

# Mitsuchem Plast Ltd.

(Formerly known as Mitsu Chem Pvt. Ltd.)

329, Gala Complex, Din Dayal Upadhyay Road,  
Mulund (W), Mumbai - 400 080, Maharashtra, INDIA.

T : + 91 22 25920055 F : + 91 22 25920077

E : mcpl@mitsuchem.com W : www.mitsuchem.com

CIN : L25111MH1988PLC048925



Date: February 13, 2023

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 February 10,2023**

With reference to our previous communication dated February 07,2023 intimating you about the Conference Call with Investors and Analysts held on February 10,2023, please find attached transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

## **FOR MITSU CHEM PLAST LIMITED**

Manish Mavji  
Dedhia

Digitally signed by Manish Mavji Dedhia  
DN: c=IN, o=Personal,  
2.5.4.0=1c10c1f1f4c537af64aa9564931b4c32ba56b8d8994b7  
a27f05188d74, postalCode=400080, st=Maharashtra,  
serialNumber=023204542b2f050803c0978978930302cbe04e29e  
5d37c97b9b9c398f.cn=Manish Mavji Dedhia  
Date: 2023.02.13 14:27:44 +05'30'

Manish Dedhia  
**Managing Director & CFO**

*Encl: as above*

### Manufacturing Units

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

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

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

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

**Blow Molding | Injection Molding | Custom Molding**



# “Mitsu Chem Plast Limited Q3 FY23 Results Conference”

**February 10, 2023**



**MANAGEMENT:** **MR. MANISH DEDHIA – JOINT MANAGING DIRECTOR AND CFO, MITSU CHEM PLAST LIMITED**  
**MS. KASHMIRA DEDHIA – VICE PRESIDENT (FINANCE & ACCOUNT), MITSU CHEM PLAST LIMITED**

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



*Mitsu Chem Plast Limited  
February 10, 2023*

**Moderator:** Ladies and Gentlemen, Good day and welcome to the Q3 FY23 Results Conference Call of Mitsu Chem Plast Limited hosted by Kirin Advisors 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 this conference call, please signal an operator by pressing '\*' and 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 Private Limited. Thank you and over to you, Sir.

**Vastupal Shah:** Thank you. Good afternoon everyone. Thank you for joining the Conference Call of Mitsu Chem Plast Limited. I would like to welcome Mr. Manish Dedhia – Joint Managing Director and CFO of the Company, Ms. Kashmira Dedhia – Vice President (Finance & Accounts).

Manish ji over to you, Sir.

**Manish Dedhia:** Thank you Mr. Vastupal and good afternoon to everyone. I welcome you all the conference call of Mitsu Chem Plast Limited to discuss the performance of the Company during the Quarter 3 FY23 and 9 months FY23.

As you all know Mitsu Chem Plast is Packaging Solution Provider Company engaged in the business of manufacturing polymer based molded products mainly used for industrial packaging for industries like chemicals, agro chemicals, pharmaceuticals, lubricant, food and edible oil. The key product of the Company are molded, industrial plastic packaging products such as drums, jerry can, bottle, jars and its accessories with that pails which is for the paint and lubricant industries and FMCG industries, infrastructure furniture parts such as chairs, shells, hospital furniture such as panels, railings, planks, trolley parts, rescue and safety equipment such as spine board and automotive components such as washer tank, Rainhood.

The Company majorly supplies to the OEMs of various industries such as chemicals, pharmaceutical, dyes, agro-chemical, disinfectants, diagnostic, hospital & infrastructure furniture and automotive manufacturers.

The Company has more than 500 plus SKUs and I am happy to tell you that we have over 30 plus Fortune 500 clients in India in our client portfolio.

Now, I will say outlook for plastic packaging:

So, plastic packaging has seen huge growth in past few years and the strong demand from various user, industries such as personal care, food and beverages and industrial will continue to drive

demand in future. The global plastic packaging market size was valued at \$US 355 billion in 2021 and is expected to expand a compound annual growth rate of 4.2% from 2022 to 2030.

