

Mitsu Chem Plast Ltd.

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Date: May 7, 2022

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai- 400001

Script Code : 540078

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors and Analysts held on May 2, 2022

With reference to our previous communication dated April 29, 2022, intimating you about the Conference Call with Investors and Analysts held on May 2, 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
Company Secretary**



Encl: as above

Manufacturing Units

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

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

Unit-III: Plot No. 24/11, 24/12, 24/15, 24/88 & 25/1,
Village - Talavali (Lohop), Post: Majgaon,
Opp. Birla Carbon Ind P Ltd., Tal. Khalapur,
Dist, Raigad - 410220, Maharashtra, INDIA.

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

Blow Molding | Injection Molding | Custom Molding



“Mitsu Chem Plast Limited
Q4 FY2022 Results Conference Call”

May 02, 2022



ANALYST: MR. VASTUPAL SHAH – KIRIN ADVISORS PRIVATE LIMITED

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



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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 Results Conference Call of Mitsu Chem Plast Limited hosted by Kirin Advisors. 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. 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 & CFO of Mitsu Chem Plast Limited and Ms. Kashmira Dedhia, General Manager, Account and Finance. Manish over to you Sir!

Manish Dedhia: Thank you Vastupal. Good afternoon everyone. I welcome all of you for the conference call of Mitsu Chem Plast Limited Q4 of FY2022. We continued with strong demand and momentum in the Q4 and have reported strong revenue and profit growth for the quarter. As you all know we have seen continuous rise in crude oil price. Our key raw material polythene and polyethylene is a crude based product hence the challenge was tremendous, but we had strategies in place, which have enabled us to control our overall cost. Our EBITDA for the reported quarter has been 35% year-on-year jump while net profit grew over 49%. The strong demand for our products was the revenue drive for Q4 FY2022. We have controlled our overall cost and other expenses, which enable us to maintain our EBITDA margin to 11% plus level for the quarter. For full year FY2022 our revenues were higher by 44% year-on-year, but higher crude linked raw material pressurized our bottom line growth as PAT grew 19% for the year. Our debt repayment however aided our bottom line growth. FY2022 however was the landmark year as despite higher and volatile raw material prices. We crossed the revenue milestone of Rs.258.90 Crores and net profit of Rs.11.51 Crores. This has been a big achievement for all of us and I thank all my customers and employees for helping us achieve this milestone.

Now to talk about the future, we see strong demand for our products however oil prices remain our main concern. WTI crude further rose to \$107 per barrel last week and were up almost 9% in April gaining higher month after month with volatility coming from geopolitical disruption and COVID induced demands, slow down in China, Russia Ukraine war, UK imposing ban on Russian crude imports are keeping upward pressure on oil prices. Furthermore Russia has also halted gas supply to Bulgaria and Poland after the EU members continue refuse to pay gas import in Rubles accelerating energy crisis in Europe, China's virus outbreak further added fuel to volatility in the market so all in all we see crude to remain volatile with the upper bias in the near future. Global logistic prices as mentioned in our last con call is another worry as it has risen due to higher crude prices and lockdown in key Chinese cities. This will not have any direct impact on our sales, but it could impact the sales of some of our export oriented customers which can be a challenge for the company in the near term.



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Overall, we have been able to mitigate the crisis in terms of absolute growth, but going forward improvement in margins may likely be a challenge in the near future due to oil prices volatility. Your company already manufactured with more than 500 plus SKUs. It is serving over 30 plus Fortune 500 clients in India. Our focus is to grow from this level and achieve new milestones in the coming years. Our increasing and customized product portfolio, addition of client and increasing regional reach have positioned ourselves to leverage every growth of opportunity. As we ended FY2022 on a highly positive note, we look forward to FY2023 as a more focused growth prospect. Let me assure you, your company is growing and will keep growing with the happy customer and a strong product portfolio. The product innovation and value engineering continues to be our focus to enhance product portfolio and product quality. Business growth always faces adversities and in the past three years it was at peak due to COVID shutdown, raw material price volatility and export restrictions. I am happy to share with you that Mitsu Chem Plast stood strong against these difficult business hurdles and continued its right march towards growth. I thank you all for your support and faith in the company which keeps us on continuous task towards new milestone achievement. Now I hand over the floor to Ms Kashmira Dedhia to discuss the financial performance during Q4 FY2022 and financial year FY2022.

