we are concentrating for our growth in the next financial year, where our EBITDAs are protected definitely or even improved.
- Second, coming to the Food and FMCG, by expanding our presence in North and widening our product range, every year, we're adding 3,4 new products. This year also, no Exception. These things will continue to give us a 20% volume growth at least for the next 2, 3 years and that will be at a much better EBITDA of close to INR80 per kg.
- Having said that, my main growth in EBITDA per kg would be coming from pharma in the next couple of years. Probably in the year, '24, '25 itself, you will see progressively pharma contributing to the bottom line in a handsome manner.
- But it might take a full year to really reflect on a substantial basis. So my first target is to come back to INR40 per kg in the next financial year, '24, '25 and then probably improve beyond that. But as I said, I would need few -- at least a couple of quarters for experience in tasting the pharma success.
- Moderator:** The next question is from the line of Sandeep Modi, who is an individual investor.
- Sandeep Modi:** Yes, I'm very happy to talk to you. Sir, two, three questions I have to ask you. Sir, what is the total pending order book of Mold-Tek Packaging? What happened to the Pump business? What happened to the dough container export business? Is the Gemini oil started production?
- J. Lakshmana Rao:** Third question? Third question -- pump and third one is what?
- Sandeep Modi:** What happened to the dough container business? Yes. And Gemini Oil started production?
- J. Lakshmana Rao:** Yes.
- Sandeep Modi:** Okay. And any new client list is not updated on the website?
- J. Lakshmana Rao:** No, it was added in the today's press note. If you want to I can get it for you.
- Sandeep Modi:** Okay, okay.
- J. Lakshmana Rao:** In this quarter, we added Patanjali, SciTech Specialties, Swagath Hotels, Daspatha Hotels, SN Traders, Vijaykant Dairy & Food.
- Sandeep Modi:** Okay. Very good. Yes.
- J. Lakshmana Rao:** Yes. And Gemini Oils started not only just now, it started 3 months ago, I think -- 2, 3 months ago, and the numbers are picking up pretty well.

- Sandeep Modi:** Very good, yes.
- J. Lakshmana Rao:** And order book, as I said, we always have open orders with all the clients. As for their demand, they keep giving us on a monthly basis, the orders. So there is nothing called the order book. It will be a rolling order for most of the main clients.
- Smaller clients only will release orders periodically as per their needs. Because in the Food and FMCG, we have several small clients who may not buy every month. They may buy in October and again come back in December. So those orders are not sizable. And all the major products, including Asian Paints and all are open orders. And the prices are revised every month based on the raw material fluctuation.
- Sandeep Modi:** Right, sir. Yes.
- J. Lakshmana Rao:** Coming to your question on Pumps. As I said, on the Pumps side, we have not really successful. Only about 7 lakh to 8 lakh pumps per month we are selling as against a capacity of almost 12 million per month. But as I said, this being a fungible capacity, we are using that capacity for -- that is Food and FMCG products. Only the molds investment is partially placed which is about INR2.5 crores to INR3 crores value. What is the third one? Dough something you said, which I did not understand.
- Sandeep Modi:** Yes, dough container. We were planning some Dove container order from U.S. or some export was going on? I heard in your same conference call?
- J. Lakshmana Rao:** Yes, yes, we have been exporting. Even today, we are exporting to US, for their -- various containers for restaurants, sweets and some of the food products...
- Sandeep Modi:** It is that -- we tell, no, that idli, dosa, the dough container. Yes.
- J. Lakshmana Rao:** Dough. Okay, okay. Dough.
- Sandeep Modi:** Sorry, dough. Yes.
- J. Lakshmana Rao:** It's okay. Yes. They are going on. We have keep sending them, that's dough, yes. Idli and dosa dough, yes. Actually in May '24, we are participating in the food exhibition in Chicago. Already we booked a booth and first time, our real marketing effort is starting in US. That's middle of May '24. So hopefully, there we may be able to strike more deals.
- Sandeep Modi:** Yes, yes, it is very good news. This is a very good news, yes. Sir, one more thing. One small question, promoter is decreasing the stake holding. That is very painful to investors.
- J. Lakshmana Rao:** No, I don't think there's any change in not more than 0.05% or 0.1%, I don't know. Any long distance promoters are selling for their personal needs, but there's no change in promoting holding as far as I know.
- Moderator:** The next question is from the line of Pankaj from Affluent Assets.

