

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 22, 2024

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 20,2024

With reference to our previous communication dated February 15,2024 intimating you about the Conference Call with Investors and Analysts held on February 20,2024, please find attached transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

FOR MITSU CHEM PLAST LIMITED

Ankita Bhanushali
Company Secretary
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.

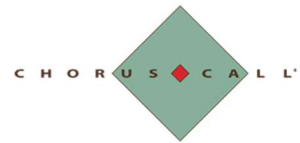
Unit-III: Plot No. 24/11, 24/12,24/15, 24/88 & 25/1,
Village-Talavali (Lohop) , Post: Majgaon,
Opp. Birla Carbon Ind P Ltd., Tal. Khalapur,
Dist: Raigad, Pin: 410220. Maharashtra, India.

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

Blow Molding | Injection Molding | Custom Molding



“Mitsu Chem Plast Limited
Q3 FY'24 Results Conference Call”
February 20, 2024



MANAGEMENT:

**MR. MANISH DEDHIA – JOINT MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER –
MITSU CHEM PLAST LIMITED
MS. KASHMIRA DEDHIA – VICE PRESIDENT - FINANCE AND ACCOUNTS – MITSU CHEM PLAST
LIMITED**

MODERATOR:

MS. CHANDNI CHANDE -- KIRIN ADVISORS

Moderator:

Ladies and gentlemen, good day, and welcome to Q3 FY'24 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you, and over to you, ma'am.

Chandni Chande:

Thank you. On the behalf of Kirin Advisors, I welcome you all to the conference call of Mitsu Chem Plast Limited. From management side, we have Mr. Manish Dedhia, Joint Managing Director and CFO; Ms. Kashmira Dedhia, Vice President, Finance and Accounts.

Now I hand over the call to Mr. Manish Dedhia. Over to you, sir.

Manish Dedhia:

Thank you, Ms. Chandni. Good evening, everyone. I extend a warm welcome to each of you as we convene here for our quarterly conference call to delve into the performance and future prospects of Mitsu Chem Plast Limited. It's a pleasure to have you join us today.

Reflecting on the recently concluded Q3 FY '24, we are proud to share that despite encountering cost pressure, our total income stood at an impressive INR73.74 crores. Amidst these challenges, we reported a resilient EBITDA of INR7.70 crores and our net profit reached to INR3.18 crores. This achievement is a testament to our commitment to cost optimization and profitability improvement.

In our pursuit of sustainability, we remain dedicated to energy conservation and green initiatives. Our innovative measures have not only reduced wastage, but also optimized consumption, resulting in substantial cost savings by embracing advanced technologies and installing efficient machinery, we are contributing to a more sustainable future.

Strategic investment in product innovation and value-added offerings have been a cornerstone for our efforts to meet the escalating demand for packaging products. Our unwavering focus on becoming a preferred partner for the supply of packaging material has led us to strengthen our product portfolio continuously.

Product innovation and value engineering continues to be our focus to enhance product portfolio and product quality. I take pride in announcing our latest innovation in sustainable packaging solution, MiEcoPET, by using 30% to 50% less raw material than traditional HDPE container and incorporating 30% to 60% recycled PET material.

MiEcoPET reduce waste, conserve resources and cut costs without compromising strength or durability. MiEcoPET appears to be a game-changer in the packaging industry, offering a compelling combination of sustainability, efficiency and functionality. It is a testament to our commitment to innovation and responsible business practices.

Mitsu Chem Plast has played a favorable role in advancing health care innovation globally. Our engagement in collaborative ideation has generated solution with universal applicability, reinforcing our standing in the industry. The company took part in the MEDICA Düsseldorf Exhibition in Germany, hosted by Messe from November 13 to 16, 2023, and also took part in Arab Health 2024 at Dubai UAE from 29 Jan to 1st February 2024, showcasing innovative health care solution.

