



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

MTPL/SECT/55/2023-24

Date: 7th August, 2023

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 Analysts/Investors Meet/ Earnings Conference Call for discussing the Un-audited Financial Results of the Company for the first quarter ended on 30th June, 2023 and other Business Updates

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

This has reference to our letter dated 1st August, 2023 where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investors Meet/ Earnings Conference Call of the company for discussing the Un-audited Financial Results of the Company for the first quarter ended on 30th June, 2023 and other business updates on Friday, the 4th day of August, 2023 at 4:00 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 Q1 F.Y. 2024 Earnings Conference Call”

August 04, 2023



**ANALYST: MR. ABHISHEK NAVALGUND – NIRMAL BANG
INSTITUTIONAL EQUITIES PRIVATE LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Mold-Tek Packaging Limited Q1 FY2024 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you Sir!

Abhishek Navalgund: Thanks Rico. Hello everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to Mold-Tek Packaging Limited Q1 FY2024 earnings conference call. We have with us Mr. Laxman Rao, the Chairman and Managing Director of the company along with the finance team. Without further ado, I would request Laxman sir 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 afternoon everybody. Thank you very much for the introduction and initiative from Nirmal Bang. Thank you all participants showing interest in our Q1 results. I am pleased to inform you that we have a flattish quarter this quarter, Q1 with a marginal growth of 1.8% in volume terms and dip in EBITDA by about 4%. There are a couple of reasons. One of the reasons is the lower than expected growth in our food and FMCG product that is ice creams and dairies which contributed mainly to the food and FMCG. There is a major dip in the consumption of these two products due to intermittent rains across the country in the summer leading to a drop in more than 20% volume sales in ice cream and dairies, which has resulted in a moderate growth of 13% for us in that segment, which used to be around 36-37% in the previous Q1 that is one of the reasons and the second major reason is our Satara plant is operated at around 46% of the capacity during the Q1 that is much lower than its normal. Of course from July, we are noticing that it is now back to around 65 to 70% capacity utilization that is mainly due to one of our major clients there taking up maintenance and expansion projects in that particular plant. So these two are the major reasons and the dip in profits by about 13% is majorly due to increase depreciation for assets which have been added during the last few months which are yet to be really productive about Sultanpur and several other locations where we are starting our operations so that is the major reason for this flattish performance. However, the future looks very bright because our pharma packaging which we have entering with four products might give us good entry into the huge pharma packaging arena and these products will be out from October onwards. By December, all the four products we wish to put them in the market and the impact of this could be favorably felt from the beginning of the next financial year or maybe the fourth quarter of this year. So having said that, the month of July started on a

positive note too much better than the Q1 and hopefully we will see growth to catch up with the double digit growth for the overall year. Having said this, I would like to participants to go into the Q&A so that more information can be discussed or more information can be given to you. Thank you and back 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 Karan Khanna from Ambit Capital. Please go ahead with the question sir.

Karan Khanna: Thanks for the opportunity. Sir my first question is on your paint segment where you have seen consistently poor volume growth over the last four quarters despite volumes for keeping players bouncing back. So if you can help us understand, are we losing market share here and if not, what kind of growth expectations do you have ex of Grasim in your paint segment for this year?

J. Lakshmana Rao: The main drawback is in the paint segment, I agree it is 8.7% drop as against 3.7% growth we saw last year. This is mainly due to one of our plants at Satara that is Khandala has been running under 50% capacity utilization for last six months mainly due to the modernisation and the expansion happening at our main client in Satara. So that has now started back onto operations and from the month of July we are witnessing normal capacity utilization close to 70% and hopefully they should bounce back our numbers in the paint segment at least to a positive number from -8% this quarter.

Karan Khanna: On pharma packaging, we have seen slight delays in terms of timelines for commercial production so what challenges are you facing there and where are you in terms of the approvals for regulated pharma product? Do you expect commercial production to start from your end and have you signed any anchor clients there as well?

