

Mitsuchem Plast Ltd.

(Formerly known as Mitsu Chem Pvt. Ltd.)

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Date: February 7, 2022

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Dalal Street
Mumbai- 400001

Script Code : 540078

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors and Analysts held on February 4, 2022

With reference to our previous communication dated February 1, 2022, intimating you about the Conference Call with Investors and Analysts held on February 4, 2022, please find attached the transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

FOR MITSU CHEM PLAST LIMITED

Drishti Thakker

**Drishti Thakker
Compliance Officer**

Encl: as above

Manufacturing Units

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

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

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

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

Blow Molding | Injection Molding | Custom Molding



“Mitsu Chem Plast Limited Q3 FY22 Results Conference Call”

February 4, 2022



MANAGEMENT: **MR. MANISH DEDHIA- JOINT MANAGING DIRECTOR & CFO, MITSU CHEM PLAST LIMITED**
Ms. KASHMIRA DEDHIA – GENERAL MANAGER, ACCOUNTS & FINANCE, MITSU CHEM PLAST LIMITED

MODERATOR: **MR. VASTUPAL SHAH – KIRIN ADVISORS**



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Moderator: Ladies and gentlemen, good day and welcome to Mitsu Chem Plast Limited Q3 FY22 results conference call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode. 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 '*' and '0' on your touchtone phone. Please note that this conference is being recorded. I now hand over the Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you, Sir.

Vastupal Shah: Thank you. Good afternoon, everyone. I would like to welcome Mr. Manish Dedhia- Joint Managing Director and CFO of Mitsu Chem Plast Limited and Ms. Kashmira Dedhia – General Manager, Accounts and Finance. Manish Sir, over to you.

Manish Dedhia: Thank you Vastupal ji. Good afternoon, everyone. Welcome all of you for the conference call of Mitsu Chem Plast Limited third quarter of FY22. I trust everyone is safe.

We witnessed a strong demand for our product in third quarter which is reflected in our topline growth. We are happy to share with you that strong demand has kept our growth momentum upbeat. However, I must tell you that on operational front we are facing challenges. Our raw material cost and other overhead have been higher for the reported quarter. Our key raw materials HDPE and PP is a crude-based product. As we all know, crude prices have skyrocketed in last one year. All products linked to crude have also seen sharp rise in prices. This has severely impacted raw material cost in plastic molding industry. The quarter foregone has also witnessed higher global logistics price due to higher crude price and partial opening of economies due to third wave of COVID. That has affected the export business as our export-oriented clients have held back their export shipments, so orders are booked but not cashed in our books. Overall, we have been able to mitigate the crisis in terms of absolute growth but there was some pressure on the margins. We added approximately 30 new clients during the reported quarter. Your company, a leading manufacturer with more than 500 plus SKUs, is serving to over 30 plus Fortune 500 clients in India. Our strategies are in place, and we leverage every opportunity of growth through organic and acquisition route that helps us expand product portfolio as well as our client base and regional reach. I must assure you that there is a robust demand for our products from packaging as well as hospital and medical segment. We are leveraging this opportunity with our strong product portfolio and products pipeline. We are keen on our product innovation and value engineering to enhance product quality and highest customer satisfaction. For all through years, this has been our prime focus which has made the Mitsu brand a name to be reckoned with. We believe higher operational cost is a temporary hiccup and will surely bottom out in the near future which will reflect in bottom line in coming time.

I am thankful to all our investors for having faith in our business and standing by in this difficult period. I assure you that we will be able to translate topline growth in our profitability very soon.

Now, I hand over the floor to Ms. Kashmira Dedhia to discuss the financial performance during the third quarter FY22 and nine-month FY22.

Kashmira Dedhia:

Thank you, Mr. Manish Dedhia. Good afternoon to you all. Now I will take you through the financial performance of the company in last quarter. Your company witnessed strong demand growth in quarter passed by. Financial performance for nine-month FY22, Mitsubishi Chem Plast Limited reports robust topline growth for nine-month FY22.