Kashmira Dedhia:

Thank you Mr. Manish. 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 the quarter as well as the financial performance for the financial year FY2022. Mitsu Chem Plast witnessed robust topline growth for FY2022. Revenue achieved a new milestone by crossing Rs.250 Crores landmark. Total revenue at Rs.258.9 Crores for FY2022 up 44%. As indicated by Mr. Manish the company has witnessed a sharp rise in raw material cost which is over 63% for FY2022 compared to 58% in FY2021. To mitigate the pressures from the higher crude prices, we have strategically controlled operational cost expenses overall which as a percentage to total revenue improved 230 bps to 26.35%. EBITDA for the full year came at Rs.26.8 Crores higher by 10.8% and EBITDA margin at 10.4%. The company has reduced its long term borrowings by 10.7% to Rs.28.6 Crores. This resulted in reduction in finance cost by 6.5% to Rs.5.69 Crores. Net profit reported at Rs.11.51 Crores up 19% year-on-year and net profit margin at 4.5%. Return on equity and return on capital employed were at 22.6% and 21% respectively for FY2022. The company's operating cash flow was at Rs.8.2 Crores and the working capital cycle improved to 84 days from 90 days in FY2021. Debt to equity ratio stood at 1.32 as against 1.61 in FY2021. This indicates strong growth parameters achieved during financial year FY2022.

Now let me give you products category wise revenue breakup. Molded industrial packaging contributed 83.67% to total revenue while furniture products like hospital furniture part contributed 14% to total revenue. In fact the infrastructure furniture and others contributed 2.39% to total revenue. Financial performance for Q4 FY2022. Mitsu Chem Plast total income for Q4 FY2022



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registered robust to 43% growth to Rs.74.7 Crores. EBITDA improved by 35% to Rs.8.4 Crores while net profit grew by 19% to Rs.11.51 Crores. EBITDA margin was at 11.2% and net profit margin was at 4.4%. As mentioned, higher crude prices affected raw material cost. The raw material cost to revenue was at 65% namely 61% in FY2021. Now I open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Muskan Gupta from Finterest Capital. Please go ahead.

Muskan Gupta: Good afternoon. Congratulations on your robust growth and achieving your milestone and revenue. I would like you to repeat the segment wise revenue break down and I would also like to know from the management of the company what their future plans are about the growth from each of these segments?

Kashmira Dedhia: So our molded industry packaging contributed around 84% to total revenue while the furniture product which includes hospital furniture contributed 14% to total revenue and infrastructure product and other category contributed around 2.39% to the total revenue.

Manish Dedhia: So this was your first question and I think the second question was, what is the growth for all these segments, so definitely see we are growing with the niche item which is the hospital furniture and other items also and also we are growing in packaging business also so I think you will see the robust growth in the near future in both the segments especially furniture and packaging items.

Muskan Gupta: Okay got it. Sir can you give me some idea in percentage terms?

Manish Dedhia: It will be little difficult to give you on percentage terms, right now the percentage already given right for the future okay. Yes madam it will be may be difficult to give you in percentage.

Muskan Gupta: Percentage in terms of growth?

Manish Dedhia: No I think I have not understood the question right.

Muskan Gupta: Yes I am just trying to say that from each segment what is the percentage of growth we can expect in the near future or in long term or any timeframe which the management has in mind currently?

Manish Dedhia: There is a growth in the market. Already we have grown almost 50% in furniture. You can see overall hospital growth in the near future is also very good in India. Also there will be a very, very good growth in chemical and pharmaceutical industry so definitely there will be a good growth in India. With that the company will definitely grow with that.