J. Lakshmana Rao: Not really. No client will sign unless the CDMS facility and audit facility and the facility will be open for audit from October we hope. There was some delay because of the heavy rains the construction activity has taken little back seat and now it is in full steam and internal panelling and everything is starting this month and that is a two months activity so by beginning of October we should be ready to install the machines and probably end up October we will be starting our trial production and start bringing in the clients to start the auditing. That is why I said this financial year maybe there will be little contribution from pharma packaging. At least till December, the whole process of certifications and couple of clients placing orders would start. One of the segments that OTC segment of Iodex will definitely go into production by October. Hopefully those numbers will be added in this third or fourth quarter of this financial year and another product where we are planning to launch in November, December would take some time to pick up and the mostly the impact will be felt in the next financial year in a positive manner.

- Karan Khanna:** So as a follow up on the OTC pharma side, what is your revenue expectation from the Iodex order in FY2024 and FY2025 and have you got any new orders apart from Iodex?
- J. Lakshmana Rao:** No on the OTC front that is only order, but for the other products we are in touch with some major pharma companies who are interested to make use of our product. I cannot give more details at this stage because those products are little competitive information sensitive so we wish to share with you probably next quarterly meeting. Those products we expect faster penetration. They are not OTC they are under DMF, but they are not like the tablet containers which are traditionally manufactured by Sreejee and others. These two products are little not exotic or anything about, but they are having ability to penetrate faster and not many manufacturers in this field. So those products will be out in by November but the numbers will gradually pick up from the Q4 of this year and will be considerably contributing from next financial year.
- Karan Khanna:** Sure, and my last question, how has been the progress on QR coded I am in adoption with your key lubricant clients Shell and Castrol.
- J. Lakshmana Rao:** Shell has already adopted. There were some hiccups in the QR code reading at several locations which are now sorted out and again actually a new batch of QR coded containers are going out in this month to Shell, so Shell has found it very effective, but as I said, there was a hiccup in QR code readers resulting in some errors as we expected whenever you are launching something new, there will be some hiccups in the hardware or software. Now corrective steps have been taken and further launch of Shell products are again going on in this month.
- Karan Khanna:** Sure. Thank you and all the best.
- J. Lakshmana Rao:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Piyush Jain from NX Wealth Management. Please go ahead with your question sir.
- Piyush Jain:** Thank you. Just want to know what is the growth achieved in the F&M segment?
- J. Lakshmana Rao:** Yeah, F&M segment in the FMCG it is 13.66% as against it 35% last year. So this big dip is mainly due to the drop in ice cream and dairy products consumption that has come down in this quarter due to heavy rains during the summer.
- Piyush Jain:** Can you share what is EBITDA per kg for this quarter because I could not find this in presentation?