Pankaj: Well, sir, as I understand from your commentary that worst is behind in terms of delaying capacity utilization -- the commissioning -- capacity commissioning and the IP infringement, etcetera. So when do we -- when do you expect to reach the 3-digit top line figure and about 20% margins? Will it be possible for us to reach in '25 -- FY '25? Or will it take '26?

J. Lakshmana Rao: Yes. If you notice, as far as EBITDA percentage wise, we are almost there, 18.91% is EBITDA margin. Probably, we will attempt to cross the 20 percentile during '24, '25. If pharma goes as per our plans, it should be in that region. Otherwise, it may take 1 more year, but we will be certainly there, is my guess in the 1 year or max 2 years. That is regarding EBITDA.

Coming to the INR1,000 crores figure in the sales. See, as you know, raw material plays a vital role in our top line and top line growth looks to be, in this case, in this year, the number as a revenue, there is a fall, actually. It shows there is a 4% fall in the revenue. In fact, it is 6.6% growth in the volume.

So that's because raw material prices have fallen considerably during the 9-month period from INR117 last year to INR96 average. That means almost 20% -- 18% to 20% drop in raw material price. So that will impact our revenue number as such. But otherwise, if the 6% growth is there, as against INR730 crores last year, we should have -- we would be reaching some INR780 crores this year.

But that's why I can't comment about 1,000 tons mark. But we are aiming at, as I said in my previous commentary also, at least 15% or probably 20% volume growth for the next financial year. That is on the volume front, I can comment. How it will reflect on the revenue, it will depend upon the raw material price momentum.

Pankaj: Sir, regarding capacity and capacity utilization, what is the current situation? And secondly, for -- which sectors, which segments of our lines -- our business would be driving the growth in near future?

J. Lakshmana Rao: See Paint will continue to be a main growth factor next year also -- I mean, next year, if not during the last 1 year because ABG growth will be considerable. And as I said, the Asian Paints also given us a couple of opportunities which would take the Paint growth into double digit is my strong feeling for the next financial year.

And Pharma Packaging, though it might not be a very big number next year, from the year 2 onwards, it will definitely be a considerable addition, at least 5% and above for the top line or could be even a 7%, 8%. So going forward, in terms of share numbers, Paint segment will continue to be there.

Thin wall, that is Food and FMCG and Square pack, especially, will be shooting up at a pace much better than Paint segment. So the numbers will be more favourable in Square Packs, followed by Food and FMCG and then Paint. That is the order of growth percentage.

So it's better to have Food and FMCG and Pharma growing. That will be adding better numbers to the bottom line. So that impact you will see in the next financial year partially, and from '25, '26, certainly in a significant manner.

Moderator: The next question is from the line of Jenish Karia from Antique Stock Broking.

Jenish Karia: Sir, I don't know if you have said the IML, non-IML mix volume wise and revenue wise numbers earlier. If you can just reiterate the same on the call?

J. Lakshmana Rao: Yes, I can do that. In fact, this is the first time, there is a small drop in total labelled products from 63.74% last year to 63.63%, just 0.1%, but the drop is basically because in Qpacks, that is our Square Packs, most of the cashew nut players or the buyers, they go for plain containers. They have only some kind of stickers because they are not branded cash manufacturers. They produce the cashew, process the cashew and send to big companies who brand them and sell them.

So they won't spend money on the IML. So that is one reason this partial small drop of 0.1% in 9 months period. But if you look at this particular quarter, 67% has become 65%. That's basically because of the same reason. More and more cashew players have started using our square packs in this year, which has resulted in a 100% jump in our Square Pack sales. So that's why it has marginally come down. In sales revenue terms, also 2% drop is there in Q3. And the overall year, it is just 0.5% up. So IML is stagnated as of today in terms of overall numbers.