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- Muskan Gupta:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** Congratulations on a good set of numbers. I have a couple of question so primarily on the hospital furniture business, one of your higher growing segments, could you give some color on the type of sustainable gross margins for this business in the event that crude normalizes?
- Manish Dedhia:** You need to repeat the last line. You said the last line can you repeat it.
- Manan Poladia:** Yes Sir so what I am asking is the hospital furniture business could you give me some sort of guidance as to what is the sustainable gross margin in case crude normalizes?
- Manish Dedhia:** In case.
- Manan Poladia:** Once crude normalizes Sir and your margins come back to normal what will be a sustainable gross margin in the hospital business?
- Manish Dedhia:** So once I think crude settles down then yes you can see a good growth in the company. Now for the hospital furniture it is always a higher gross margin and then the packing item.
- Manan Poladia:** Yes Sir correct, but could you give me a ballpark number like in a percentage range?
- Manish Dedhia:** No.
- Manan Poladia:** Also secondly in the last board meeting I think you had approved a proposal for the QIP could you give us any color as to when that would be happening or is that not possible?
- Manish Dedhia:** Thank you. I think you are following very well, we have not gone for only QIP so there will be a further fund raising through any of the method. We are just working on this and may be very soon we will come back to you on this. We will announce very soon.
- Manan Poladia:** Sir also just one last question? As far as the borrowing goes do you plan on reducing your debt further or is it going to be at the current levels for the next one or two years?
- Manish Dedhia:** Definitely with the current level whatever we are reducing debt that will be continued for the same one. When we raise some funds that will be completely for further growth only.



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- Manan Poladia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir what would be the volume growth in this quarter and year-on-year volume growth if you can give the numbers for that?
- Kashmira Dedhia:** So you want the revenue growth for the last year FY2022.
- Akshay Kothari:** Volume growth?
- Kashmira Dedhia:** We have grown by 28%.
- Akshay Kothari:** And at the outset you had mentioned that there was some strategies in place to navigate through this tough times in rising crude oil prices environment so could you just outline a piece about what were your strategies as such?
- Manish Dedhia:** Akshay this is my little secret of Mitsu. If I tell you then I will have a competitor.
- Akshay Kothari:** No problem Sir?
- Manish Dedhia:** I am just kidding but no I think many strategies we have now on this and to have to cut down the cost overall to get the maximum output of the machines and many good things in systems in place.
- Akshay Kothari:** Sir regarding the hospital infrastructure so are we supplying to tier two and tier three cities hospitals or we are targeting tier one hospitals so if you can give some?
- Manish Dedhia:** I will redefine your questions in a little format so we do not supply our hospital furniture to hospital directly. We supply to hospitals bed the manufacture and they supply to hospitals. Now further your question so we supply all over India so from Jammu to Chennai and from Kolkata to Mumbai. I think most of the states we are covering.
- Akshay Kothari:** Sir in the molded packing segment what is the pricing power we enjoy with our customers?
- Manish Dedhia:** It is a difficult question so like yes with the quality, Mitsu is a name for a good quality but yes customer always asks for good rates, but anyway we enjoy little good than other competitor.
- Akshay Kothari:** Thanks a lot for answering questions and all the best. Thank you.



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- Moderator:** Thank you. The next question is from the line of Prem an Individual Investor. Please go ahead.
- Prem:** First of all congratulations for successfully mitigating raw material costs? My question is towards trade receivables? There is a significant jump in trade receivables from last year to this year? If I remember correctly it jumped from Rs.29 Crores to Rs.41 Crores. Can you please throw some light on this?
- Kashmira Dedhia:** Definitely. If you see the total revenue jump it is around 44% so our receivables as far as in days in concerned it is same in both the financial years. It is 49 days for the FY2021 and same 49 days in FY2022 so the growth in the receivables is purely because of the growth in turnover. Have I answered your question?
- Prem:** Yes sure.
- Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** Sir you have spoken about your customized products for your customers where you create custom injection molds for them? Is that currently a portion of your topline?
- Manish Dedhia:** Yes everything, we do many customized molds for our customers.
- Manan Poladia:** And what segments would that be in like would that also be in the packaging segment?
- Manish Dedhia:** Both packaging and hospital furniture, both.
- Manan Poladia:** Packaging and hospital furniture both right?
- Manish Dedhia:** Yes but maximum side is hospital furniture.
- Manan Poladia:** So obviously that will be a higher margin business right considering it is a customized product?
- Manish Dedhia:** Yes.
- Manan Poladia:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Yashwanti Khedkar an Individual Investor. Please go ahead.