- J. Lakshmana Rao:** EBITDA per kg is now at 38.8 compared to 40.1 of Q4.
- Piyush Jain:** In previous call sir we had the target of achieving EBITDA per kg of around 42, 43 or something. So this dip in the Q1, will this have impact of the overall EBITDA per kg on FY2024 or do you see in the next three quarters will you be able to achieve this EBITDA per kg on the higher side.
- J. Lakshmana Rao:** Probably achieving what we were targeting was Rs.40 to Rs.42, which I still hope we can achieve because a couple of things are happening in the direction. One is from Q3 we will be having our integrated printing facility at Sultanpur. It is now currently spread over three locations and all the machines will be now brought down to in one complex we are building in Sultanpur. From October, hopefully we will have all those activities under one roof and even today we are purchasing HTL worth around Rs.7 to Rs.8 Crores annum worth of heat transfer label from outside and this will be completely manufactured in-house from October, November which can result in a sizable reduction in costs in the consumables segment. So that is where we see improvement in EBITDA coming in and as I said, food and FMCG and other products of high value added like pharma or both OTC and pharma products might start from November, December onwards. So they also will be contributing more handsomely to the overall EBITDA. So I am still positive we may be ending up between Rs.40 to Rs.41 EBITDA margin for the current year which can go up further next year as more and more value added products will be contributing to the EBITDA in the year 2024 and 2025.
- Piyush Jain:** Sir one thing last time also previous calls also we have discussed I think this food and FMCG has become I think quite a decent share in the overall revenue maybe around 1/3 or something and you have given some break up with respect to the EBITDA per kg around somewhere 80 per kg and pharma you said somewhere around you will be making a 150 per kg, so when this share of this food and FMCG is increasing even though our EBITDA is not translated into a great extent, but they still remain around 38, 39 to 42 when the proportion of higher per kg EBITDA component is increasing because that number is not stacking up the way the share of food and FMCG increase in last 2-3 years and the number you mentioned about Rs.80 for kg EBITDA. Can you just clear this?
- J. Lakshmana Rao:** Yeah, because you know if there is a painted loops also were growing till last year we had loops have gone up by 27% and even in the paint segment there is a growth of 3.8% last year. So these are also handsomely grown, loops in fact contributes moderate EBITDA less than our average and even paint in that manner they contribute less. So when the food and FMCG grown at 31% last year, we could easily sustain the 40-40 plus EBITDA. Now the growth in food and FMCG is only 13%. The Q pack has grown sharply at 89%, but Q pack EBITDA is less than our food and FMCG so overall put together these two food and FMCG together are around 24% but in that only FMCG is 14% so that has grown at 13.6% which

is our major contributor towards EBITDA, so had it grown at 36% like last year, we would have seen the number beyond 40.

Piyush Jain: Are we saying our EBITDA per kg paint and lubes business are way lower than and substantial difference with F&M business maybe around Rs.20 to Rs.25 per kg something then because of this?

J. Lakshmana Rao: Yes. They will be in the range of Rs.25 to Rs.30 per kg.

Piyush Jain: And the number is correct of one pharma business, you will have around 150 per kg EBITDA, is this number correct?

J. Lakshmana Rao: That is correct.

Piyush Jain: So this is the regulatory or something or this is a normal OTC packaging also?

J. Lakshmana Rao: No out of four products OTC is only one product, other three products come under regulatory or DMF. In both these categories we are aiming at Rs.150 EBITDA and in the case OTC it will be somewhere around 80 to 100.

Piyush Jain: Do we have a LOI and contracts or something in hand where we can say from November onwards this will be like the commencement and dispatches start or something.

J. Lakshmana Rao: No. In case of the OTC product the delay is because their changes in their assembly line that are happening at their filling places. They said sometime in September they will be completing those changes, already our samples have been waiting for the testing and once they complete that in September, October or November certainly they will be launched. The LOE is based actually by June itself. The letters of intent or the PO was given with an idea that the manufacturing should start from May, June but due to the delay in the assembly line corrections at their fillers end there is a delay in the launch.

Piyush Jain: So how much pharma business can do next year? Let's hope this year even though you start, you do little bit of something four five months. How much the pharma business can do the next year?

J. Lakshmana Rao: Next year we have a target between 30 to 40 Crores. It could be reaching 40 if things go as per our plan. Otherwise it may hang around 25 to 30 Crores because it is time taking for some of the statutory clearances, but out of four products, three products can easily go in because they do not need very long waiting for like in the regulatory product range, so that regulatory product range where we are anticipating about Rs.15 Crores to Rs.20 Crores for

next financial year that might take a little longer than our anticipation if things take a little short turn, otherwise we should be aiming at least Rs.40 Crores turn out from that.

Piyush Jain: Okay. Last thing from my side on this Aditya Birla Group business, just want to know two things, what could be the volume we achieve in a full year of next year and whether these businesses will be QR code, QR code business right now or it is without QR code is the sales?

J. Lakshmana Rao: Definitely they are not QR coded. Definitely they are not screen printed. They have indicated to us that they want to eliminate screen printing, so they will be mainly IML and HDL I hope. There is another concept called DOP printing which is similar to screen printing on that we have no clarity, but definitely there IML and HDL will be better than other paint majors we hope, and that will have much better margins compared to our current average paint realisation.

