



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

Date: 3rd February, 2020

To, The Manager, Department of Corporate Services, BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. Scrip Code : 533080	To, The Manager, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051. Ref: MOLDTKPAC - EQ
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Dear Sir,


Sub: Outcome of Investors Conference Call held on 28th January, 2020.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 28th January, 2020.

This is for your kind information and records.

Thanking you,

For Mold-Tek Packaging Limited


Thakur Vishal Singh
(Company Secretary)



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Company Name: Mold-Tek Packaging
Company Ticker: MTEP IN
Date: 2020-01-28
Event Description: Q3 2020 Earnings Call

Market Cap: 7623.27112365
Current PX: 274.95
YTD Change(\$): -6.6
YTD Change(%): -2.344

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 15.014
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 4681.143

Q3 2020 Earnings Call

Company Participants

- Janumahanti Lakshmana Rao, Chairman and Managing Director

Other Participants

- Shailee Parekh
- Analyst
- Jatin Damania
- Ankit Merchant
- Richa Agarwal
- Rupen Masalia
- Akhil Parekh

Presentation

Operator

Ladies and gentlemen, good day, and welcome to the Mold-Tek Packaging Q3 Earnings Conference Call hosted by Prabhudas Lilladher 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. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to Ms.Shailee Parekh. Thank you, and over to you, ma'am.

Shailee Parekh

Thank you, Aisha. Good evening, everybody. On behalf of Prabhudas Lilladher, I extend a warm welcome to all of you for the third quarter earnings call. We have with us Mr.Lakshmana Rao, Chairman and Managing Director of the company, and also the finance team of Mold-Tek Packaging.

Sir, I would like to request -- I would request you to take us through the quarter numbers, post which we can open the forum for Q&A. Thank you, and over to you, sir.

Janumahanti Lakshmana Rao, Chairman and Managing Director

(Technical Difficulty) conference call of Mold-Tek Packaging. Thanks for your interest in our company and its prospects.

We are to inform you in spite of very difficult times of economy, and the company could achieve 8.19% volume growth in the Q3. Earlier two quarters, it was close to 16% volume growth. So with this -- for the first nine months ending December, we have plugged the volume growth of 13.75%, which is a share below what our expectations, basically because of very big slump in the month of September and October, which was unprecedented in the recent past. In spite of that, the company could make a 8.2% growth, which has given an overall growth of 13.75% in the first nine months.

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Accordingly, the profitability also has gone up and our profits are at that level or up by about 15.8%. And overall, profits are -- for the nine months ended December are up by 24% compared to the last financial year.

And coming back to new additions, we've quite a few new clients are added. Prominent among them are Kellogg's and Bunge, that is Dalda company, Baskin Robbins, and many other small and medium-sized oil and food companies.

So I will be available for questions-and-answers soon after these remarks. And I request the participants to ask me freely whatever concerns and ideas of our future plans what we have, and then that way we can communicate better.

So over back to the Shailee for proceeding.

(Question And Answer)

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) The first question is from the line of Kaushik Shah from Danske [ph] Securities. Please go ahead.

Analyst

Yeah. Thank you, sir for the opportunity. Sir if you can please share the quarter three volume and revenue number for the segment's Paints, Lubes, and FMCG?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, the quantum are like this, the quantity of sales in Paints is 2,894, that is close to 51.5% of the overall sales volume. Lubes is 1,705, that's about 30%, and Food and FMCG is 1,016, that's about 18.1% of the sales volume. If you want sale value for Paint is around 49%, Lube is 27.8%, and Food and FMCG is 23.5%.

Analyst

Okay. Sir, if you can also share the IML and non-IML?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. IML sales have gone up again compared to the previous quarter -- previous year quarter three, that is currently stands in value terms at 69% as against 63.8% last year. In terms of tonnage, it is 65.1% against 59.8%.

Analyst

This is the IML, right?

Janumahanti Lakshmana Rao, Chairman and Managing Director

That is IML all-labeled sales.