Jenish Karia: Sure. That's helpful, sir. Secondly, over the last 2 to 3 quarters, your Paints volume has been declining and your mix has been improving more to the Food and FMG side, but that is not reflected in your per kg margin. So any specific commentary on that? And when can we see the per kg margin improving the mix improvement that we are doing?

J. Lakshmana Rao: Yes. As I mentioned to you, Qpack, though it is good growth driver, it is not a high contributor towards EBITDA. It is similar to Paint segment or little better than that. And less number of players adopt IML in that. Only edible oil, some of the nutrients and protein powder manufacturers, they go for IML. Majority of this cashew and other players go for plain containers.

So you all know that in IML, we have much better margins. Hence, Qpack growth will not contribute handsomely to the bottom line in terms of per kg. In terms of capacity utilization and in terms of profitability, is still good, but not as good as Food and FMCG.

And Food and FMCG growth is moderated in this year, it is only 11.8% in Q3, and overall, it is 14.3%, which used to be 20%, 25% in the past. So as I explained in the previous commentary, with North entry, Panipat plant starting Food and FMCG in March/April, we will be seeing that number going beyond 20% from the next financial year.

That is a driver of EBITDA. And second driver, which we are now entering is Pharma, which will be initiated by, during these 2 months, February/March, but they will start contributing from Q1 in a small manner. But as we progress in the year, I expect pharma to contribute reasonably

well. So as I said before, our immediate target is to come close to INR40 per kg next financial year with all these projects coming into use.

Because some -- one of the reasons for EBITDA reduction is overheads of staffing people -- for trainees and various people have been taken for all these 4 plants, including Mahad being taken. And in Pharma, we had to create entirely a team including QA, compliance, manufacturing, filling machines which are completely different from our lines of activity as of today.

So teams have been created and they're all joined 6, 7 months ago. That has added some burden in terms of admin overheads. But they will become productive very soon. And then we will see the contribution towards improving the EBITDA. So next immediate target is to reach INR40 next year and probably better based on the Pharma success.

Jenish Karia: That's very helpful, sir. Sir, next is what proportion of our volume or revenue, as you said, would have come from the new customers that we have added in the last 1.5 to 2 years?

J. Lakshmana Rao: So that will be a complex question. Last 1.5 to 2 years, we have added several clients, especially in Food and FMCG and Qpacks. But their growth is definitely in double digits because for them also, this new pack is giving a good push in markets. So I can't answer that very clearly.

Jenish Karia: So just a broad understanding on the same question that a lot of customers that were added in the last 1.5 years, 2 years are majorly Qpack customers and not the high-margin Food and FMCG. Is that understanding correct?

J. Lakshmana Rao: Correct. Majority of them are that. And only in Paint, the major addition is Asian -- ABG, that's Aditya Birla Group. In Lubes, we are more or less stagnant.

Jenish Karia: Sorry.

J. Lakshmana Rao: In Lubricants, the client list is more or less stagnant.

Jenish Karia: Sure. And what the ITC procuring from us? Whether it is Qpacks or it is a different margin product?

J. Lakshmana Rao: I think they are procuring some Square Packs and some Food and FMCG products also -- Food products also.

Jenish Karia: Just one last question. What proportion of our volumes would be export and is there any export deferred or impacted because of the Red Sea crisis?

J. Lakshmana Rao: No, no. Because of region crisis, you're saying?

Jenish Karia: No, Red Sea crisis. Crisis in the Middle East.

J. Lakshmana Rao: Yes. There was some dip last 2 months because of freight shot up due to the unrest in the Middle East, and the price of transport has gone up. But anyway, our exports are not major first area for

growth. Having said that, I'm also glad to take this opportunity to inform you. Both our effervescent tubes and canisters have very good export potential.

And once we start producing them in the next few weeks, and then we'll be looking at export opportunities also in the next financial year to get better realization. But anyway, those details we can only see maybe in June/July.

Moderator: The next question is from the line of Richa from Equitymaster.