Piyush Jain: How much volume in metric ton or whatever we can achieve in let's say next full year. From this only?

J. Lakshmana Rao: We are sitting at least these two plants Panipat and Cheyar to be ready by calendar year end of this calendar year. So these two plants their indication was somewhere around 2000 tonnes each, but Mahad plant they indicating to start from April next year. So there also there indication is about 1500 tonnes. So out of these 5000 tonnes what they are planning I mean in the year one how much they are able to achieve I cannot comment but from our side we are ready with that 5000 tonnes per annum capacity.

Piyush Jain: How much this contributes in INR revenue, 5000 tonnes?

J. Lakshmana Rao: If 5000 happen, it will contribute about 100 to 120 Crores.

Piyush Jain: Okay. So we see this let's say 5000 Crores in a year one or year probability of ramping up?

J. Lakshmana Rao: Sorry?

Piyush Jain: In the year one or two this 5000 tonnes entire will be able to utilize for Grasim.

J. Lakshmana Rao: Yeah.

Piyush Jain: Grasim only.

J. Lakshmana Rao: Majority of it is for Grasim and at Panipat we are parallely setting up our food and FMCG product also of about 1000 tonnes capacity in the year by March 2024 we are planning to

start that. So that may also contribute to the numbers maybe in a smaller way in the year one. Because Northern area we are covering all the way from Hyderabad, freight and delay in dispatches is causing some disappointments. So by setting up a plant in Panipat itself for food and FMCG, we hope to cover that market and service the market better. All said and done with the ABG Pharma and the new Panipat food and FMCG unit, they three themselves contribute, I mean on the paper looks like 6 to 7000 tonnes, which for 38 to 40,000 tonnes for this year is big jump considering other areas are yet to be counted, so for the next year we are all set for a major jump if plans go as per their predictions.

- Piyush Jain:** Thank you, Sir. Thank you so much.
- J. Lakshmana Rao:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Amnish Aggarwal from Prabhudas Lilladher Pvt Ltd. Please go ahead.
- Amnish Aggarwal:** Yeah. Hi, Sir. I have a couple of questions, maybe I might have logged in slightly late. So what is the total volumes during the quarter and what is the breakup between the three segments?
- J. Lakshmana Rao:** Yeah, 9200 tonnes is overall volume, out of which 48% is paint, 28% is loop, food and Q pack together is close to 24.2%.
- Amnish Aggarwal:** Okay. So it means that there has been, yeah, there has been sharp reduction in your food share.
- J. Lakshmana Rao:** Yeah, in the last year it was somewhere around 18.2% is now 24%. There is no reduction actually. There is an overall increment, but the increment has come more in the Q pack that is our square packs for edible oil, cashews and other the segment but in the food and FMCG the growth is nominal that 13%, which used to be around 30 to 35% in the previous quarters.
- Amnish Aggarwal:** Okay. Sir you have also said the paint segment has also been under some sort of pressure so whereas if you look at the paint companies, they have you can see reported 8 to 10% kind of a volume growth. So do you think that this year offtake was there was some one off factor and offtake would improve in the coming quarter?
- J. Lakshmana Rao:** Yes, that is what I explained in my previous questions. One of our units, Khandala is performing below 50% at 46% capacity utilization in the Q1. Like the previous Q4 also it was down because of the maintenance and expansion works taken up there by our major client, so that is improved in July. We are back to almost 70% capacity utilisation in the

month of July because their production restarted and expansion also is in place. So we are hoping that during the remaining nine months of the year we may recover from the deficient and at least come in to positive growth numbers in the paint segment also.

Amnish Aggarwal: Okay and sir you also stated that you could be say supplying approximately 5000 tonnes of packaging to Grasim in the first, you can say full year if the...

J. Lakshmana Rao: That is target they set for us.

Amnish Aggarwal: Okay. So yeah, so how much that could be as a part of total supply to the paint industry?

