MTPL/SECT/65/2024-25 **Date: 12th November, 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, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. **Symbol: MOLDTKPAC - EQ**

Sub: Transcripts of Earnings Conference Call for discussing the Un-audited Financial Results of the Company for the second quarter and half year ended on 30th September, 2024 and other Business Updates

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

This has reference to our letter dated 4th November, 2024, where-in the Company has given intimation to the exchange(s) about the schedule of the Earnings Conference Call of the company for discussing the Un-audited Financial Results of the Company for the second quarter and half year ended on 30th September, 2024 and other business updates Thursday, the 7th day of November, 2024 at 04:00 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 said earnings call of the company and be informed that the same has also been uploaded on the website of the Company at:

https://www.moldtekpackaging.com/investors.html

For Mold-Tek Packaging Limited

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Subhojeet Bhattacharjee
Company Secretary & Compliance Officer

Encl: A/a

"Mold-Tek Packaging Limited Q2 FY25 Result Conference Call"

November 07, 2024

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

MODERATORS: **MR. NITIN GUPTA - EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Mold-Tek Packaging Limited Q2 FY25 Result Conference Call hosted by Emkay Global Financial Services.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask question 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 over the conference to Mr. Nitin Gupta from Emkay Global Financial Services. Over to you. Thank you, sir.

Nitin Gupta: Thank you, Shifa. Good evening, everyone. I would like to welcome J. Lakshmana Rao, Chairman & Managing Director, and thank him for this opportunity. I shall now hand over the call to him for the opening remarks. Over to you, sir.

J. Lakshmana Rao: Good afternoon, everybody. Thank you very much for joining our Q2 Conference Call.

As mentioned in the press note, our sales volumes have increased in the first half year by 7.2% and EBITDA is up by 3.6%. Similarly in Q2, the sales volumes are up by about 7% and EBITDA is up by 4.5%. This growth was achieved through improved sales of tin packs which have grown by about 5.11%, whereas lubes have decreased by 5%, food and FMCG grew by 6%, Qpack by 35%, resulting in an overall growth of 6.9% Q2-on-Q2. However, the PAT has been impacted due to higher provisioning of depreciation and interest costs on the huge investments what we made during the last 2.5 years, resulting in profit down by about 10% compared to the Q2 last year.

This is basically the highlight and I would like to continue the conversation with question-and-answer session. Back to you, operator.

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Gaurav from Capital Farming Consultants. Please go ahead.

Gaurav: If you can guide that how is the progress happening basically on the paint segment, the major work that we are doing right now with Aditya Birla Group. How is the demand picking up from there vis-à-vis Q1?

J. Lakshmana Rao: The demand from Aditya Birla Group is improving and they have even indicated us to ramp up our capacities by end of this year. So, expansion is happening both at Panipat and Cheyyar plants and Mahad plant production has just started from our Satara unit we are supplying the initial lots because there will be some delays in the construction of the Mahad plant. So, they allowed us to supply from Satara, which is just about 150 kilometers, 200 kilometers from Mahad. So, our Satara plant capacities have been enhanced to meet this demand. And maybe in a few months down the line, a few quarters down the line, Mahad plant will start taking up our supplies.

Gaurav: What was the utilization level in the Panipat plant and the Cheyyar plant?

J. Lakshmana Rao: Slowly it is improving. It was less than 50% in the first quarter. But currently, it has reached somewhere around 55% to 70%. I can say around 60% on average on the initial capacity. Now the new capacities are also being added.

Gaurav: Second question is with respect to the pharma segment that we have started. What was the volumes and the revenues in Q2 specifically for the pharma products that we are supplying?

J. Lakshmana Rao: As we told you the pharma products sales have just started and last quarter we have done about Rs. 1 crore sales to some of the tube, effervescent tube segment and also in the main pharma segment. I am glad to inform you the numbers are improving. In the month of October, we did close to 75 lakhs sales in pharma alone and going forward the numbers will increase because now Marksans, MSN Labs**,** Graviti, Pulse. and also, Nutra Life and many other companies have cleared their audit and started taking our commercial line trials and small lot supplies. Once these lots are approved and they found our products are acceptable, the numbers will ramp up from Q4 onwards.

Gaurav: Last question, if you may allow me, before I come back to the queue. In cash flow statement, we can see that you have almost made expenses of Rs. 55 odd crores in CAPEX side, right? So, any colors that in which direction, whether it is towards the augmenting the production capabilities for the paint segment that we are doing or it is food and FMCG or towards the pharma? If you can just give a break up that in which segment this major CAPEX has been done in the last six months that is from April to September 2024?