The scene is not different in India we are witnessing a strong demand for plastic packaging on the back of growing pharmaceutical, food and beverages, rising market of ready to eat products and personal care. India rejjig plastic packaging market is expected to reach \$US 18.02 billion by 2027 growing at CAGR of 8.01% during the forecast period.

Amidst the ecommerce boom one of the fastest growing sector is the Indian packaging business which is expanding rapidly. The Indian institute of packaging which is called IIT estimate that India's per person annual packaging usage grew by 200% in last 10 years from 4.3 Kg to 8.6 Kg per person.

Plastic hospital furniture I will say something about that. Hospital furniture I have seen huge demand since COVID period, the demand is rising as we make hospital furniture components the outlook for this segment is quite bright. Every year there is a rapid rise in healthcare spending from the government and from the private sector. This will auger well for us from the demand perspective and also now there are a lot of export inquiry is coming. Currently, packaging material contributes 88% and hospital furniture 9%. Overall, the outlook on oil so oil price play a very important role as our prime raw material is HDPE is linked HDPE, LDPE is linked to oil price.

Crude prices have corrected and are trading at \$US 80 per barner, but still are very high from the corresponding period and this has done an impact on our raw material cost. Inflation and geopolitical factors further add fuel to it and this has put the pressure on our margins. Going forward our focus is on developing innovative product that suits the industry demand, enhancing product portfolio, maintain profitability by improving product mix, and growing sustainability in the coming period.

So, Ms. Kashmira Dedhia will give you an update on Q3 FY23 and 9 Months FY23 performance. I hand it over to Kashmira.

**Kashmira Dedhia:**

Good afternoon everyone. Key financial at a glance:

Quarter 3 FY23 total income for Quarter 3 FY23 is Rs. 71.65 crores, EBITDA for Quarter 3 FY23 is Rs. 5.25 crore, PAT for Quarter 3 FY23 is Rs. 1.81 crore, EPS for Quarter 3 FY23 is Rs. 1.5 9 months FY23 total income is Rs. 226.16 crores, EBITDA for 9 months FY23 19.02 crores, PAT for 9 months FY23 is Rs. 8.51 crore, EPS for 9-month FY23 is Rs. 7.05.

Now, I am happy to take questions from all of you. Thank you.



*Mitsu Chem Plast Limited  
February 10,2023*

- Moderator:** Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Akhil Parekh from Centrum Broking. Please go ahead.
- Akhil Parekh:** Manish my first question is on the current demand outlook has it improved now sequentially and going ahead to FY24 how does it look like?
- Manish Dedhia:** So, overall outlook is from I think last month from like January it is looking like it is picking up. We hope that the demand will still more pick up and will have a more demand I think this quarter we will have a we are awaiting all the sectors will grow up.
- Akhil Parekh:** So, are we seeing more inquiries now compared to the last quarter?
- Manish Dedhia:** Yes, inquiries are many from like first week of January itself. Now from inquiry to business yeah it is generating. So, I think around us we have a good number of inquiries generating into business.
- Akhil Parekh:** We have seen that there is a declining contribution from hospitals I mean we are at 9% right for first 9 months and if I look at it last few years in the pandemic obviously the contribution was probably helped reach around 11%, 12%, 14% I guess last year, so any reasons why we are not able to grow much in the hospital segment given that the product quality is really good and we have some of the patented products and all, so what are the challenges in that segment right now?
- Manish Dedhia:** There is no big challenge. There are two or three things which we have to look at it. So, my container business the last time you said it was 15 crore and now it is 19 crore. So, the impact on that percentage will be little bit number one. Number two, this is the capital industry where we supply. There are many hospitals coming up in India for sure, but like there is some limitations for new hospital to come up. I think let us look at a yearly figures that what happens and now we are also focusing exporting of this hospital furniture part as you can see we are taking lot of parts in other exhibitions abroad for hospital, furniture related and we have a good numbers of inquiries for us so let us hope for the best.
- Akhil Parekh:** But as of now we are not export right I mean we are hoping for it, but as of now we do not export?
- Manish Dedhia:** No, as of now.
- Akhil Parekh:** And any updates on the pails capacity expansion which we did quarter back how it is scaling up and have we started supplying those containers to the clients?
- Manish Dedhia:** So, pails business like we are getting now good response so I think the last quarter which is a Q3 had a very good number of we have this is a technical product. So, we have to submit the samples I think many places our samples is okay. So, that is a good news and hope to receive a