Analyst

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Okay. Okay. And also if you can share the performance, we added two new plants for Asian paints. So, how is that performing and your thoughts on the growth of these three segments Paint, Lube and FMCG?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, actually it but for those two plants the Paint industry also has the plugged a negative growth for us. In fact, the new plants have added almost INR39 crores in the nine months period, out of INR330 crores, it's almost 12% of the growth has come from the new plants of Asian Paints.

If you remove the new plants, the overall paint industry other than these two new plants stands at minus 7% growth. So thanks to the new plants, they're timely starting and production, we could get a sizable handsome growth in this year -- apart from the growth of Food and FMCG. Food and FMCG in the year -- in the nine months of the periods in spite of the severe economic conditions and the slow growth, we clocked 34% growth on the Food and FMCG numbers. So that and the new plants are the main reason for us to continue to grow at a decent rate of 13.75%.

Analyst

So recently Asian Paints declared the numbers and they have spoken about the decent volume growth number for Q3. So any particular reason why -- we were impacted and the plants have not done well in terms of volumes?

Janumahanti Lakshmana Rao, Chairman and Managing Director

That could be two reasons. One of the services of Asian Paints, which has worked there (Technical Difficulty) and capture in those areas with more initiative for price and low cost manufacturing, because the two plants got a subsidies and price advantage of local transportation. Thereby some material coming down all the way from Western, maybe sometimes from North, they moved those two plants very strategically, and could achieve a decent growth. I wouldn't say great growth in Q3, if you you'll see the volume numbers, bottom-line might have improved considerably but the top volume numbers have growth is hardly good single-digit.

So but if you look at Asian Paints per say in our company's growth, even if you remove the INR39 crores orders that have come from the new plants. We still grew in Asian Paints by almost, we have done just if same as last year I wouldn't say is a growth. But if you remove the INR39 crores from the sales what we did, we are maybe 1% less in Asian Paints sales for the other plants. That means, you can say Asian Paint bring the also has grown mainly because of the manufacturing -- start of manufacturing in the new plants of my Mysore and Vizag. So that is also the same reason, which has sustained our growth in this first nine months.

Analyst

Okay. And within FMCG sir, if you can share -- so we have a fairly decent edible oil segment and we also have the non-edible oil segments. So if you can just share how these -- the FMCG category is doing for us?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes, categories wise, I don't have the details now. But Food and FMCG altogether last year, we clocked a 40% growth. And this year in the first nine months, it is 34% and I hope to close this year also anywhere between 36% to 40% for the overall year in the Food and FMCG.

Analyst

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Sir, any comments on our EBITDA growth, so that is basically because of the raw material price reduction? Or that is there something more to it?

Janumahanti Lakshmana Rao, Chairman and Managing Director

If you add to -- your raw material price reduction is one time advantaging. We pass it on either in a monthly or a quarterly basis. So, this time the EBITDA is the 34.36% standalone basis because I am going to add RAK into it, and as against 34.1% last year. So there is a marginal increase in the EBITDA per kg because basically we fought on the advantage, price advantage to clients and vice versa in the case of price going up. In spite of that, there is a marginal increase in the EBITDA, now we are close to 34.36% per kg.

Analyst

Okay. And sir, your comments on the growth that we are likely to see for the full year financially, the current financial year '19-'20 and the next year 2021?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah. The fourth quarter started very well in the month of January we have seen a spot in sales almost 22% to 23% we might close the month as against January 2019. And the volume of February orders are also really heartening. I hope the fourth quarter, we might be in a position to achieve 20% volume growth.

Analyst

Okay. And for the next year sir, based upon your interaction with customers and the three segments, how do you see overall growth for the company as a whole in the next year?