J. Lakshmana Rao: Last six months, the CAPEX is happening in all the segments but overall pharma investment is close to Rs. 90 crores which is yet to really start contributing. Hardly 10% capacity is being running now but it will pick up pace and hopefully from Q4 onwards it should reach at least 25% to 30% capacity utilization. And the next financial year we hope it will be more than 50% capacity utilization will be able to reach in pharma. And the current year the overall so far the investments are Rs. 62 crores and another Rs. 31 crores we have committed in purchase orders. So, again, it will be crossing around Rs. 90 crores investment in the current financial year because of the expansion at Panipat, the expansion of Cheyyar and also small additions in the pharma units to balancing the capacities.

Moderator: Thank you so much. We have next question from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Thank you for the opportunity. First question is with regards to your gross margin on a per kg basis. We see that it has expanded to Rs. 86 per kg. So, if you could just help us explain where this expansion is coming from? Is this product mix improvement and is this sustainable?

J. Lakshmana Rao: It is sustainable because as the volumes of production improve in all the plants, the per kg conversion costs or production costs will come down. If you notice, maybe you don't have the break up as of now, but the consumables and staff cost especially have shot up by 20%, more than 29% in the case of staff cost, basically because people in the different divisions have been added in the pharma but they are yet to start giving results but their costs have been absorbed in the P&L. Consumables are increased because of two reasons. One is our printing is under severe pressure now because of increased IML consumption. There is a sudden spike in IML consumption and to cater to that some of the IML we are getting it printed outside. We are even buying from outside. And our printed purchases also have gone up, increasing the consumable consumption by about 20%. All these will be controlled later in the year or maybe towards the end of this year once our printing and die cutting facilities are added. And as I told in the previous meeting, previous conversation, we are bringing all the printing under one roof in Sultanpur, Hyderabad unit and that process is still going on. We have moved 70% of the machines but another 30% we are not in a position to move because of the increasing demand for IML. And this will be able to do only in January once additional machines are received. So, going forward those economies of scale can be achieved once we are under one roof and all the operations of printing are done in one location rather than three locations currently happening. So, this facility, this will improve the consumables control, that is wastage control and reduce the consumables cost in the next couple of quarters. That should improve the EBITDA. And another major reason for improvement in EBITDA positive is our growth in pharma sales we anticipate from Q4, especially some of the orders we received. The molds are getting ready and the molds will be arriving in December, some of them in January. And supplies, commercial supplies might start in Q4. So, starting from Q4, we see pharma contributions improving. That should result in better EBITDA.

Jenish Karia: Sir, if you could just help us understand the volume and value-wise breakup in each of the segment for this quarter and last year same quarter?

J. Lakshmana Rao: Last year it was 50.8% and it is now 50% paint. Last year lubes was 24.6%, it has now come down to 21.9%. Food and FMCG 11.85% to 11.77% and Qpack from 12.72% to 16.12%, pharma is 0.26% this year.

Jenish Karia: So, Qpack has increased from 12% to around 16% and it is a low per kg margin product, right?

J. Lakshmana Rao: It is average. I would say it is the average of paint and lubes.

Jenish Karia: And so this was in volume terms. If you can just help in revenue terms, the similar numbers?

J. Lakshmana Rao: In the revenue terms, the growth in Qpack is 44%.

Jenish Karia: For paints, lubricants and everything, sir.

J. Lakshmana Rao: Paint is up by 14% revenue, lubes 0.9%, food by 3.43% and Qpack by 44.5% in terms of revenue.

Jenish Karia: Sure sir, and similar numbers for IML, non-IML?

J. Lakshmana Rao: IML came up considerably this quarter. Now it is around, total labeled products are 72.57% up from 66.7% last year.

Jenish Karia: Next is on your guidance sir, we had earlier guided for a 15% volume growth for full year and Rs. 40 per kg of margin. So, do we still maintain that guidance considering the first half performance to be slightly off?

J. Lakshmana Rao: I think we are little off from the projection basically because of little delay in take off Mahad plant volumes just started now. We thought that we will be starting in May, June, but the plant is going into stream only. I mean, supplies are starting only from September, October in any small way. And it might pick up speed only from October, December onwards. So, that is one reason. And also delay in our printing facilities is also kind of constraint on our sales growth because we are not able to develop IMLs as quickly as it is required in the market now. But the facility is coming in January. From January we will be ramping up our IML capacity further and that will enable us to catch up with growth. But I think as you correctly said, reaching 15% is, I don't think it will be possible from the current 7% growth. Probably we are still aiming at double digit growth for the full year and probably the EBITDA average which is now currently at 36.73, probably it will land around 38.

Jenish Karia: Just one last question. Could you just explain the reason for us postponing our new Mahad plant specifically for Grasim and supplying it from Satara plant?

J. Lakshmana Rao: There are some issues related to local pollution and local approvals. They got delayed and that is why because the plant got delayed, ABG agreed supplies from Satara for next few quarters. Probably in next 2-3 quarters, we will set up an alternative location and the same location, the plant in Mahad. Until then, we will be supplying from Satara.

Jenish Karia: And sir, the full year CAPEX guidance you gave of Rs. 90 crores, is that understanding correct?