J. Lakshmana Rao: See, total supply to paint industry is about 18000 per annum.

Amnish Aggarwal: Okay.

J. Lakshmana Rao: Last year it was 18150, maybe this year it may be 19000 assuming some 4-5% growth at the end of the year, we may end up around 19000 tonnes.

Amnish Aggarwal: Okay and this 5000 tonnes number is for FY2025 because the plants will...

J. Lakshmana Rao: Our three plans put together the capacity we are creating is 5000 tonnes.

Amnish Aggarwal: Okay understood. All our plans are in terms of timeline they are on track?

J. Lakshmana Rao: Yes, hopefully Panipat should go into production by December, maximum January and Cheyyur by Jan and Mahad by April, May.

Amnish Aggarwal: Okay and sir finally, in terms of EBITDA per kg because on a Q-o-Q basis, it has come down to now Rs.38 per kg. So do you see the uptick happening in the immediate quarter or it will take some time for the things to recover?

J. Lakshmana Rao: It should come back at least to 40 soon because a couple of matters have created this. One is the correction in the contract labor costs and power cost which happened last year. We could not carry forward to the clients till now, but in the month of April, May, we have started negotiating and most of the client have accepted increasing the conversion costs, so this labor and contract labour and power costs have gone up in Telangana and Andhra where we have our major operations. So the clients, major clients have agreed for the acceptance of the increase and other admin costs have gone up due to some legal patent work we have taken over again as a couple of competitors in our square pack where we have won one of the case also and that is what is the minor reason for the drop in the EBITDA below 40 otherwise it would have been close to 40 this quarter itself. So going

forward recovery in our plant at Khandala itself and some additions of pharma from third quarter onwards can take this above 40 is our hope.

Amnish Aggarwal: So for full year FY2024, we should be looking at number around 40 per kg.

J. Lakshmana Rao: Yeah, 40 to 41 is our target.

Amnish Aggarwal: Okay and for next year, if you have any number?

J. Lakshmana Rao: Next year we are aiming much better because there will be reasonable contribution from pharma at a much higher value addition and I hope next year summer will be a good summer for us at least for ice creams and dairies which are our major contributors in food and FMCG industry and we are setting up a plant in Panipat for food and FMCG by February March next year along with the paint plant for ABG. So that will enable us to capture some part of the northern markets and overall next year will be much brighter with an EBITDA at least conservatively 42 plus is our target.

Amnish Aggarwal: Okay and sir finally what is the planned capex for FY2024 and FY2025 if you can share?

J. Lakshmana Rao: FY2024, we already had a plan that looks like it will be similar to 130 and 135 Crores what we spend last financial year because these three plants have to get up and running and our integrated printing area facility at Sultanpur is also getting ready. Our pharma investments are partially made only advances are paid and the rest of the cost have to be borne in this year so the investment overall will be in the region of same level of Rs.130 and Rs.140 Crores last year.

Amnish Aggarwal: Okay.

J. Lakshmana Rao: 130 Crores was spent in the Q1.

Amnish Aggarwal: Ok. Thanks a lot sir.

Moderator: Thank you. Our next question is from the line of Chandika from Rica Enterprise. Please go ahead.

Chandika: Hi. I have four questions to go. My first question is we have already invested a lot in setting up plan for the Grasim paint business. Now we do not know whether Grasim will be successful in the paint business or not. It is a very difficult business to enter, suppose Grasim is not successful in the paint business and they are not able to generate enough volume for us. What happens to the investment we have made in setting up capacity for them?