The impact of our presence has led to inquiries from diverse countries, underscoring the global signification -- significance of our contributions. To grow, we need to invest to stay ahead of industry trends and leverage increasing demand. We are raising funds via the right issue. The

right issue is offered in the ratio of 1:8. That is 1 right issue share is offered for every 8 equity share held by our investors.

We are offering the right issue at a price of INR144 including premium of INR134 per share. The fund raise will be utilized for various purpose like repaying debt, funding working capital requirements and expanding business. This investment are crucial for staying competitive in the industry and maintaining our leadership position.

Now, Ms. Kashmira Dedhia will take you through our financial performance during Q3 FY 2024.

Kashmira Dedhia:

Thank you. Mr. Manish Dedhia. Our total income surged to INR73.74 crores with a 2.91% growth compared to the previous period. The effective implementation of cost control measures significantly bolstered our EBITDA reaching to INR70.70 crores and achieving EBITDA margin of 10.48%.

Our strategic cost control efforts led to an impressive 300-plus basis points rise in EBITDA margin. This led to remarkable 46.60% increase in EBITDA and even more noteworthy 75.95% rise in net profit, reaching to INR3.18 crores with a net profit margin of 4.33%.

Our operations showcase efficiency and profitability. We remain focused on sustaining this positive momentum and driving continued growth in the upcoming quarters. Revenue during quarter 3 FY '24 was driven by the demand for our products across various business verticals.

Notably, molded industrial plastic packaging products contributed to the larger share accounting for approx 86% of the revenue. The hospital furniture part also made substantial contribution of approximate 12%, and others, including infrastructure and furniture contributed approx 2%.

Maintaining a commandable level of capacity utilization at around 70% on an installed capacity of more than 25,000 metric tons per annum, Mitsu Chem Plast Limited continues to position itself as a reliable industry player. I exchange my heartfelt gratitude to our stakeholders for their unwavering support, which has totalled our journey forward despite various challenges, rest assure. Mitsu Chem Plast Limited is on a growth trajectory, and we are committed to sustaining this momentum to secure a leading market share in the plastic packaging industry.

With this overview, I'm now open to taking questions from all of you. Thank you.

Moderator:

Thank you very much. The first question is from the line of Yashwanti from Kojin Finvest. Please go ahead.

Yashwanti:

So just wanted to understand what are your strategies on operating margin, though we have improved to 10% less, but what is the headroom for further improvement? And what would be the driver for the same.

Manish Dedhia:

Ma'am, if you can just repeat your question, sorry, I could not understand it very well.

- Yashwanti:** Sir you have reported operating margin of 10% plus 1.23%, which is, of course, an improvement over the past few years, what we've seen. But what I'm asking is what are our future growth strategy to take it forward from the current level? And what will be the growth driver for this?
- Management:** Okay. So yes, great question. I think we -- as I told in the last call also, so our internal target is again 12%. But yes, yet to achieve the full year goal by 12%. So 12% is our goal. And there are many growth drivers. So not different, different, we are -- also have launched this new product with also high EBITDA margin EcoPET. MiEcoPET is also a new product. So we are definitely very confident to achieve a higher EBITDA margin.
- Yashwanti:** Okay. Sir, we can see somewhere in FY '25, we are close to 12%. What is your outlook on it?
- Manish Dedhia:** Very much positively, I can say, yes, because I think I'm looking at a very positive market for next financial year. And yes, you can see there is growth -- already I had in my last call also, I said third and fourth quarter will be much better quarter. But definitely, the whole year will be much, much better than what we are -- what we have seen in third and fourth quarter.
- Yashwanti:** Okay. That is really great, sir. And can you just talk about the new innovation that MiEcoPET containers. So which user industry will be benefiting from it? And have you approached any clients in the specific industry for these products?
- Manish Dedhia:** Yes. So this is particularly for lube oil, edible oil and FMCG industry. We have already approached some edible oil containers -- edible oil companies and lube oil. They have shown interest. The product is under trial at their factory.
- Yashwanti:** Okay. Sir...
- Manish Dedhia:** This product -- first in India, we are bringing this. So everybody are little curious and they also wanted to have a lot of checking before getting the orders. So which is fair enough for us.
- Yashwanti:** Okay. Okay. Okay. And are these customers are from our existing client portfolio or the new customers?
- Manish Dedhia:** Both.
- Yashwanti:** Sorry, sir, I didn't get you.
- Manish Dedhia:** Both. Both. So new customer as well as our existing customer also.
- Yashwanti:** Okay. Sir, and we should supply to our -- few of our OEMs who then supplies in and export market. So whom we call it as deemed export. So we are seeing that business has been shaken during the political issues in the -- and the global scenario as well as the corona lockdowns. So how is your volume status over there? Have we resumed our sales to those customers?
- Manish Dedhia:** Most probably we are giving it to India, okay? And my customers are exporting. So definitely somewhere while U.S. crisis and other crisis have been done, so they have affected for sure. But I see my products are going into both domestic and for export related. So domestic market is too