J. Lakshmana Rao: Yes. This year also, it will come close to. Already Rs. 70 crores has been committed and we have some more printing and other equipment being ordered, which will arrive before March. So, the overall cost of investments could be in the region of Rs. 85 crores to Rs. 90 crores.

Jenish Karia: And just one last thing on CAPEX, sir. We were planning to expand our pharma capacity once we receive the certification and audits are done. So, any update on that front?

J. Lakshmana Rao: Rs. 70 crores also include some of the pharma molds and machines. And just remaining Rs. 15 crores also part of it will go into pharma. This year, almost Rs. 34 crores has been spent on pharma equipment, apart from last two years Rs. 55 crores. So, Rs. 90 crores is overall investment and it will probably go up to Rs. 100 crores by the end of this year, overall investment.

Moderator: Thank you very much. The next question is from the line of Siddhant Chhabra from Minerva Asset Advisors. Please go ahead.

Siddhant Chhabra: I wanted to ask my first question on the pharmaceutical segment. So, without IML, what kind of levers would we have that would help us gain business in the pharmaceutical sector, because if we see without IML, the kind of products that we do, the market is very fragmented. There will be a lot of players in EV tubes, canisters. So, what advantage, except IML, would we have in the pharmaceutical segment?

J. Lakshmana Rao: See, in EV tubes there are not several players. There are hardly 3 or 4 players. None of them have IML capability as of now. So, that is one big USP. Apart from that, the quality of the tubes and the heat resistance, which they frequently test, we are at the top end of the quality. So, at that range there are hardly another 1 or 2 players who are capable of giving that quality issues. So, that way we are already getting orders from some of the leading players in the EV and tablet segment. So, that is one. In the canisters, ours is single piece canisters whereas the others are majority of them are in two piece. So, this will give them lot of benefits in not only cost but also in safety and non-breakage of the canisters during usage. So, these two benefits will go a long way in being able to penetrate into the market. Already in EV tubes we are seeing that. In canisters our supplies are being tested in what you call trial runs and hopefully bulk orders will start coming in from December.

Siddhant Chhabra: So, just to summarize what you said, without IML is basically in tubes it's our quality and in canisters we are doing single piece canisters, so there would be more safety and less breakage of the canisters.

J. Lakshmana Rao: Yes.

Siddhant Chhabra: And now my second question would be again related to pharma as well. So, could you give me some idea about the need of IML in pharmaceutical because based on some of the conversations that we have had with pharmaceutical people, there is not much a need or a focus on going towards IML in packaging, but rather they are more focused on cost cutting and with IML being a more expensive alternative to traditional labels, what would be kind of the reasons why a pharmaceutical company would need to go towards IML? Could you give me some idea on that? No, I am not saying that the pharmaceutical companies will go for IML, only the EV tube segment and to some extent this for nutraceuticals and vitamins, what the companies will be interested in IML. None of the basic pharma companies will be looking at IML because they have a lot of statutory obligations of labeling and all that, which the vendors will take care.

J. Lakshmana Rao: So, it would be then again only catered in EV tubes and nutraceutical bottles?

Siddhant Chhabra: Yes.

Moderator: Thank you very much. We have next question from the line of Sandeep Modi, an individual investor. Please go ahead.

Sandeep Modi: I wanted to know what are the new clients we have added in this quarter?

J. Lakshmana Rao: Nutra-Life is one of them, MSN Pharma, quite a few clients have been added in Food and FMCG. Some of them are Bioplus Life Sciences, Nutralike Formulations, Univad Healthcare . It is there in the press note, you can have a look.

Sandeep Modi: Any CAPEX we are planning in Pharma for the next year 2025?

J. Lakshmana Rao: Yes, even in this year there is a further CAPEX of more than Rs. 10 crores happening in pharma, Rs. 10 crores-Rs. 15 crores. Actually for the last year erections were done this year. So, overall investment in pharma this year is Rs. 34 crores. So, the total by end of this year the pharma investment will be close to Rs. 100 crores.

Moderator: Thank you so much. We have next question from the line of Gaurav from Capital Farming Consultants. You may go ahead please.

Gaurav: Sir, in some of the last concalls we were highlighting that the Panipat plant that we have established that will also be used for food and FMCC products that we deliver, right. So, is that plant ready because we were targeting that festive season somewhere around that we will start supplying, the declines based out of the North India out of this plant. So, was that done or not yet?

J. Lakshmana Rao: Just in the month of October and a little bit in November, we are making some supplies of Qpack from North. But the real quantities would start only by end of December. As I said, the printing consents will be coming out by end of this year, that is December and then we will be in a full-fledged way to provide the IML containers from January in the North also. But the **0:22:34__** products for North will be starting sometime in April. That is for the next season.

Gaurav: So, if you can share some kind of a color that what kind of clients we are targeting based out of North to supply products from this particular plant?