J. Lakshmana Rao: Okay. Grasim as a group as you know has an excellent distributor network in building materials including that white cement and they have their own plans of marketing but as you correctly said as a standby option at Panipat we are starting our food and FMCG products also which will be giving us an entry into the northern market where our presence is almost nil. So in South itself we are able to do 120 Crores, 140 Crores last year in food and FMCG and 50 Crores in Q pack that they are about almost 200 Crores in South and West. So there is no reason to feel that North market will not accept our product. So our standby backup option is to have the range of food and FMCG products in the north. In case ABG takes time longer than what they envisaged to stabilize in their volumes and as you all know that injection moulding machines are fungible if not fully at least 40% to 50% of the machine capacities can be used for different purposes. So that way our Panipat plant is well preserved with our plans to introduce the food and FMCG. Coming to Cheyyur, we have several clients in Chennai mainly which are close to Cheyyur who are our clients and some of them are public sector whom we are not servicing because of costs and transportation delays that generally included. Once we are in Cheyyur some of these clients can be reachable from Cheyyur to Chennai and we will be able to grab some of the paint companies which we have not really following up like Nippon and other companies in the South and even access to Kerala is extended and we can also produce some of the Q packs there if not the thin wall food FMCG. Q packs like 5 litre, 10 litre, 17, 20 litres they are going up very rapidly interacting this quarter from a small beginning there is rise of 89% increase in the square packs from a 4.8 Crores the sales are about 9 Crores, so there is a jump of almost 90% in our Q pack sales which are mainly for cashews, edible oil, nutraceuticals, fish food, all other products which can be sold to our clients in Kerala and Tamil Nadu in a better way, if we start our operations in Chennai, so that is our backup plan for Cheyyur. Coming to Mahad, the Mahad unit itself is small unit, it will be having four machies hardly able to cater the ABGs plan and we also have a commitment with them that the Mahad plant capacity be created using even the moulds that are made for other locations. That way we are safeguarding our investments and of course we are confident that ABG with their major game plan in paint segment will able to attract reasonable market share over a period of time and with this backup plans, we hope our investments will be safe.

Chandika: Is Grasim is going to be IML or non-IML?

J. Lakshmana Rao: Sorry.

Chandika: Okay, my last question is we are entering the injection blow moulding business, the IBM business which is a commodity business unlike the IML business. What advantage in the IBM business, the pharma company already have IBM suppliers who are supplying to them. So instead of buying from you, they will just use you to get better rate from their existing

IBM supplies and buy from them instead. They would not buy from you. So why do you want to enter this competitive IBM business? Why not stick to the IML business where we have a competitive advantage?

J. Lakshmana Rao: Yes I remember you asked this question last quarter also. IBM, I do not know where you have learnt. It is no more commoditised business. IBM in various applications are still considered as good as injection moulding and as I explained in my previous quarter answer, we are also planning IML in IBM and in IBM there are products which are highly valued in the regulatory market like tablet packs for example, and they attract at least Rs.150 conversion on the raw material which you cannot get in EBM or other packaging processes. So IBM per se is no more not a low entry technology. It also has moulds both injection and blowing and there is a lot of visual inspection and other controls that are required in pharma which make many people cannot enter in that segment. If you note even on hand you hardly have five or six players of notable presence in regulatory pharma Sreeji, Pravesha Gopaldas Gary Shimmer Dr Pack like that these are the only 5-6 players who are above Rs.100 Crores or Rs.80 Crores turn over topline. Only few companies none of them are listed and their technology in terms of moulding and mould manufacturing is definitely we can surpass within a year or two because of our understanding of mold manufacturing, understanding of processing much better than any of these leading players and pharma in DMF is a different animal altogether. If pharma products are made for Indian companies for Indian products let us say the conversion cost is Rs.50 to Rs.60 but if you are going for pharma for regulatory market, the pricing is now where less than Rs.150 to Rs.200 per kg so this is a difference I request you to study. Last time also you asked me the same question. I want you to update wherever that information is available.

Chandika: Okay. Thank you very much and wish you the best for the future. Thank you very much.

J. Lakshmana Rao: Thank you.

Moderator: Thank you. Our next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: If you can just help with the value contribution across the three segments you have given the volume numbers?

J. Lakshmana Rao: Yeah, the percentage of paint is 43.3 in value, 25.6 in lubricants and 31% in food and Q pack.

Jenish Karia: Okay. Sir how much would the Satara plant contributing to our paint segment?