Janumahanti Lakshmana Rao, Chairman and Managing Director

This year with the fourth quarter clocking 20%, we will be achieving our basic objective crossing the 15% threshold, probably we closed the year at at least 15% to 16% volume growth. Going forward, if the economic situation even if it recovers marginally, we again aim to achieve 20% volume growth next year, because the plants at Mysore and Vizag are now picked up steam. And last three, four months, the capacity utilization crossed 70%, 75% and the indications from Asian Paints are positive. They are asking us to ready for the next year production capacity, so we are adding some balancing equipment and by April, May we might (inaudible) these two new products -- I mean, plants capacity addition. And this year, if you noticed the plants have really taken up only in the last six months, though the initial surprise started in April, the real number started in the last four to five months effectively. So next year that impact would be much favorable, and that's why I'm very confident of achieving 20% volume growth next financial year.

Analyst

Thank you so much, sir. I'll come back to the queue.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thanks.

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Operator

Thank you. The next question is from the line of Archana Kude [ph] from IDBI Capital. Please go ahead.

Analyst

Sir, thank you for the opportunity, and congrats on a decent performance in a challenging business environment. Sir, last quarter, we spoke about expanding our footprint in Kanpur. Can you throw some light on that?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Not really. Not much has happened in that because of the general slowdown that was happening around -- even the client of the opinion to hold on for a while. So starting the plant by March, probably we will push it to June or third quarter of -- second quarter of the next financial year. Of course, we are supplying from Hyderabad and they are bearing the fight cost. So, by setting up there we thought two advantages. One is will be able to take more volume of their business in Kanpur. And we'll be able to reach the Northern markets. But given the slowdown situations of general paint industry, especially other than Asian Paints, we thought it will be prudent to delay this by few months. So most probably the next year, middle only we will be in a position to start Kanpur operations in a small way, and catch up by end of the financial year.

Analyst

Okay. And sir, how much will be the probable CapEx for this next year?

Janumahanti Lakshmana Rao, Chairman and Managing Director

It will be starting with a very small plant of fare only INR8 crores to INR10 crores investment and that will be ramped up by '21, '22, because Berger is setting up the plant. They also postponed, they've initially thought of '21 probably now, they are transferred to start commercial production in '22. So probably, we will also defer our second leg of expansion there in the time.

Analyst

Correct. And as in the press release, you've mentioned that the company has entered into industrial segment, agro and the growth enhancer. Sir, what can the opportunity do we look into the segment in terms of volume?

Janumahanti Lakshmana Rao, Chairman and Managing Director

This is also a very good virgin market for us, the new segment which we have never dealt with. We are finding very good response from some of these growth enhancers and fertilizers, micronutrients, aqua foods and many other sectors which were earlier never touched upon, are being now exploited. We have some big clients, I can't name them now because we are in the final stages of negotiation and first surprise can happen even in the month of March.

So those or the new segments which can act the numbers next year. Their initial years, I don't expect more than maybe INR25 crores to INR30 crores of turnover coming from the segments, but they have a potential to reach up INR150 crores in the next three to four years. And another segment which we are now entering is sweets, and that is our Indian traditional sweet packaging. We are in talks with all the leading sweet manufacturers in the south and west especially. And they have shown desire to some sweet boxes with IML decoration and already designers are finalized in

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consultation with them. And hopefully by this festival season that is in you June, at least by June, we'll be introducing a range of packs, that's quarter kg, half kg and 1kg sweet packs. And we see that will be contributing probably if not in the in the next financial year. In the year '21, '22 they can handsomely add to the numbers. And we are also in talks with the GRBG[ph] if you recall, last year, we introduced this square packs

Analyst

Right.

Janumahanti Lakshmana Rao, Chairman and Managing Director

And the sales of that have now reached about INR3 crores to INR4 crores a quarter -- INR2 crores last quarter, but this quarter we are anticipating, fourth quarter maybe to around INR3 crores. And next financial year, we are anticipating INR25 crores of turnover coming from the key bags. Including the special tax we're developing for a very big we company in the West. So as I said the two years ago, we always plan we had to create some cash counts, which will over a period of two years will be contributing handsomely both to the top and bottom lines. So, this is the advantage of being in Food and FMCG, where variety of segments can be attacked and gradually we can sustain a good growth momentum of 15% to 20% volume growth.