J. Lakshmana Rao: The same clientele, similar clientele of edible oil, ghee, pharmaceuticals, nutraceuticals, protein powders, similar companies, even detergents, all these companies were there. We will be saving transport cost also timely dispatches, so they will be glad to have supplies from our North plant.

Gaurav: And there were some talks from your side in some of the last concalls, projects related to Iodex, Kissan Jam or Horlicks, they were all in pipeline.

J. Lakshmana Rao: Kissan Jam and Horlicks have started, but Iodex is still pending because there's some changes in their filling, the assembly line they have adopted, which have kept all the mounts, of course the mounts are invested by Iodex itself. They are lying idle for last 6-7 months. They are yet to complete their CAPEX on the assembly line. Also assembly line starts sometime maybe next quarter, we will be in a position to tell you some more details

Gaurav: Next question on the pain segment again, in the beginning of the year we were saying that expected volume with the ABG group is somewhere around 5000 tons per year, but even if they take approximately half of that that will give us a 10% kind of a growth. So, what percentage of volume they have picked up from us in the first six months of this financial year? Any color on that?

J. Lakshmana Rao: I am not able to share the exact number, but we are in line. Actually, H1, maybe the volumes are around 1500 tons to 1600 tons. Probably in the second half, it may go to 2000 plus. So, we are online. About 70% of the capacity will be utilized. The initial capacity set up is about 5,000 tons for them, including Mahad. So, maybe around 70% of that we will be able to achieve.

Gaurav: Last question from my side is if you allow. When we take up a decision to invest in the CAPEX, so since we are a manufacturing company, it will require a lot of upfront CAPEX to be done. So, do you have any visibility that, let's say, asset turnover ratio is going to be so-and-so much? For example, if you invest x amount of money in the plant setup then what kind of a turnover you expect out of that investment? That is my last question. Thank you.

J. Lakshmana Rao: Our asset turnover ratio always used to be around 2-2.5, but currently it is low because of very high investments that have been made which are yet to become completely utilized. So, going forward, we should be able to cross to 2.5 asset turnover ratio. But currently it is below 2.

Moderator: Thank you. The next question is from the line of Jaiveer Shekhawat from Ambit Capital. You may go ahead please.

Jaiveer Shekhawat: Firstly on the paint segment, I think if you see the growth in volume being only about 4% to 5% in the first half, so you have not really seen the benefit of volume that possibly we are supplying to ABG and also Asian Paints that also double their capacity at Mysore plant, so possibly next year, what are your volume growth expectations and for the entire year of FY25, what do you think would be the overall growth expectation from the paint segment?

J. Lakshmana Rao: Paint segment was negative last year, but this year I am glad in terms of half year, the growth is around 4.9% which was last year was negative. So, hopefully this year we will end up with 7% to 8% growth in paint segment for the full year because ABG numbers are going to go up in the second half. That is the reason. But the lubes is down by about 2.5% in the half year, which was positive last year. So, that is a bit of disappointment. Food and FMCG is up about 5.2% and the Qpack is 39.7% up in the half year. So, going forward, paint this year will be we expected around 10% but I think we will end up somewhere at 7% to 8%.

Jaiveer Shekhawat: Once all your plants are operational for EV as well and then the benefit of doubling your capacity at Mysore plant also comes in. What kind of volume growth expectation, only in the paint segment do you expect from next year onwards?

J. Lakshmana Rao: Next year onwards we should be in the position to reach somewhere around 12% to 15% volume growth. This year we thought so, but due to a couple of reasons as I explained, we may end up this year close to 10% growth only, volume growth. But next year I am more confident today because ABG is doing good and they're asking us to expand the capacities and Pharma will be catching up because quite a few of our products have been accepted by at least 4 large Pharma companies and 2 or 3 products are under development now which will going into production from January and they have committed volumes to us which are reasonably good. So, if those products are also added next year Pharma sales will be considerably good. So, with that confidence, I am hoping next year at least we will be able to see 12% to 15% volume growth.

Jaiveer Shekhawat: Sir, on the F&F tin pack side, the growth has been very muted. Only about 3% to 5% as you mentioned. So, are there any structural reasons as to why that growth has been moderated and how do you see that growth possibly from next year onwards?

J. Lakshmana Rao: You mean in the paint segment?

Jaiveer Shekhawat: On the F&F side, sir. On the food side, on the tin pack?

J. Lakshmana Rao: Food and FMCG side unless our north client comes, we may not able to see more than 10% growth because as I said last quarter there is quite a bit of competition in the small product segment in the south and in the north we are completely absent. So, leaving such a big geography has led to this kind of sort of distraction. So, we are now concentrating to set up the facility there by March next year but as a beginning we started with our Qpacks there. Already response is good. We are able to supply from Panitpat itself. But our capacities will be enhanced only from January. So, from January, more and more number of food products will be, food packaging products will be manufactured in Paniput. By March, April, we will have even ice creams and dairy product packaging products will be supplied from Panipat. So, then probably we will be seeing a double-digit growth in Food |& FMCG segment also.