J. Lakshmana Rao: You mean Khandala?

- Jenish Karia:** Yes.
- J. Lakshmana Rao:** See Khandala, Mysore and Vizag are the three dedicated plants for Asian Paints. Small quantities go from Hyderabad, but these three contribute to almost 90% of our Asian Paints supplies. So that plant is almost one third capacity or say 25% capacity what we have created for Asian paints so that was running below at around 45% capacity utilization.
- Jenish Karia:** Understood is it fair to assume that we would have lost volumes of approximately 400 or 500 tonnes because of the under utilisation of the plant during the quarter?
- J. Lakshmana Rao:** Yeah, you can say that.
- Jenish Karia:** Yeah. So if I just add by 400, 500 tonnes to the paint volumes of approximately 4400 tonnes that we have done, still the paints growth seems to be very muted at around 2 to 3% compared to the paint industry growth of much higher so how do we plan to ramp up or what am I missing in this 2-3% growth number?
- J. Lakshmana Rao:** No one or two reason is that we are not chasing the other paint companies for business. Actually we are letting go some of the small and medium size companies where we used to chase till last year. From last year we have taken a decision to stick with the top players four or five top players and grow with them because the realisations and therefore it is what we put in is not worth the kind of realisations we get in that industry. So we have not chasing those small players anymore. So that is one of the reasons for muted growth in the paint industry and the drop in the last two quarters is mainly due to that Khandala plant under utilization.
- Jenish Karia:** Okay understand. Sir going forward any guidance you would like to give for the paint segment growth, we are, I understand we maintain overall double digit growth guidance, but anything specific?
- J. Lakshmana Rao:** Yes overall I am still confident we may be able to reach double digit growth but the paint industry might become a single digit growth only this year also because I wish Grasim will go as per schedule in December January. If there is couple of month delay we may slip in to next financial year. So if Grasim would not contribute in this year probably we will end up with single digit growth in the paint industry for this year.
- Jenish Karia:** Okay, next year we will definitely see a double digit growth of pain segment?
- J. Lakshmana Rao:** Yeah, yeah, definitely next year will be much better because they were talking about 5000 tonnes even if you achieve 70, 80% of that prediction, that will be a massive number for us.

- Jenish Karia:** That is helpful sir and just one last question, if you could just help us with the volume and value mix for IML and non IML for the quarter?
- J. Lakshmana Rao:** Value wise IML contributes 68% up from 65.7 last year and non-IML is 31 down from 34.
- Jenish Karia:** And volume wise sir?
- J. Lakshmana Rao:** Volume wise 61.8 has become 64.1, 38 has become 36.
- Jenish Karia:** That is helpful. Thank you for answering the questions and all the best sir.
- Moderator:** Thank you. Our next question is from the line of Harsh from Marcellus. Please go ahead.
- Harsh:** Yeah, just one question so Asian paints volumes have grown at high single digit during the quarter and I understand that Satara plant might be not utilised, might be not been used full capacity. However then there are Mysore and the Vizag plants should have run at higher utilisation levels. So overall our volume should not have been impacted to such a large extent sir. So I am missing out something like?
- J. Lakshmana Rao:** No as I explained to you the three plants are more or less equal capacity and Khandala plant running at 45% and 46% is a big drawback in the overall number.
- Harsh:** So are you suggesting that Asian Paints volume growth is coming because of some of the other plants that we are not present?
- J. Lakshmana Rao:** Of course they have seven plants across India. We are only partners at three plants and a small capacity utilization at Hyderabad so they have apart from Hyderabad they have seven plants which are making emulsion.
- Harsh:** Okay. Thank you.
- Moderator:** Thank you. Our next question is from the line of Avadhoot Joshi from Bryanston Investments. Please go ahead.
- Avadhoot Joshi:** Hi, thank you for the opportunity. So we normally guide for the volume row and double digit 15% average, so considering now the pharma going into the next financial year and this ABG volumes also go further do we maintain overall volume guidance of 15%?
- J. Lakshmana Rao:** I think maybe 15% will not be possible this year being hit by the drop in ice cream and volume sales of paint in this first quarter, but still confident that we can reach a double digit volume growth this year, maybe around 10% to 11%.