good -- doing -- at least from last 1 quarter is doing very good. So third and fourth quarter is doing very good. So definitely -- I mean like for both, local and export is doing very well.

Yashwanti: And we do not find anything in the export market, right, sir?

Manish Dedhia: Sorry, sorry, sorry.

Yashwanti: We do not find anything on the export market.

Manish Dedhia: Not yet.

Yashwanti: Are we planning anything?

Manish Dedhia: Yes. As I said in my con call, today's con call also, the hospital furniture is very much marketable for I mean export-related products. And we have many, many inquiries, many, many firm inquiries. So any moment, we will announce that once we receive the export orders.

Yashwanti: Okay. And so currently, how much the hospital furniture contribute to our revenue? Rather, if you can just give you a use-wise, segment-wise product contribution to the revenue?

Kashmira Dedhia: So packaging is 86%, 12% in hospital furniture and 2% is infrastructure furniture and others.

Moderator: Thank you. The next question is from the line of Khushboo Kaur from TP Capital. Please go ahead.

Khushboo Kaur: Yes. So could you elaborate more on our new product, PET container?

Manish Dedhia: Okay. See, this -- I mean, what do you want to know exactly? Technically, you want to understand -- you want to understand what exactly?

Khushboo Kaur: Sir, I want to know when it will be reflected in our financials. Also, how much of the margin we are spending -- like how much margin we can expect from this particular new segment umbrella?

Manish Dedhia: Okay. So I think this will reflect maybe as we have started a little late. Maybe I say we will start the commercial production. Already, we have started something, but the effect will come from the next first quarter only of '25.

Khushboo Kaur: Okay, sir. And are there any marketing initiative plan to enhance brand reputation?

Manish Dedhia: Any marketing, sorry?

Khushboo Kaur: Positive marketing initiatives.

Manish Dedhia: For?

Khushboo Kaur: To enhance brand reputation and publication.