Richa: I'm a little confused about the capacities. My understanding was that for Grasim, we were adding 5,000 ton kind of capacity, of which 2,000 tons was Cheyyar and 2000 was -- I think 1,000 tons was Mahad and 2000 tons was Panipat, if I'm not wrong. But in the press release that you had, it said 1,500 instead of 2,000 tons for Cheyyar.

So I mean, could you just clarify, is it 4,000 tons between the 2 plants? Or is it -- is it 4,000 tons between the 3 plants or is it 5,000 tons incremental capacity for -- between the 3 plants?

J. Lakshmana Rao: See, actually, it is 5,000 tons is what we need to set up as per our agreement. And we are very close to that. But as I told you, in injection molding, capacities can be added by adding molds and machines once we have the other infrastructure in place. So we will be starting off with about 1,500 tons feed check at Cheyyar and Panipat immediately, that is starting right now in February/March.

And Mahad is coming up only in October -- September/October. That is a smaller plant. So there, the initial capacity is 1,000 tons. But another 1,000 tons of capacity for Thin Wall is also being created at Panipat. And Square Pack also recently, we have decided both at Panipat and Cheyyar. that's why, put together, we will be now starting with about 5,000 tons at these 3 plants put together.

And as I said, it is fungible machinery. In case ABG takes up faster, we would be able to service them also without giving any trouble to them. So that way, we are keeping our options secured.

Richa: Okay. Because, like, again, in your release, your existing capacity was given 47,290 tons. So if I add 5,000 tons for Grasim and 1,500 tons for Paint, it still comes to around a little less than 54,000 tons. So what you're saying is that because of the...

J. Lakshmana Rao: No, no. We are adding capacity in Pharma here in Hyderabad, Sultanpur. We are adding capacities in Vizag. The existing plants are not stagnant. Vizag is also expanding. Even the old Hyderabad unit one, is also there are some machinery additions. Even Sultanpur Thin Wall is also having some machinery traditions, especially in Thin Wall and Food and FMCG. So these volumes put together, the overall figure will be reaching 57,000 tons somewhere in the middle of this financial year, '24, '25.

Richa: Okay, okay. And sir, like by the end of FY, this 20% kind of growth guidance that you have been giving like for FY '25, '26. So these capacities -- with these capacities, we would be able

to get that kind of growth? Or do you see the need to put further capex, not just for '26, but even beyond that. So if you could give me some kind of guidance for '25, '26 capex as well?

J. Lakshmana Rao:

I can't really look into -- so long into the future, but definitely in '24, '25 also, there will be capex going on. That Mahad plant, complete plant has to be built up, which will take us at least INR20 crores. And we need to have the balancing equipment and construction going on at Panipat and Cheyyar. That might take another INR15 crores, INR20 crores. And balancing equipment in other plants. So there will be definitely a INR50 crores, INR60 crores capex for '24, '25 is what I can clearly see.

And the volume by the time when we really complete the year '24, '25, we may be coming close to 60,000 tons from the current 47,000 tons. So the progressive capacitization will be going on as for the requirement. Even, I mean, internally, it is just a guess on an optimistic view. We may have to restart at looking enhancing our Pharma capacities, even in the middle of this financial year itself if things go well. Because the, so far, so good. Touchwood, we have good response from the Pharma industry when we started just meeting them and giving our samples and telling about our business plans.

So if things go well, we would be thinking of expanding in the Pharma even in the middle of next financial year itself. So that capacity creation might go on for next 1, 1.5 year. So that way, I foresee continuous capex going on. But as I said again, until June/July, I don't want to comment about Pharma and its future growth. But on these other existing segments itself, we'll be reaching 57,000 tons to 60,000 tons also by end of next financial year, if there is a need.

Moderator:

Richa ma'am, do you having further questions? As there is no response from the line of current participant, we'll move on to the next. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

J. Lakshmana Rao:

So I take this opportunity to thank each and everybody who has taken interest to be part of this analyst meet. And I also thank Nirmal Bang, Abhishek in particular, for arranging this conference. And thanks to all the commentator or operator who helped us making this call a success. Thank you very much, everybody. Have a good day.

Moderator:

Thank you. On behalf of Mold-Tek Packaging Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.