- Avadhoot Joshi:** Okay, understood. Thank you that is it from my side.
- Moderator:** Thank you. Our next question is from the line of Richa from Equity Master. Please go ahead.
- Richa:** Thank you for the opportunity. My question was related to pharma segment let say over next two years what kind of capacities or revenue potential we are looking at two to three years and what is the next step you see between domestic and export?
- J. Lakshmana Rao:** Yeah, currently we are anticipating to start only for the domestic market, but the products which will be ultimately filled and sold could be for American and European markets through the pharma companies in India that is called regulatory market. So overall current capacity of our plants what we are setting up in Sultanpur in the phase I will be able to reach a turnover of up to 50 to 60 Crores. At its peak maybe 60 Crores so after that there is an expansion possibility we have space and immediate plans to expand as we progress. We are also in touch with some of the major pharma companies who have indicated interest in our range of products and the range of product is something different from any other packaging company as of today in the country, not that they are unique but we have a mix that none of the other pharma packaging companies are pursuing. So we hope that this will give us a better edge in penetrating the pharma packaging faster than others could, other might have taken 3 to 4 years to reach reasonable level of 40, 50 Crores turnover but I think with our strategy, we will be in a position to do that in at least max 2 years and once we establish the relations and regulatory market also we get the clearances, the growth can be substantially good in the going years so minimum in two years we hope to reach a turnover of around 50 Crores and then we can comment what is our new plans because in anticipation of good growth we are even procuring further land in Sultanpur area so that we will have land and other facilities ready one once the take off happens in the pharma packaging.
- Richa:** Okay and sir this guidance for EBITDA of 150 per kg kind of guidance. This is keeping in mind the potential in the domestic market or the export market realisation.
- J. Lakshmana Rao:** No, no that domestic market for export markets and domestic products what we have in plan altogether, none of the product will be planning to export right in the beginning but they have the potential. I am not counting those prices. I am considering what our ability to sell within India either for export or for Indian market.
- Richa:** Okay and sir in the northern plant where in the north region when you are setting up food and FMCG plant, what is the capacity that you are setting up there for this?
- J. Lakshmana Rao:** Initially it will be with about 1000 tonnes per annum.

Richa: 4000?

J. Lakshmana Rao: 1000, only 1000.

Richa: Okay 1000 right sir and sir what is the typical utilisation times let's say once you setup this plant to reach 80% kind of utilization how much time does it take?

J. Lakshmana Rao: That plant because it is going to have standard products which we are already marketing in south and west and there is some presence here and there in north so once we have this product range ready next year itself achieving a 50% to 60% capacity utilization is possible in the year one itself.

Richa: Sir you are also using some kind of recycle material, so can you share the contribution of that in the total volume and also I wanted to understand if you know if the increasing share of this kind of attract more clients towards you if you could talk about that in terms of PSG and all those things?

J. Lakshmana Rao: Actually there is a increased use of RCP that is recycled polymer in the entire country, thanks to the new statutory measures on the end users like our clients are under statutory compliance now, so they in turn put the pressure on us and we are able to find very good quality RCP suppliers in the country today. Thanks to the new technology and there are cases where the utilization is as high as 15%, but in the food and FMCG we cannot use RCP and there are some clients who do not want RCP to be used. So overall consumption of RCP maybe now reaching around 5%-6% and it will gradually go up I hope in the coming years.

Richa: Alright, thank you and all the best.

Moderator: Thank you. Ladies and gentlemen that was the end of our question and answer session. I would now like to hand the conference over to the management for closing comments.

J. Lakshmana Rao: Thank you very much for your time and interest you have shown in our company's Q1 results and I wish you all a very happy evening and good luck. Thank you very much and thanks Nirmal Bang, Abhishek for your cooperation.

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