- Manish Dedhia:** Yes, yes, I mean we have already done that. And I think you will see more marketing efforts in a few times -- in a few days' time. Maybe you can see our LinkedIn, Instagram, Facebook, all doing there. And definitely, to our prospective clients also, we are giving them demo.
- Khushboo Kaur:** So a few more questions. We will sustain the same margins for FY '24? Or will it be increasing?
- Manish Dedhia:** For '24 or '25?
- Khushboo Kaur:** '24. The next coming quarters.
- Manish Dedhia:** Yes. So it looks like we might try to at least match the last year, the thing. But '25 will be much better. So as I said, like quarter-to-quarter, if you ask me, I always say that Q1 and Q2 was not too good for Mitsu. But yes, Q3 and Q4, I look very positive.
- Khushboo Kaur:** About your participation in MEDICA event hosted by Messe held in Germany. Any progress, sir any inquiries by global packaging partners...
- Manish Dedhia:** Many inquiries have come, but it takes some time to develop that product to design because everybody wants something new. And yes, it is a very, very positive sign, very, very. This was our third year, and I think this was a very, very important year for us.
- Moderator:** The next question is from the line of Shivam Sharma from PCR Capital.
- Shivam Sharma:** Congratulations for a good set of numbers. So my question was what is the capacity and capacity utilization post retail expansion?
- Kashmira Dedhia:** Our capacity power annum was 25,000 metric ton plus and the capacity expansion is around 835 metric tons, approximately.
- Shivam Sharma:** Okay. And what is your fund deployment plan -- what is the fund deployment plan, which are proposed right issue?
- Kashmira Dedhia:** So we have the 3 objectives. One is loan repayment. Second is we have the small working capital debt and the balance fund we will use for general corporate purposes. This will be then can be used for capital expansion.
- Shivam Sharma:** Okay. And so what is the current working capital cycle?
- Kashmira Dedhia:** Net working capital cycle around 80 days for quarter 3 as on 31 December.
- Manish Dedhia:** So generally, it is at 60 days due to some raw materials came a little early, so our cycle time has increased. But generally, average, over cycle days is 60 days.
- Shivam Sharma:** Okay, sir. And sir, how are raw material costing with oil price volatility?
- Manish Dedhia:** How are the...
- Shivam Sharma:** How are our raw materials costing with oil price volatility?

- Manish Dedhia:** I think it's very much directly effective for sure. But with this, definitely, demand and supply also works together. So crude oil price, demand supply, this is all impact our pricing.
- Moderator:** Thank you. The next question is from the line of Ankit Kumar, an individual investor.
- Ankit Kumar:** I have questions like what is our capital? Are there any capex on our card?
- Kashmira Dedhia:** Capex on our?
- Manish Dedhia:** Sorry. If you can just repeat your question, please.
- Ankit Kumar:** Sir, is there any plan for capital expenditure?
- Manish Dedhia:** Okay. So not now, definitely, we have many things for expansion as we are coming up with the right issue. So we are keeping some money for results. But once we will have that money and then we will decide and maybe we will announce for that.
- Ankit Kumar:** Okay, sir. So the funds raised from the issue, how much are we going to invest in research and development?
- Manish Dedhia:** So research and development, we are already investing a lot in last 2, 3 years. So that is our separate fund, and I think we are investing regularly because our new product development team is a very, very strong team. And we have many, many research and many new developments are going on there.
- Ankit Kumar:** Okay, sir. Sir, do we have a backward integration for plastic recycling?
- Manish Dedhia:** Yes, not yet. We are thinking about this. So right now, we are buying from outside. But one, that is looking like substantial quantities, then maybe we can think about this, but not right now. I think very valid questions.
- Moderator:** The next question is from the line of Akhil Parekh from B&K Securities.
- Akhil Parekh:** Could you please clarify on what is the current debt we are having right now?
- Kashmira Dedhia:** It is INR97.54 crores, including current and noncurrent, both.
- Akhil Parekh:** Okay. And how much would be long term of the INR97 crores.
- Kashmira Dedhia:** I think 36.8% is long term and 60.74% is short term.
- Manish Dedhia:** That's the working capital.
- Akhil Parekh:** Okay. Okay. So with this rights issue right, and this up to INR45 crores, how much will be used to kind of repay the debt?
- Manish Dedhia:** Sir, I will just correct your -- this thing. We are coming a bit at INR21.73 crores issue. Out of that, yes, we will repay our INR15 crores debt and the rest amount will be for reserves and some will go into our working capital.