Jaiveer Shekhawat: And sir, lastly on your pharma packaging segment, I think you have been tracking your company and your commentary as well. I think there have been considerable delays in terms of how we have been able to ramp up or get the approvals in place. I mean, possibly 2 or 3 years out, how do you expect that revenues to sort of shape up for the company?

J. Lakshmana Rao: I agree. There was some delay in projects, especially the printing expansion project has been delayed due to construction delays and then missionary supplier delays. But however, we have initiated the process bringing all printing activity under one roof. Almost 75% of the equipment is now under one roof, but others, we are not in a position to move because of the lack of capacity and increasing demand for IML products has made us to hold on to the shipping because it will disrupt the production by about one week, 10 days. So, we are waiting for our next machines to arrive in January and then take a call on the shifting of these machines. One of the reasons why we have clocked the lesser growth in this year is, I should admit, is our printing capacity is being a little delayed in setting up the printing capacities. Otherwise, we could have been at least at 10% if not more. So, anyway, having lost that time, we want to catch up at least in the off-season, that is December, January is generally our off-season. That's the time to shuffle the machines and create the extra capacities also. And then we may probably see better growth.

Jaiveer Shekhawat: So, sir, my question was on the pharma segment. I mean, how do you see that scaling up over the next 2 to 3 years? I mean, what are your expectations there? I mean, once all the approvals are in place.

J. Lakshmana Rao: I am certainly confident about pharma because already our products and facilities have been approved by 4 major pharma companies and at least another 4-5 are in the line to visitors and auditors, including companies like Sandoz, Alkem are in talks with them. MSN, Marksans, Graviti, Pulse have already approved. Neutralike has approved our facility. Bioplus has approved. So, almost 8 to 9 or maybe 10 companies have already approved and started taking small quantities. Line trials are completed. ETV trials, extended testing has been approved by more or less all the companies. So, I am confident that going forward the numbers will improve. But it will take time because pharma companies go through a lot of testing and stability tests before they will take volumes. At least a couple of them started taking one or two products in volumes now. That's why the numbers are kicking up from October onwards. In October, we did almost 70-75 lakhs sale, which was a quarterly sale of last quarter was Rs. 1 crore. So, in October alone we did 75 lakhs and going forward probably from January onwards it may cross 1 to 2 crores per month. So, as these are all cumulative in nature, all these orders should go up as we go into next year.

Jaiveer Shekhawat: So, by FY25, do you think you can at least get Rs. 50 crores-Rs. 100 crores on revenue, what's your ambition there?

J. Lakshmana Rao: At least we will see Rs. 30 crores to Rs. 50 crores. It could be 30 or 50. It all depends upon how products that are being launched we will be taking off. These products are launched based on the approvals from the client and commitments from the client. So, these are more of a sure shot than trying in the darkness. So, now we are able to gain the confidence of some of the clients in giving new product development to us. That is the proof that Mold-Tek stability and mold making product design will definitely help us in slowly conquering a decent market share in pharma segment.

Moderator: Thank you. We have next question from the line of Pranav Doshi from ARDEKO. Please go ahead.

Pranav Doshi: Sir, my first question is on the paint side. So, the realization per kg for paints was about 215 per kg 2 years ago. Nowadays declined to 180, 190 per kg range. So, can you tell me what is the reason for that?

J. Lakshmana Rao: See, there are two reasons. At that time, the raw material price went up to 120-125. Currently the raw material price is around 105. More or less in this year, the price was stagnant there. And also, in the paint segment, like any other segment, RCP, that is recycled plastic usage has become mandatory. So, slowly companies are adopting 15% to 20% or maybe 25% RCP material which is available at a cheaper price. So, this also brings down our entire overall selling price. So, these are the two main reasons. And there is some competition in the market, especially in the paint segment. There is also some pressure is there on pricing. But that is not the main reason. The main reason is raw material and RCP.

Pranav Doshi: And sir, on the paint side, so if I heard it correct, the volumes from Grasim for H1 were about close to Rs. 1,400 tons to Rs. 1,500 tons. Is that correct?

J. Lakshmana Rao: Yes. H1.

Pranav Doshi: Sir, I was just wondering that, let's say, barring those 1500 odd tons, so let's say, then there is a degrowth in the segment. So, like apart from the ex of Grasim**,** there is a degrowth in the business. So, are we losing wallet share for any of our customers, especially someone like in Asian Paints?

J. Lakshmana Rao: Yes, in Asian Paints there is a continuous pressure on pricing and some volume loss is there because of mainly the pricing reason. We are trying to, also we have capacity constraints as I told you in the beginning in the printing side especially on IML and HTL which is causing us also to go slow in competing. Once the capacities are in place, we also can take the advantage of higher volumes and can be competitive in the pricing. So, hopefully from Q4 onwards we will be able to strategize that way.