*Mitsu Chem Plast Limited  
February 10,2023*

good orders in this quarter now. It is a technical product. It takes lot of time to get the approval and then change of supplier to audit it is a very long process, but now I think we are through with most of the things let us see how does it come up.

**Akhil Parekh:** So, we should have some sales from this segment probably in Q4 of this year?

**Manish Dedhia:** Sorry come again sorry sir.

**Akhil Parekh:** I am saying you were saying you are suggesting that from Quarter 4 we will have some commercial sales from the pails content.

**Manish Dedhia:** We have already started, but it is a very low number in the Q3 as well, but what you are thinking for like the big numbers will come from the maybe first quarter of 24. Reasons there are lot of RFQ, there are tender system. So, we have also taken a part in that and then all the supply and everything start from accounting year does not calendar year.

**Akhil Parekh:** Whom have we soft line the pilot samples and who would be our client?

**Manish Dedhia:** Mostly new companies mostly are the new companies.

**Akhil Parekh:** We are saying big players entering into the paint segment the Grasim has made the announcement, Asian Paint is expanding the capacity, are we getting any inquiries from the paints Company as of now?

**Manish Dedhia:** Yes we are getting inquiries and we are talking to them on a serious note. So, like example you said a Grasim they have not started a big way in a production. So, maybe we are talking to them let us see what happens.

**Akhil Parekh:** If you can just please give me the 9 months volume details and current capacity and utilization rate that would be helpful?

**Manish Dedhia:** Utilization is around 65% 9 months.

**Akhil Parekh:** And the total capacity is around 23,000?

**Manish Dedhia:** 24,000 now with the including of pails it is 24,000.

**Akhil Parekh:** So, 65% on the 24,000 basics?

**Manish Dedhia:** Right.

**Akhil Parekh:** And my last question is on the margin front I mean we are seeing sharp incline in the polymer prices and then over last I would say three quarters we have seen a decline as well basically, so have we exhausted our high-cost inventory completely and should we see sequential improvement in EBITDA margins from now?

**Manish Dedhia:** You can say that way.

**Akhil Parekh:** From the fourth quarter we should see improvement in the margin?

**Manish Dedhia:** Yes we should because it is like now we have to at least 60 days to 80 days inventory is also with us. So, there is a lot of pressure earlier and then so I think let us hope for the best.

**Moderator:** Thank you. The next question is from the line of Yashwanti Khedkar an Individual Investor. Please go ahead.

**Yashwanti Khedkar:** Sir you had given this plastic for packing outlook as well as the healthcare after, but what we see and what we just mentioned that we are still using our capacity as a 65%, so those industries are moving at a very good rate, what we are seeing as a Company as far as the plastic packaging and the healthcare is considered, why we are still I think for the last 3 quarters we are listening from the capacity utilize only at a 60%, 65% and now the economies are open up after the COVID dilemma and everything is coming back to the routine, so what are the headwinds for the Company for the growth as far as the top line growth and when we can see substantial improvement in the profitability because are we not in a position to transfer this rise in the prices for the higher raw material prices, to our customers is in contract like that or because of the competitive pressure we are not able to pass it on this is what I wanted to know for the Company?

**Manish Dedhia:** I think I will just translate first your translation in proper format so you mean to say the growth in the plastic industry is tremendous, but you are at 65% is this your first question.