The total income for nine-month FY22 grew strongly by 44.9% year-on-year to Rs. 184.2 crores. As indicated by Mr. Manish Dedhia, the company has witnessed a sharp rise in raw material cost which is over 60% for nine-month FY22 pressurizing EBITDA for the period. Other operational expenses were also high by 38.8% in nine-month FY22. For nine-month FY22, EBITDA grew 2.4% while EBITDA margin came at 10%. The net profit grew 9.5% to Rs. 8.2 crore during the same period. For nine-month FY22, long term borrowings reduced to Rs. 21.03 crores from Rs. 34.51 crores in corresponding period. This helped us in lowering finance cost. For the nine-months FY22, finance cost reduced by 8.18% to Rs. 4.04 crore. Financial performance for third quarter FY22, Mitsubishi Chem Plast Limited total income for third quarter FY22 jumped 35.5% year-on-year to Rs. 66.5 crore. The company has however witnessed sharp rise in raw material cost which is 54% for third quarter FY22, while other operational expenses were also high by 20.8% in third quarter FY22. EBITDA for third quarter FY22 dipped by 13.9% to Rs. 5.38 crores. EBITDA margin came at 8.1% against 12.7%. Your company reported net profit of 2.05 crore for third quarter FY22.

Now, I open the floor for question and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vishal Kumar, individual investor.

Vishal Kumar:

Just wanted to understand a few things. One is, as the operational expenses are moving on a higher side, how are we planning our debt cycle in terms of short term and long-term vision and how are we planning to reduce it? Also, if we have any plans of hedging or getting into a lesser riskier area for the price fluctuation which is happening frequently as we see in the first couple of months? So, I would like to know your points on this.

Manish Dedhia:

Mr. Vishal ji, thank you very much for the question, but I think you have asked two to three questions. So, one question was, I will just confirm the question, how do you control the cost? That is your first question, right?

Vishal Kumar:

Absolutely.

Manish Dedhia:

If you can repeat the second one. The third one was hedging.

Vishal Kumar: Absolutely. Sir, my first point was what you have mentioned just now and the second one was on the debt level. The third point is majorly on how we can hedge and reduce the risk?

Manish Dedhia: So, the cost part, yes, definitely the raw material and crude is not in my hands but yes, we are trying to buy the material. So, I think first and third questions, I might merge the questions so I can answer in a same manner. So, in plastic there is no hedging policy available in India at least. So, the hedging is not possible. But wherever we assume that the prices are going up, so we try to procure material in advance with our capacity. But definitely sometimes it is a very abrupt price increase which has happened in the last few quarters and immediately you do not get price increase from the customers. That is one of the things.

And second, yes, the cost how you are managing? So, we are also trying to maximize our production and the exploitation of our machines, how we can do more production on that we are looking at this.

About debt, yes, you must have seen we have reduced our debt from long term to 21 crores. So, we are trying to reduce the debt as much as possible from the profitability. Yes, there are some good plans, maybe in the near future we will come up with some good ideas.

Vishal Kumar: Anything specific on the working capital cycle? What are our current days and how are we planning? Is there any stress on that side? Because that will be directly related to the operating expenses and other things are getting stressed. This is an area which can value add or even can be a burden. So, if you can just highlight something on this area also.

Kashmira Dedhia: Our net operating cycle for this 31st December 2021 is 62 days and we are continuously doing something to improve it as far as the debtor recovery is concerned and creditors' payments are concerned, or inventory is concerned. I hope I have answered your question.

Vishal Kumar: Just wanted to understand is there any stress on this particular area, so that we can factor that also, as going forward the oil prices are going to remain a challenge and it is not in our control, so this particular area if we factor it well it will be helpful for the company to get out of the riskier areas in a better way.

Kashmira Dedhia: As far as I see the data, we do not find any stress as we are seeing that continuously 60 to 62 days net operating cycle if we see the performance of the last quarter or six months.

Vishal Kumar: For both the orders, if you can split for the domestic and the foreign one.

Manish Dedhia: We do not have export much in our company because these are bulky items, so the export is not possible. We do not have more export here.

Moderator: The next question is from the line of Rajesh Gupta from SBI Caps.