Pranav Doshi: I was just asking what was the reason for degrowth on the lubricant side of the business?

J. Lakshmana Rao: Lubricant side is completely based on the sales of the industry because there we are not losing any client. We are not losing any even market share. The markets in lubricant are always plus or minus 2% annually because lubes are now more of a standardized product where more and more mileage they are offering and volume-wise growth is minimal. So, one quarter it may be 3%-4% plus, one quarter it may be 4%-5% minus but overall it is stagnant. This time it is around 2.3% minus for the half year.

Pranav Doshi: So, we expect it to be in such a range, like there is a plus minus?

J. Lakshmana Rao: It will be plus or minus 2%-3%. Last year was an aberration. Last year we had a good growth.

Pranav Doshi: And on food delivery, so do we see what kind of an opportunity do we see with Swiggy and Zomato and some of the other quick commerce players? Do we see any opportunity?

J. Lakshmana Rao: Swiggy and Zomato we have tried several times, but they have a lot of logistical issues. And there are restaurant packs, they've 1000s of restaurants and that will be very difficult for them to control the packaging material with their name and also the name of the restaurant. That is where I think their logistics didn't support and it's not moving much.

Pranav Doshi: So, we have some volumes where it's not moving much, it's not significant?

J. Lakshmana Rao: We did some small quantities long ago, more than a year ago. Plain containers, but everybody wanted their brand and then the restaurant people don't want only Zomato name or Swiggy name, they want their name also. Then the number break between several combinations and logistics to supply those will be a very big challenge. So, they didn't attempt that later.

Pranav Doshi: And sir apart from that, I just missed the revenue breakup between paints, lubes and F$F. So, can you just repeat it once for me?

J. Lakshmana Rao: In terms of revenue, 47% is from paint, 20% lubes, food and Qpack together is around 32.4%, 0.5% is pharma.

Moderator: Thank you. We have next question from the line of Richa from Equitymaster. You may proceed with your question.

Richa: Sir, my question is for the pharma segment, I think our revenue potential from the existing capacities is Rs. 60 crores, and please correct me if I am wrong. And I also wanted to know that let's say, if we realize this by, let's say over next 2 to 3 years, what is the opportunity size in pharma from the client response? What is the sense that you are getting? How much scale up can happen in this segment over the next five years?

J. Lakshmana Rao: With the current further investments we are making in the pharma during this financial year, the capacity at full range when we supply could reach even up to Rs. 80 crores to Rs. 100 crores during the next financial year. But it all depends upon how we will be able to bring the products into commercial production. Fortunately for us, there are at least two products which are cleared by clients with a commitment to buy back the capacity. And those products will be starting production from January. It's not huge, but both of them together would be not less than Rs. 10 crores to Rs. 12 crores per annum. So, those two products will be launching in January with a commitment of volumes from two particular clients. So, those two products will add to the numbers from Jan. And similarly, we are working with other clients for our regular products also, like the robotics and caps, which are picking up because most of them are cleared our stability test, online test, everything is cleared. MTER or ETVR tests are cleared. So, now they will be in a position to start trying our commercial quantities. So, all these numbers look positive, but as I said right in the beginning, the pharma industry take longer time to approve a new vendor and do several tests, including stability, online testing. And they start with small batches. And once they are confident about the small batch going through well, then only they go for huge volumes. So, looking at the trend, I am confident next year we should be in a position to reach up to, minimum could be Rs. 30 crores-Rs. 35 crores, and it can reach even up to Rs. 50 crores-Rs. 60 crores at the topline for the next financial year. And as an opportunity, it is a huge opportunity, close to Rs. 5,000 crores opportunity, including both exports and the Indian market. So, even if we reach 1% to 2% of the market share, it will be close to Rs. 100 crores. So, market penetration and the ability to bring in new products is what matters as we go forward.

Richa: And sir, the EBITDA per kg is ranging between 80 to 100, like you had hinted in the past?

J. Lakshmana Rao: Yes, it will be in that range.

Richa: And currently, like in the past, we have seen EBITDA margin per kg at 40 and the earlier you had guided for 42. Currently, it is down because of low capacity utilization. But how soon can we reach that 40 or 42 per kg kind of level?

J. Lakshmana Rao: I think we should be able to see that in the first quarter of next year itself. That is the Q1 of next year. It may inch towards 40. And overall, next year, we are aiming definitely for 40 as a minimum number to achieve.

Richu: And what kind of expansions are we taking for Grasim from the existing capacity. You said that you would be expanding capacity by January 25. So, what kind of expansion are we undertaking?

J. Lakshmana Rao: Currently, our capacity is at three plants put together is around 5,000 tons per annum. Probably it will go to 7,500 tons to 8,000 tons by March. Progressively, machines are arriving from January. Machines, robots, and molds, they will be ready from January onwards. But the capacity will ultimately reach by March. It will be close to 8,000 tons per annum.