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- Yashwanti Khedkar:** Congratulations for a very good set of numbers. I have a few questions. You had given me the contribution coming from the three different segments that is the molded product, furniture and hospital business and infrastructure? I just wanted to understand what is the growth recorded by each of these segments?
- Manish Dedhia:** What is the...
- Yashwanti Khedkar:** Growth recorded by each of the segments for FY2021 like molded how much the growth has been recorded over FY2021 in the case of furniture business and infrastructure business.
- Kashmira Dedhia:** So furniture we have grown by almost 50%, as far as our packaging is concerned the growth is around 42 to 43%.
- Yashwanti Khedkar:** Infra?
- Manish Dedhia:** I think not too much in that.
- Kashmira Dedhia:** 1% you can say, 0.5 to 1%.
- Yashwanti Khedkar:** Okay so you see this furniture and hospital because in FY2021 the hospital and furniture has grown at a very good numbers so you see this segment will continue at growth at 50% mark going forward. How is the demand?
- Manish Dedhia:** At least for three years to four years yes because government has charted up many plans for that medical development plans by our Prime Minister so I think many, many things are coming up all over India and which will be beneficial to Mitsu Chem.
- Yashwanti Khedkar:** We have a strategy where we are seeing this improvement for Q4 margins. So do you think the margins will be at least maintained going forward or you see some pressure coming in for the margins going forward.
- Manish Dedhia:** Our try will be to get the better margins than whatever right now we have. Yes definitely if the crude volatile will be there then we will be pressured, but definitely we will maintain this current margin that is our main objective.
- Yashwanti Khedkar:** I just wanted to understand what is our current capacity and the utilization for FY2022.
- Kashmira Dedhia:** Our utilization is around 64% for the whole year. Capacity is around 22800 metric tons plus approximately.



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- Yashwanti Khedkar:** Any plans going ahead with more demand coming in from hospital furniture and the increase in demand coming from the packaging.
- Manish Dedhia:** We will definitely update once we finalized the plan definitely we will update.
- Yashwanti Khedkar:** I think that is it from my side and wish you the best for coming quarters.
- Moderator:** Thank you. The next question is from the line of Muskan Gupta from Finterest Capital. Please go ahead.
- Muskan Gupta:** So just now someone asked about the growth recorded in each segment over FY2021 and it was just told that furniture segment grew by almost 50% so was it just based on the COVID situation that the hospital bed demand grew at a large extent or there was some other growth triggers as well?
- Manish Dedhia:** So I think part of that was COVID also, but I think two years ago I think Prime Minister has announced many schemes for bringing medical services and hospitals all around India and you can see the growth so I think government has allocated I think good number of funds and on that fund many people are going ahead for expanding their bed, going ahead for new hospitals and all so you can see further growth also in this particular segment.
- Muskan Gupta:** Okay and someone also asked and the clarification was provided the management that we do not provide the hospital beds directly to the hospital but instead to the manufacturers, so in that case what is the target segment like the manufacturers which we are selling. Who is manufacturing supplying to tier one hospitals or to tier two, tier three hospitals, the class of clients ultimately.
- Manish Dedhia:** See we supply to all the manufacturers who makes the bed. Now we supply just the plastic panel to them and the accessory for the sale. They assemble at their place and they supply the complete bed to hospital so they supply to each and every hospital like tier one or tier two cities as well.
- Muskan Gupta:** Okay so we are only supplying the plastic panel and accessory got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Nairit Gala an Individual Investor. Please go ahead.
- Nairit Gala:** Hello so good afternoon and congratulations on a wonderful set of numbers. I had a question regarding the auto components segment of our business. Can you please throw some light on the revenue contribution by this vertical?
- Manish Dedhia:** It is a very less revenue overall. It is degrowth from the last two years. There is degrowth in auto. Now there are many things coming up in auto. In the last two years' time the auto was also not doing



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well. Now it is well but we have started with the auto thing. Also we have utilized those capacity into hospital furniture already so the capacity also will be constrained for auto parts.