- Rajesh Gupta:** I just missed out your opening remarks about the results. I joined a little late. So can you just give us some outline what has happened, the key takes of the current quarter in terms of the earning. I have your earning in front of me, but your opening remarks will be very advantageous or rather important for us.
- Kashmira Dedhia:** You want to know about exactly the third quarter or nine-month?
- Rajesh Gupta:** Both put together, for the nine-month and third quarter both.
- Kashmira Dedhia:** In nine-months we have grown our total income by 44.9% which is 184.2 crores, and our EBITDA grew 2.4% and EBITDA margin came at 10%. Our net profit grew by 9.5% and it came at 8.2 crores. And as far as the quarter is concerned, we have raised our total income to 36% so the total income of this quarter is 66.5 crore.
- Rajesh Gupta:** So, as I can see there is a drop in the margin, of course to outline there is a jump in raw material prices. So, to what extent you are able to pass on this price rise to your customers? Have you started raising your prices to cover your input cost or you plan to maybe cover it in the next quarter or this quarter? Can you just give us some sense or come color on that?
- Manish Dedhia:** This is not only because of the raw material. There are a lot of operative expenses, different-different all the operative expenses have gone up in a very good thing. Now we are passing off the rates, but somewhere customers are also having a lot of pressure, so it takes some time, so sometimes it takes one month or two months and immediately by the time they give prices another price rise hike is already awaiting. So, I know this is a big challenge for people like us, but we are trying to overcome those problems.
- Rajesh Gupta:** How is your hospital business doing?
- Manish Dedhia:** It is doing good, but this quarter has been a little lesser. As container business was more this time higher. But comparatively as an overall growth, yes, it is a good growth and definitely coming years also we will see a good growth in this.
- Rajesh Gupta:** Now, I am just trying to understand since the COVID cases are now on the decline so do you expect the other unlock theme to really play out for you. Essentially, I am referring to let us say the plastic furniture required for let us say cinema halls or let us say other areas where you find some opportunity in addition to your hospital business?
- Manish Dedhia:** I think there are a lot of enquiries coming up other than this hospital furniture and container business. We are evaluating those businesses as well. We are just evaluating. But yes, I agree with you that COVID has been almost on the decline, we are coming into pre-COVID scenario. Definitely I see a bigger growth in the overall market for Mitsu.



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- Rajesh Gupta:** Any new product, you already are close to 300 plus kind of SKUs but any new products you are trying to launch just to mitigate the current risk for the business?
- Manish Dedhia:** Yes, we will announce may be in some time, it is under process, some of the products are in R&D stage, some of the products are in a finishing stage, so yes definitely.
- Rajesh Gupta:** The bigger picture which I want to understand your growth, you have grown in terms of your topline, but I think bottom line is not up to the mark so far. Where do we see for the current year and let us say FY23-24?
- Manish Dedhia:** You said FY?
- Rajesh Gupta:** FY22, 23 and 24, I mean just want to understand the growth for the next two years.
- Manish Dedhia:** I think that will be not comfortable talking here on concall. One thing is definitely we are growing at 30% to 38% run rate, so definitely we will have the same growth in this current year and bottom line definitely it will be improved from last year for sure.
- Rajesh Gupta:** In absolute number, right?
- Manish Dedhia:** Yes, I am talking about absolute numbers.
- Rajesh Gupta:** Any plan to get listed on the NSE?
- Manish Dedhia:** Yes, we are trying but I do not know. So cannot say anything right now, yes or no.
- Moderator:** The next question is from the line of Avinash B from ProfitMart.
- Avinash B:** Just seeing your numbers, I think topline growth as you rightly mentioned has been about 35% in the third quarter that is December 2021. Which segment has actually contributed to this growth, this 35% growth which has come overall, if you can just share some thoughts on which segments which actually did very well because 35% topline growth is definitely good but within that, which segments contributed largely to this?
- Manish Dedhia:** Two segments largely have contributed to this. One is the containers definitely and another one is the furniture parts.
- Avinash B:** What is the outlook for the coming quarter, that is January to March quarter, do you expect this momentum to continue overall topline growth?
- Manish Dedhia:** We feel a little better than this. We feel this is much better, because as the earlier question has come, so I think we are coming into pre-COVID situation now, it looks like. And the budget is

also, I can say, very moderate and very good at least for the manufacturers, so I think we will have a very good economy further going.

Avinash B: One more thing which is important is we have seen a very sharp drop in EBITDA margin in the December quarter, it was 13% in the June quarter. So, do you expect at least margins to be sustained at these levels. Hopefully crude does not rise, we have crude at around \$85-\$90, so will you all be able to at least maintain this 8% margin at least for the next say 1-2-3 quarters?