- Akhil Parekh:** Okay. Great. So how would the quarterly interest cost would look like, right? Because right now, we are paying almost upwards of INR30 crores of annual uses, the finance cost. So for next year, what kind of finance costs you should expect, on annual basis?
- Manish Dedhia:** Good question, but it's a tricky question as well. So definitely, we -- I think I see finance cost also going down because most of the -- after this issue -- right issue, there will be only a bank finance. And I see bank finance will drastically down from the first quarter of 2025. We'll start reducing a little bit. So you can consider and definitely after paying off some debt, the cost will be a little less on Mitsui. So finance costs will be approximately INR2 crores -- INR2.5 crores will be lesser as of today's figure.
- Akhil Parekh:** On an annual basis, you're saying or quarterly basis?
- Manish Dedhia:** Annual basis, for sure.
- Akhil Parekh:** Okay. Perfect. And second, in your recent media article, we have read that Mitsui is planning to have a INR1,000 crores of top line in the next few years. But we have not seen any significant capacity addition at least for the last 1 year, if I look at it, right, when we added around 1,500 tons for pail manufacturing and another 800 tons for a new product right now. To reach from current INR300 crores kind of a top line to INR1,000 crores, we need significant capacity addition, right? So if you can highlight like if there is any ballpark or rough estimation of capacity expansion for next 2 to 3 years...
- Manish Dedhia:** So it looks like my next call, I can tell you some of the things -- it looks like because we are not ready with many things about this right now.
- Akhil Parekh:** Okay. And sir, the current capacity of 25,000 ton, how much is the potential for the total?
- Manish Dedhia:** 500, approximately INR500 crores.
- Akhil Parekh:** So the current capacity can be 100% utilized, or is it up to 85%, 90%?
- Manish Dedhia:** 85% to 87%.
- Akhil Parekh:** Okay. And 95,000 you are saying, we can reach INR500 crores of a topline.
- Manish Dedhia:** Right, right. INR475 crores to INR500 crores, we can achieve.
- Moderator:** Thank you. The next question is from the line of Deepika Chaddha from Kojin Finvest.
- Deepika Chaddha:** Hello. I have 2 to 3 questions...
- Moderator:** Sorry to interrupt. Deepika ma'am, may we request, you use the handset mode, in case if you're using your speaker mode.
- Deepika Chaddha:** Sir, I wanted to know what is the current contribution from our hospital furniture segment?
- Kashmira Dedhia:** 12%.

Deepika Chaddha: Okay. And any new clients added in the last 6 months?

Manish Dedhia: New?

Deepika Chaddha: New clients added?

Manish Dedhia: Yes. So we have added around 25 clients in last quarter.

Deepika Chaddha: Okay. Great. And what is the contribution from our top 10 clients?

Kashmira Dedhia: Around 50% to 60% from -- of the business comes from the top 10 clients.

Moderator: Thank you. The next question is from the line of Jai Shah from Arihant Corporation. Please go ahead.

Jai Shah: I would like to ask you all some key questions. So first question is, what are our future growth strategies for business expansion?

Manish Dedhia: Okay. So see, first, I think we have just launched this EcoPET, MiEcoPET. So this is the first of the initiative. And it goes very well, so maybe we can expand in the same business. Further, as I said, like by next con call, we will be able to announce something good if possible.

Jai Shah: Okay, great. So any new product launches in the pipeline?

Manish Dedhia: In the?

Jai Shah: Pipeline process?

Manish Dedhia: No, not yet, not yet. So I think whatever it was there, we have already announced this MiEcoPET was a new product. We have already announced.

Jai Shah: So last question is that what is our current debt on average cost of borrowing?

Kashmira Dedhia: So current -- short-term debt is INR60.7 crores.

Jai Shah: Okay. Average cost of borrowing?

Kashmira Dedhia: What?

Jai Shah: Average cost of borrowing?

Kashmira Dedhia: 10%. 9.75% to 10% approximately.

Moderator: The next question is from the line of Sai Kiran, an individual investor. Please go ahead.