Analyst

Thanks. Sir, this capacity has been completely absorbed in the other plans?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes, missions have come back long ago they all come on -- come back as early as the June itself, I think the last contentment as coming June, July and now there is nothing there, but we have to continue a flexi desk paying hardly some INR3 lakh as annual rent per annum, because we want to recover some juice from one client who is under litigation, an amount about INR1 crore is still held up there. So, for that we need to continue our presence as a flexi desk in RAK industrial area, which hopefully we may have to continue with him nominal cost of -- maybe INR5 lakh to INR10 lakh per annum, as they're going to be a loss of almost INR4 crores we suffered last year, until last year per annum.

So there will be negligible write-offs from the next financial year. In the current year also we are taking a write-off of almost INR1.8 crores so far, INR1.9 crore. I think in this quarter way taken INR58 Lakhs, and first quarter we taken INR1.3 crores and there would be another INR1.2 crores. So far in this year, we've taken INR1.3 crores and another INR1.2 crores need to be taken by end of this financial year. Later, there won't be any write-offs in the next financial year. You can see a big relief in terms of consolidated numbers being much more healthier than what it is today.

Analyst

Okay. And lastly on the tax rate front. What should we assuming tax rate for this year and next year?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Sorry?

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Analyst

The tax rate for this year and next year?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Tax rate is now currently INR25. something, thanks to finance. --

Analyst

Okay. So no like, the standard tax rate that is what we should assume for this year and next year?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Exactly. That's it.

Analyst

Sure. Thank you so much.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thanks.

Operator

Thank you. (Operator Instructions) The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania

Good evening, sir.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Good evening, Jatin.

Jatin Damania

Just wanted to check on the feedback on the edible oil because if you look very last quarter, we have seen a substantial jump in the contribution of the edible oil to the INR20 lakh crore. So if can help us giving the data in terms of the nine month contribution, and how do we see a growth going ahead because as per the press release, we have increased the capacity of the pack by almost 200%. So what is the growth that we're forcing and what was the rate is --

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Yeah, 200% is almost achieved in the first year nine months, the sales of edible oil pack has shot up from INR13.9 crores to INR26.4 crores, and we hope to close this year somewhere around INR36 crores, INR37 crores that is almost from 18 point something last year to INR36 crores, INR37 crores about 100% growth.

Jatin Damania

Okay sir, that means we are expecting near about the INR10 crores of the financial addition in the last quarter from the edible oil only?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes, INR9 crores to INR10 crores.

Jatin Damania

And sir, secondly, we announce are both the facilities like Mysore and Vizag is currently operating at 75% and probably it will ramp up to up to another 80%, 85% by end of Q4. Are we expecting any new expansion going ahead or what is the volume drivers from FY22 onwards, because '21 we'll expect the company to report 20%. But what about two years or three years down the line, where do we see growth coming from?

Janumahanti Lakshmana Rao, Chairman and Managing Director

See, until next three years till 2023, 2024 that is five years from last year and some '19 to '24. We have a gradual incremental capacities to be created for Asian Paints alone. That itself will be growth driver of about 10%. If you look at the capacity being 4,500 tons maximum say 5,000 tons now, has to become 14,000 tons by '23, '24.

So, we are talking about a growth of 14,000 tons on a base of 20,000 tons last year. That means we are talking about 70% growth coming up in five years. So if you take it in a CAGR basis, it's close to 10%. So out of next five years growth, 10% of the growth is expected from Asian Paint new plants alone. And if you notice, our Food and FMCG, the broadening of the product categories from ice creams today to edible oil and then to ghee, and then we are now talking about sweet boxes and then we are entering into nutritional and fertilizers and micro nutrients and of all other -- now recently to tell you another breakthrough we got, is detergents market. In detergents, 4 kg pack 2 kg pack, we have started giving a rectangular containers and they are well accepted by couple of leading players in West and now we are in talks with another player in Lucknow -- that's Kanpur -- Kanpur-Lucknow area.