Manish Dedhia: We are trying to maintain the June quarter EBITDA. Our try will be like that only, at least to maintain June EBITDA. I agree with you. So, I think you have studied very well. Thanks for that.

Avinash B: One more last question that during these nine months what has been the capital expenditure you have incurred? Any ongoing CAPEX you have incurred?

Manish Dedhia: Not much.

Avinash B: For the next year, that is for FY23 do you have any capital expenditure plans or you will utilize the existing assets in a better way?

Manish Dedhia: So right now, currently yes, we are optimizing our capacity, so still there are a lot many to come from our existing capacity only.

Avinash B: So, you do not expect any major capital expenditure pending for FY23 also? I mean it should be comfortably covered from the depreciation amount. That is what I want to know.

Manish Dedhia: Right now, there is nothing in plan but if any plan comes, we definitely will announce once something is finalized.

Avinash B: Just one last question, for the full year that is for FY22 once the year is complete, can we see operating cash flows in the positive kind of territory because this is a very important number analysts track, so maybe not on a quarter basis but on an annual basis can we expect the operating cash flow to be positive despite challenges on the raw material side and on the working capital side?

Manish Dedhia: I think still we are doing the operating cash flows in the positive, but I will answer your question like they are definitely much better.

Avinash B: So basically, once the raw material challenges are more or less normalized, then I think you should bounce back pretty sharply, that is what I understand?

Manish Dedhia: Yes.

- Moderator:** Thank you. The next question is from Yashwanti Khedkar, individual investor.
- Yashwanti Khedkar:** I just wanted to understand what is our current net block as on 31st December?
- Kashmira Dedhia:** Current net block is approx. 62.40 crores.
- Yashwanti Khedkar:** And what is our current capacity utilization?
- Kashmira Dedhia:** Current capacity utilization for nine months is approximately 62%.
- Yashwanti Khedkar:** What is the maximum turnover you are planning to achieve from your current capacity?
- Manish Dedhia:** From this maximum turnover can be achieved 345 crores.
- Yashwanti Khedkar:** Do you think that is possible in the coming year, that is FY23, how is the demand?
- Manish Dedhia:** We are trying to do that. We are about to increase, and I think that once new normal starts then this will be a very much possible.
- Yashwanti Khedkar:** On the topline front you are quite optimistic, where you see the control is only on the raw material front?
- Manish Dedhia:** Yes, definitely. Definitely, once you grow more of a turnover from the same capacity your cost remains the same, so definitely bottom line improves and definitely we are really-really focusing more on bottom line.
- Yashwanti Khedkar:** Any plans for taking a price rise, because oil price is continuously on an upsurge? So, any plans or how is your positioning to pass on the prices to the end customer?
- Manish Dedhia:** I am sorry, I am really-really not aware of how the crude will go up, neither I think analysts will be knowing this, but at least I do not know. So, it is very difficult to judge world market right now and this all depends on how the world reacts on different situations.
- Yashwanti Khedkar:** That is true Sir, but I just wanted to understand like we are continuously seeing this upsurge in the oil prices, so has the company management planning to pass on the prices or are we in a position to pass on these prices?
- Manish Dedhia:** Somewhere it takes times. Now what we are doing is quarterly-quarterly some problems come, the prices started increasing in October month which we could not pass on immediately, so November also increased prices which we could not pass on the prices, then December it got a little softened, so the customer says why you want to increase the price, so somewhere we are not able to immediately pass on the prices, it is abrupt prices, but yes, we are trying to pass on



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the prices. Whatever prices have increased in the last quarter now we have been able to pass on the prices now maybe in this quarter, so sometimes it takes three months, sometimes it takes one month also.

Yashwanti Khedkar: I am just guessing that the current quarter would be good as the demand is strong and you are also planning to pass on the prices?

Manish Dedhia: Yes.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Vastupal Shah for closing comments.

Vastupal Shah: Thank you everyone for joining the conference call of Mitsu Chem Plast Limited. If you have any queries, you can write us at vastupal@kirinadvisors.com. And once more many thanks to management team and joining participants. Thank you.

Moderator: Thank you very much. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.