Sai Kiran: Sir, just a quick question. In the presentation, you see that approximately 1,100 points are there for you. And if I look at in terms of the top line and even the top-end customers, the per customers revenues above -- even from the top line beyond that is also extremely small. Just trying to

understand, sir, what will be the typical scale up per customer for you in terms of the top line? And also beyond top 10, how scalable are the customers in the long phases?

Manish Dedhia: So typically -- I understand your question. If I -- correct me if I'm wrong. So if you wanted to know about how much we are -- I mean, one customer is giving us their business, right?

Sai Kiran: Yes, sir. Yes.

Manish Dedhia: I'll tell you one thing is about 70 to 80 customers, top 70 to 80 customers are giving us 80% business. So our risk is very well diverted. So we are not depending too much on our clientele. And like typically, if you ask me one client in the year...

Kashmira Dedhia: Varies very much.

Manish Dedhia: It varies too much with the client to client because we have like 80 to 90 clients which are completely different and they give 80% business.

Sai Kiran: Sir, if you start picking your top 70, 80 customers. Can that be possible that our clients you can go up to INR15 crores or INR20 crores per customer. Is it a possible scenario as such?

Manish Dedhia: I'm sorry, I didn't get you. The question...

Sai Kiran: What I mean to say sir, even existing customers, per customer, is it possible for Mitsu Chem Plast to generate INR10 crores revenues or INR15 crores revenues per customer? Is it possible? Or it is not possible?

Manish Dedhia: And you are talking about per year?

Sai Kiran: Yes, sir, per year. Yes.

Manish Dedhia: Sir, typically, you can say customer to customer difference. But like -- see, we do not intend to give more than 5% generally to one customer. That's our basic policy. So if you consider our INR310 crores, so the total is INR15.5 crores for 5%. So that's our maximum amount. We can also give it to one of the customer. Yes. But I think INR10 crores to INR12 crores is one of the biggest customer we are having the business.

Sai Kiran: So I assume that there is no restriction for you to get to 5% or 10%. Assume that you are a INR1,000 company, right, so how -- so you think customers can be scalable? That's my question.

Manish Dedhia: It is scalable. So all my clientele are most of the MNC companies or a limited company. So definitely, yes, it is possible to grow business with them.

Sai Kiran: Understood. So in other word, can I say this sir that you don't need to look for new customers to grow the business. You can still look inward the existing customers and will grow the sales from the existing customers we were trying to sustain, sir?

Manish Dedhia: I'll defer your question a little bit. I mean like it is not like that, that we are always in search for new customers because this is a very, very competitive market. And there are many new

companies that are coming up daily. So we always search for a new customer also. And definitely for existing customers also. So like whoever gives us the best bottom line, we will stick to them. That's the reality.

Sai Kiran:

Got it, sir. Got it. So if you have to take a step back and then look at your business, it's an extremely low EBITDA margin business as we speak. And the asset turns were extremely high. Just me being the financial analyst, the fourth assessment what I can take is, that look, there is not many entry values for this business. And probably there is not significant mode also there.

How does this like reading the financials, but would like to hear from your perspective, how do you look at this business? And what kind of asset terms are possible? And why a customer deals with Mitsui, but not with others? If you can just explain that, that will be really helpful, these are only 2 questions from my side.

Manish Dedhia:

Right. So very good question, I think, and a very relevant question for Mitsui. Yes, I think before COVID, yes, you are right, there are a lot of things were entry barrier and everything. Nowadays, customer wants everything. So my customer, as I said, most of the customers are MNC or most of the customers are a large corporate. Now they want all the systems in-house. They want -- and like sustainability, EPR, they want a PCR, they want EcoVadis. So all the licenses, all the system, GST compliance and many other things. I'm not talking about ISO, it's a very, very small thing, but we want the top ISO.