Richu: Sir, my last question is, any guidance on the CAPEX the next year for FY26?

J. Lakshmana Rao: FY26 I can't comment today, but because as it is our CAPEX for this current year, which we thought we could control within Rs. 60 crores, there's now up to 70 and plus additional printing and die-cutting machines we are adding. So, hopefully it will be stopping somewhere around Rs. 85 crores to Rs. 90 crores for the current year. Based upon how numbers move in pharma and new product launches, there could be similar CAPEX next year or could be less because there will be no greenfield projects to start. Next year CAPEX may be limited to 50 crores to 60 crores as of today but we can only comment as we go towards the end of this year.

Moderator: Thank you. We will take next question from the line of Siddhant Chhabra from Minerva Asset Advisors. Please go ahead.

Siddhant Chhabra: Sir, I just wanted to follow up on my last question only. When you said that for the pharmaceutical companies, EV tubes are going to be the only use case and then nutraceutical bottle as well. I didn't get basically the kind of used case or the reasoning why for EV tubes and for nutraceutical bottles, why IML packaging would be necessary? So, if you could just throw some light on that.

J. Lakshmana Rao: No, it is basically the decoration. The people who buy these tubes are nutraceutical people who buy it from the off the shelf OTC counters and in OTC people are more concerned about the looks and feel of product as much as like, it is not like food and FMCG, it is somewhat closer to that kind of purchase. So, the print feel and quality is much superior in IML compared to DOP or HDL that is why in EV tubes and Nutraceuticals IML would be preferred over the other forms of compression.

Siddhant Chhabra: And it could be only because as we were discussing traditional pharmaceutical packaging will not require, this only specifically for EV tubes and for nutraceutical companies in their bottles.

J. Lakshmana Rao: Yes. I think so.

Siddhant Chhabra: And my second question, I just want to get an idea is that, pharmaceutical companies take quite some time to onboard packaging folks. So, around 3 to 5 years. So, can you throw some light on the kind of existing commitments or at least the amount of companies who we would be in trial with or in discussions with?

J. Lakshmana Rao: No, 3 to 5 years I never said. It will take about a year for any company to test a packaging partner and start giving commercial orders. Maybe max is one year. It's not three to five years. So, there are several companies who have already audited us. And once audit clearance comes, they will ask for line trials. After that, stability test. After that, economics. That is commercial quotes and all that. So, the whole process, and then a small commercial lot, say 20,000 pieces, 50,000 pieces. And once those lines are also filled and supplied without any trouble, then they start giving 3 lakhs- 5 lakhs kind of volumes. So, the whole process will take max 12 months sometimes maybe 15-16 months not 3 years.

Siddhant Chhabra: So, basically the kind of timeline will be more like 12 months to 18 months at max not 3 years or 4 years, not like that, and we would be expecting, can you give us an idea what kind of client additions we would be expecting in terms of number of client additions over say the next 3 to 5 years?

J. Lakshmana Rao: No, we are touching all pharmaceutical companies right from Sun Pharma, Glen, Intas or even Alkem, Midas, Dr. Reddy's, MSN Labs. All of them are in contact with us. Some of them have visited, cleared our premises. That list I already published in the press note. And several of our sales people are in touch with them. The point what Mold-Tek is trying to drive to pharma companies is our ability to develop new products faster than anybody else. Even the leaders in pharma packaging, we are in a position to meet or exceed them in terms of new product development. And all the new product developments are always under fire, timelines. Everybody takes long time to decide, but once they decide, they want within a month. But developing molds, developing product designs is not so easy. That is the strength of Mold-Tek which we are going to use and get into bigger pharma companies. And once they start using our new product development, they will be obliged to consider our existing standard bottles also. That is way forward for our growth.

Moderator: Thank you. We have next question from the line of Pranav Doshi from ARDEKO. Please go ahead.

Pranav Doshi: Just one question. On the business side, what kind of contracts do we have with our customers? So, is it on like order-to-order basis do we have to bid for it or like is it a contractual agreement and we have kind of a visibility for our volumes for some time? So, how it is, sir?

J. Lakshmana Rao: You are correct. All the kinds of contracts or agreements are possible in pharma also. Generally, now we are at a testing stage. Nobody will give us a long-term five-year contract. They generally test our products, take some one-month lot, test it in the market, on their lines. How is it? How are our caps? Let's say somebody is buying only caps. How is our cap doing with the other bottles? All those tests, they do it over a period of 3 to 6 months. And then they start building up the confidence and increase the volumes. So, at least 6 to 7 companies have tested our products or are testing our products and 3-4 of them have started giving us repeat orders. Actually, touchwood this month we received one major order from Marksans and hopefully another product which is under development will start from December, January. Like that, once our relations start with a new product, actually our relations with Marksans started with a new product development. And then obviously when they see our ability to quickly give a new product and our facilities are world class, they also encourage us for their existing products. So, similarly, we are trying with the Laurus, we are trying with MSN, we are trying with Alkem, we are trying with Graviti, Pulse Pharma. So, at least 8 to 10 companies we are in Amneal, Sanders**,** Sun Pharma. So, we are in touch with their packaging development teams, R&D teams, and they have started. And once we have 3-4 in the line, 5-6 becomes easier to add. So, that is a confidence I have. Again, it's coming back to our strengths in product design and mold design and speed at which we can develop new products. That is the strength which we are focusing as a USP, even in the pharma segment.