Nairit Gala: Absolutely so just another followup question so may be with restoration of the semiconductor crisis if it is better are we expecting maybe a better performance on the auto component side or are we planning to shift the auto capacities to higher margin business like the hospital segment.

Manish Dedhia: No we are open to that so if some good opportunity comes then we are ready to serve that also, but as of today we are not very sure.

Nairit Gala: So in terms of overall capacity, how much we can produce versus how much we are producing right now what is the percentage if you can give me a rough number.

Manish Dedhia: See I can tell you in plastic industry you can produce whatever your capacity from that you can produce 85% which is the maximum and out of that we are producing right now 64%.

Nairit Gala: Right so maybe two years down the line to expand further and grow further we need to have some sort of capex come in to expand capacity right.

Manish Dedhia: Definitely but we have in house capacity also so from 64 to 85% at least we can go in that line also and where we are seeing systems in place so we are optimizing our production capacity.

Nairit Gala: And Sir just one final question. So the inflationary environment that we are facing currently, how much of the price increase in crude and other raw material are we able to pass on to customers in terms of a percentage, if you can give me for the last quarter maybe.

Manish Dedhia: So the last quarter I think it took little time to pass on the prices, but yes definitely we can pass on at least 80 to 90% of the cost, but it takes some time. Some time it does not happen overnight.

Nairit Gala: Yes absolutely so maybe going forward for the next couple of quarters if the crude prices were to remain elevated we can expect about 80 to 90% of the price to be passed on to the customers.

Manish Dedhia: More than that.

Nairit Gala: More than that. So I can ask one last question if I can please. We mentioned that the noncurrent liability were around 28 Crores in long term borrowing and the financing cost were about 5 to 6 Crores for the same.

Manish Dedhia: Sorry what is the question exactly?



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- Nairit Gala:** So I am just confirming before I get to the question so the financing cost for the long term liability is around 5 to 6 Crores right.
- Kashmira Dedhia:** Finance cost includes both.
- Manish Dedhia:** Finance cost includes both long term and short term.
- Nairit Gala:** Okay perfect that was just my question because you people judged the noncurrent liability it would have been a very high finance cost? Okay perfect thank you Sir. Have a wonderful day Sir.
- Moderator:** Thank you. The next question is from the line of Yashwanti Khedkar an Individual Investor. Please go ahead.
- Yashwanti Khedkar:** Yes thank you for the opportunity once again. I just want to understand have you added any clients in the last quarter.
- Manish Dedhia:** Have you added.
- Yashwanti Khedkar:** Any new clients in the last quarter that is the fourth quarter?
- Manish Dedhia:** Yes we have added. Some of the new clients also we have added in last quarter four.
- Yashwanti Khedkar:** Can you quantify them? How many number of the new clients have been added?
- Manish Dedhia:** 15 plus customers in last quarter.
- Yashwanti Khedkar:** I just wanted to understand what is our top 10 customer contribution to the overall revenue?
- Manish Dedhia:** So our top 20 customers are giving me around 75 to 80% business right now.
- Yashwanti Khedkar:** And Sir on the export front till last Q3 we are seeing lot of issues because of the freight charges and many orders were cancelled so how the things have settled in Q4 and what is the outlook going forward.
- Manish Dedhia:** Okay see Mitsu Chem does not export directly, but Mitsu Chem gives packaging materials to exporters who fill their material and they export so definitely I can say in Q4 export was little good then Q2 and Q3.
- Yashwanti Khedkar:** So that is our indirect exports right.