We want to -- we want their suppliers to adopt each and every rules and regulation of Indian government, which is around 55, 60 rules and regulation. And we need to fill up that and things. So which is -- sometimes it is as seen. See there are 2 types of suppliers like us. One day either they believe in all the systems, 1 and the second one, do not believe all the system, they just manufacture and they supply. They will also find us right. But I think this way, what we are doing as a Mitsui and very few other suppliers like us are doing the same system. So it's a really, really differentiate and beneficial to organize player like us.

Sai Kiran:

Understood, sir. Understood. That means some shift from an organized to organize is happening that is also driving some portion of the growth.

Manish Dedhia:

Yes, yes.

Sai Kiran:

Alright. And second, sir, the asset terms, how do you look at this, sir? Say, for example, if you have a INR10 crores kind of fixed asset. As of now, I think you are somewhere around 4 to 5 at asset terms is what is happening in terms of the sales. Is it sustainable, sir? Because some of the competitors who are like operating at a much higher EBITDA margin, but very low asset terms, just trying to understand, sir.

Kashmira Dedhia:

So right now, our successive turnover ratio is around 4%, and we are saying that we will improve it in a short-term period of time.

Manish Dedhia:

But the average in our type of physical company is around 5%.

- Kashmira Dedhia:** Company is in the expansion mode right now. So that's why you see the improvement in successive turnover ratio in near future.
- Sai Kiran:** Understood. Understood. So essentially, you have any threshold in your mind when we do a capex in terms of ROEs and...
- Manish Dedhia:** Not exactly. It's different for the different products. So like we are also right now on that mine that who gives us a better margin. So I think that's what our main agenda is right now.
- Moderator:** Thank you. The next follow-up question is from the line of Khushboo Kaur from TP Capital. Please go ahead.
- Khushboo Kaur:** Sir, could you please elaborate on our sustainability initiatives and any progress you make towards achieving our environmental goals?
- Manish Dedhia:** Okay. So -- okay. So first thing is like the product that we have launched this MiEcoPET is very much sustainable product. As I said, like 40% to 50% less plastic will go and 30% to 40%, we can use recycled material. So I think this is a very big initiative what Mitsu has taken place.
- About existing products, we are doing many, many things like we are doing PCR and wherever we can use and we can suggest our customers. As our customers are a very large corporate and MNC, so it takes a lot of time to explain them and a lot of time to get the approval. But yes, we are on that verge of doing many things sustainability, as we are compatible enough to give them recycled material product as they require.
- Khushboo Kaur:** Okay. And sir, is there any regulatory challenges and compliance issue that we are facing?
- Manish Dedhia:** No. We do not face any issue. We are comparing with all the rules and regulation as per government norms.
- Khushboo Kaur:** Okay. With regards to the competitive landscape, has there been any shift or new entrants impacting our new market position?
- Manish Dedhia:** I'm sorry, ma'am, you have to speak a little louder. I did not understand.
- Khushboo Kaur:** Yes. With regards to the competitive landscape, has there been any shift or new entrants impacting our new market position?
- Manish Dedhia:** Not exactly. I mean like you are talking about other new initiatives?
- Khushboo Kaur:** Yes.
- Manish Dedhia:** Not really, not really. Because I think we are also working with the new market trend, whatever it is in the market.
- Khushboo Kaur:** Okay. Sir we supply to the customers who export material for using our packaging, which calls as a demand export -- deemed export. Last 3 years with potential instability with corona

lockdown and all, our sales to these customers were affected badly. So what is the current state of our supplies to them?

Manish Dedhia: No. I think for some of the time they have affected and export has been affected like shipping costs was exorbitant high. And again, I think second and third quarter, again the Red Sea issue happened. And I think again, the shipping cost has gone higher. So we always -- I mean like those our clients do not export, then maybe we have to switch over to our clientele who procures for local material. And that's how we have a flexibility as we have many clients. So we have that flexibility for sure.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Chandni Chande for closing comments.

Chandni Chande: Thank you, everyone, for joining the conference call of Mitsu Chem Plast Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the conference.

Manish Dedhia: Thank you. Thank you very much.

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