Pranav Doshi: Sure, so this is for the new segment and for the segments that we've established, like let's say paints or F&F. So, that…

J. Lakshmana Rao: In the paint and FMCG, most of the products are well established, especially come to paint pails, those paint pails standards have become normal. They are like commoditized. So, there are at least 20, 30, 40 suppliers or even 50 suppliers who are able to produce paint buckets to a reasonable quality and reasonable consistency. So, obviously there is a severe price war and also supply options. When it comes to pharma, you can hardly count on fingers, notable players like FIJI, Gopaldas, Doctor Pack like that there may be another 3-4 players. So, these are all catering to the current pharma companies. We too also enter into the fray with them. But our USP will be new product development and faster mold development. Because of our strengths in injection molding, our ability to produce at low cycle times will also make us can be an economical player. So, with all these strengths, we are trying to focus on pharma business.

Pranav Doshi: And so just one final question. So, like the competitive intensity as you mentioned, we are seeing a lot of it in paint. So, like is it possible that let's say down the line the same kind of competitive intensity of pressure we might see in the other segments as well? Apart from pharma of course, pharma I understand it is a longer approach. But let's say in the F&F or the lube segment, like….

J. Lakshmana Rao: Competition will be always there in all segments. Even today paint, we are now 40th, almost 35th or 36th year of production of paint pails. So, even today we have our own value and even today 47% of our sales come from the paint segment. So, there is a growing demand for the pails and quality pails especially with IML. So, having IML advantage, which is not possible for all and sundry to start, we will certainly have our own niche market for our products going forward.

However, there will be a small pressure, but then capacity utilization, in-house manufacturing of labels, and robots is what brings us economies of scale even at a under pressure. That's how we are able to stabilize our EBITDA. Now the current EBITDA also would have been Rs. 40 but for increase in staff cost, because for all these several projects across the country, especially pharma, we have added a lot of staff who are yet to contribute, because the capacity of pharma is hardly 10%. Similarly, Panipat and Cheyyar are now picking up. Earlier, 3-4 months ago, hardly it was 20%-35%. Now it's coming to 40%-50%. So, going forward, as the capacity population improves, EBITDA margins will improve.

Moderator: Thank you so much. The next question is from the line of Ashutosh Khetan from Asian Market Securities. Please go ahead.

Ashutosh Ketan: I just wanted to know the revenue mix from the Qpacks in Q2.

J. Lakshmana Rao: Qpacks contribute around 14.53%.

Moderator: Thank you. Next question we have is from the line of Vikram, who is an individual investor. Please go ahead.

Vikram: Mr. Rao, just a quick question on H2. Do you think H2 will be better than H1 in terms of topline and bottomline? And any early guidance for FY26? I do remember on a previous call you mentioned we should exceed Rs. 1000 crores for FY27.

J. Lakshmana Rao: Again, my expectation of H2 is definitely better than H1 because as I said, all the plants are now up and running and Pharma started, if not in a big way, in a reasonable way, the numbers will start adding in Q3 to some extent, maybe Rs. 3 crores and Q4 maybe Rs. 4 crores to Rs. 6 crores. It will be a value addition from Pharma. So, with these numbers and now the Mahad plant started picking up some pace recently. So, that numbers will start increasing from December. So, all this gives me optimism to have a better H2 than the previous year H2. I am not comparing with H1 of this year because our product sales are always seasonal. Compared to previous H2, this H2 should be better in terms of topline. Coming to the bottomline, the things can only improve as our capacity equation improves. It may be similar or it may be marginally better than previous year H2. Going forward to 2025-26, yes, I am positive about it because all these numbers and pharma also will contribute handsomely. And our printing constraints, what we are facing now in this year, will be completely eliminated because we are adding almost 60% to 70% additional capacity in IML printing by January-February. Maybe last mission will come in April. So, by April next year we will have our IML capacity sub by around 60%. So, that should give us adequate capacity to cater to all the segments, including pharma tubes.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions, I now hand the conference over to management for closing comments.

J. Lakshmana Rao: I take this opportunity to thank all the participants for their interest in our Q2 results conference and especially I thank Emkay Global, Nitin Gupta for arranging this conference. Thank you very much. Have a good day.

Moderator: On behalf of Emkay Global Financial Service, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.