**Yashwanti Khedkar:** Yes sir.

**Manish Dedhia:** So, yes you are right at that so what happens is like you know this is growth I said as a compounding growth. You have seen in Mitsui Chem in last 8 or 9 quarters it was on a growing up for me all things. Now last two quarters Q2 and Q3 due to some geographical situations and lot of things, but our main customers are chemicals, pharmaceutical, agrochemical so those are also not they have also underperformance and the demand side overall as an export and overall demand was very less. So, I see most of our client results also like they have a decline in the growth and all. So, yes we can understand from somewhere there was a dip in demand. So, we are hoping for a much better way 65% I think as per Q2 and Q3 and as per the demand in the market it was fair enough for Mitsui because I have seen some of the companies were not also running at 45%, 50% also. So, I think I hope I gave you my answer.

**Yashwanti Khedkar:** So, does it mean that the investors is facing a demand issue in that case because we are a 65% couple of your competitors are at 45% so what is the insight you are getting it from your customers and like how the demand improvement because I believe now the export market has also opened up in the last one and half years?

**Manish Dedhia:** So, demand in Europe and demand in USA was a very poor in Q2, Q3 for us even when you say it when we say 65% versus last 9 months if you are comparing so please understand there is a lot of capacity addition also in Mitsui. In the last two years there is a lot of capacity addition so overall Mitsui is also growing that way, but I understand so for 9 months we are at 65%.

**Yashwanti Khedkar:** So, what outlook you can say for FY24, FY23 because there are many industries coming up and now all these things are likely to see a good growth, so are you optimistic for FY24, FY25?

**Manish Dedhia:** Yes I am very optimistic on from Q4 as well. So, like demand has started coming up as I said my this thing inquiry is also coming up so if we can see some spark has come up in from last 1 month then I think this month also lot of inquiries are coming up and 24 we see a very good growth for India because again there is a election year as well. So, we see India at very good growth.

**Yashwanti Khedkar:** And next question was on the passing on the raw material prices to a customer, so is there any pressure or is there any the price is fixed in advance or it is like the competition which is stopping you from passing on the raw material prices is concerned to your customer?

**Manish Dedhia:** I will say both what happens is sometimes when the prices goes up you have to buy the material, prices sudden drop so then those inventories because you have to keep inventories for 70 days, 80 days some of the products and some of the products are local. So, that way there is pressure by the market as soon as the demand down and the market goes down the customers are always opportunistic they say no price is going down so somewhere it is a difficult situation to pass on the prices.

**Yashwanti Khedkar:** Just last question I just wanted to understand with you I mean the government has been putting a thrust that you should use the recycle plant and if we consider the cost price also the quality is coming up good even with the recycle plant at a much competitive rate or rather I should say at a much cheaper rate, so are we looking to use this recycle plastic or somewhere down the line are you also looking to enter into the recycling business for the better control?

**Manish Dedhia:** It is a very good question and when I said my speech I said that our focus will be on growth, sustainability in coming period. Now there is a demand from the industry, there is a demand from the government and you will see Mitsui will be one of the leading player in sustainable packaging so I can say that much.



- Moderator:** Thank you. We will move on to the next question that is from the line of Siddharth Shukla an Individual Investor. Please go ahead.
- Siddharth Shukla:** Few questions to ask so what is the debt as of December '22 and what is the average cost of debt?
- Manish Dedhia:** So, overall long term is 35 Cr and short term is 36 Cr. The overall average cost is around 9.95.
- Siddharth Shukla:** What is the finance cost has increased for quarter as well as for 9 months please explain sir?
- Manish Dedhia:** Quarter has increased subsequently and the substantial increase.
- Kashmira Dedhia:** So, YoY quarter if you say our finance cost has been increased from 137.05 to 172 the increase because of the working capital utilization has increased because of the turnover increased and in 9 months we have the finance cost is like 481.67 as compared to 403.92 in last year.
- Siddharth Shukla:** Employee cost as well any specific reason for that year-on-year increase?
- Manish Dedhia:** As we are also grown substantially in last one and half years so many machines and even the recruitment is also there. So, I think there is one more addition into employees also. So, you can see these things and also the salary also has increased. So, I think both ways you can see more figures in employee benefit expense.
- Siddharth Shukla:** And what is the outlook for FY24?
- Manish Dedhia:** Come again.
- Siddharth Shukla:** Sir what is the outlook for FY24?
- Manish Dedhia:** So, I think I can say that it will be much better than '22 and '23 this is what I am optimistic about '24.
- Moderator:** Thank you. The next question is from the line of Sandeep Mani from SM Research. Please go ahead.
- Sandeep Mani:** What is the working capital cycle?
- Kashmira Dedhia:** So, the net operating cycle is 46 days.
- Moderator:** Thank you. The next question is from the line of Himani Ubhan from Suraj Research. Please go ahead.

- Himani Ubhan:** What will be the impact on the margin in future due to high energy cost?
- Manish Dedhia:** Ma'am you need to repeat the question?
- Himani Ubhan:** What will be the impact on margin in future due to high energy cost?
- Manish Dedhia:** So, I think as we are in Maharashtra also the electricity cost every year that is increasing even in all over India also that is increasing. So, it is like now we consider as a salary it is always going to increase so definitely I do not think it will be a very big impact on our margins and we see better utilization and better demand in the market there will be good impact on margins.
- Himani Ubhan:** Sir your CAPEX plan and source of funding?
- Manish Dedhia:** So, right now so you are talking about the past or you are talking about the future.
- Himani Ubhan:** About the future?
- Manish Dedhia:** There are no plan right now unless we are coming up with the FPO which is in hold right now. The rest all we have done with all the things with debt or internal accruals. We have already expanded in the last one and half years already.
- Himani Ubhan:** Is it difficult for us to pass on higher prices to our customer?
- Manish Dedhia:** Sometimes yes. So, when the market is too volatile, sometimes it is difficult to pass on the rates like act has an inventory and why does not have a inventory then makes difference why quote something different than act as a problem. So, always there will be little chaos when market literally goes down or goes up that time it makes difference.
- Himani Ubhan:** And sir my last question is give outlook on demand side for our products?
- Manish Dedhia:** So, I said in my concall also that I am looking very bullish from the January first week itself. Now in the future it looks like demands are coming up not from only India from the other countries also like chemical, pharma that is booming now. It looks like it started demand coming up. In the quarter of next year I see different demand and different outlook for year 2024 so positive side.
- Moderator:** Thank you. The next question is from the line of Yashwanti Khedkar an Individual Investor. Please go ahead.
- Yashwanti Khedkar:** Just wanted to understand from your client perspectives have we boarded any new clients during the quarter or maybe last 6 months?



*Mitsu Chem Plast Limited  
February 10,2023*

- Manish Dedhia:** Yeah we have added around 25 to 30 clients in last 6 months' time and we are trying more. So, I think by second I mean we are trying to get more customer on board as well.
- Yashwanti Khedkar:** And can we say that it is mainly plastic packaging?
- Manish Dedhia:** Only for plastic packaging right now that is the major customer as in hospital furniture yes there are also a new customer coming up and as I said we are also looking for export market and that is also inquiries are coming up. So, hope to on board many more clients.
- Yashwanti Khedkar:** Sir in your opening remarks you mentioned that we have around 30 odd Fortune 500 clients and I believe this we are there from right from quite long time, so how are the repetitive orders coming up on this month?
- Manish Dedhia:** So, I think our 80% business comes from around 50 companies and we see almost 45 or 50 companies are all repetitive every year from the year-to-year basis. So, I think that way our risk is very spread out and the repeat business is also very good. So, once customer on board so I am sure the repeat orders are very good at least in Mitsu.
- Yashwanti Khedkar:** And any new product has been designed with last quarter we have on the painting in future, any particular new innovative product has come out from our portfolio?
- Manish Dedhia:** Not yet.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Vastupal Shah for this closing comments.
- Vastupal Shah:** Thank you everyone for joining the conference call of Mitsu Chem Plast Limited. If you have any queries you can write us at [info@kirinadvisors.com](mailto:info@kirinadvisors.com) . Once again many thanks to the Management Team and all the participant for joining the call.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Kirin Advisors Private Limited concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.