So with this packs getting adopted by other than edible oil and regular food companies. We notice new segments to exploit and at least 10% growth or 8% to 10% growth can come from these new areas. Considering the stagnant areas of lubricants and remaining paint industry, at least goes for another 3% to 5%. Achieving 20% volume growth until '23, '24 is not a long now for prices. Only thing is there is a kind of depressive environment, like what happened few months ago or we are still coming out of it I guess, we can positive, we can possibly look forward to a 20% growth for the next four years. But if there is any kind of such depression happens, we will not get affected that bad. Probably, we may dig down to 14%, 15% of growth.

Jatin Damania

Okay, so that was a detail answer. Then just wanted to go back to your third quarter numbers sir, as we have seen that in Paint segment, ex your Mysore and Vizag, we had seen a 7% degrowth. But sir, what happened to Food and FMCG segment because there was also degrowth in terms of the revenue contribution in Food and FMCG. Which in any cancellation of the order are order or the parchment or the in terms of the execution of delaying the exhibition of any

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new orders in FM -- Food and FMCG a segment?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. In Food and FMCG, there is no reduction is stagnant. I agree, that there is a stagnant in the quarter, particular quarter. But if you look at the nine months, it grew by around 34%. Basic thing is, in the months of January to February, you can say Feb to June, the ice cream sales shoot up 4 times to -- 5 times to 6 times than their regular volumes. So during the winter, the ice creams, and curds, and yogurts or whatever you name it and all the frozen foods quantum performs very drastically during the winter. So far our major food companies are ice cream, frozen fruits, dairies. So now we are expanding more into other areas like sweets and ghee, and other perennial demand products, like micronutrients and other products what I have mentioned.

So during the third quarter, the stagnancy is mainly because of dropping those, and general slowness in the economy. And new products that have been introduced are just catching up now the especially the gee packs what we introduced last year. And they will show good numbers probably next year.

Jatin Damania

Yes sir, that means can we expect because it will look at the last three, four quarters, we are doing at under in the range of INR24 crores to INR26 crores in Food and FMCG segment, is it possible to cross INR30 crores in the Q4 or probably it will take some more time to cross that number? Because you are --

Janumahanti Lakshmana Rao, Chairman and Managing Director

We are aiming at INR30 crores plus in Q4 in our projections recently we concluded in the first week of Jan, we put a target of INR30 crores in Q4, let's see. There are indications, it could be happening.

Jatin Damania

Okay, sir. Thank you, sir. If I have any further questions. I'll come back in queue. All the best.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thank you.

Operator

Thank you. The next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

Ankit Merchant

Yeah. Well, most of my questions have been already answered. But as just a few questions one is related to the promoter who will then return this particular promoter holding has slightly gone down. So what is the reason behind us?

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If you notice, I have put some internal message to some other promoters who have pledged their shares for their various personal requirements to clear the pledge. So if you notice, the pledged shares has come down considerably, I don't have the exact numbers but from 12 Lakhs to 14Lakhs shares now currently the pledged shares are down to 7 Lakhs shares, somewhere around that. And in the process, I even told them better they can sale small quantities if they require but to clear the pledged shares because that is causing unnecessary negative remarks in the markets. So that is the only reason whoever promoters have their pledged shares they have sold some quantities to care that pledge and that is evident from the reduction in the pledge shares.

Ankit Merchant

Is it safe to assume that most of the pledged shares are now already --

Janumahanti Lakshmana Rao, Chairman and Managing Director

Maybe another -- maybe a 1 lakh of shares might come out because I am insisting on a zero pledged by April. So most probably, if at all, the promoters who have pledged to the shares, there's two three of them, not the core promoter, but they are in the list of promoters. So my internal infection to them is to some other, they clear the pledged shares and make it a zero pledged share company by April.

Ankit Merchant

So would it sustain at this level, the promoters shareholding or any --

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. It will remain at this level.

Ankit Merchant

Another question is related to the debt. So if you highlight what has been -- what the current debt leve? And what is the cost of funding or the cost of debt per annum?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Now I think, what is your trade rating AA plus? We are AA plus rated company, so our cost of funds is below 9%, somewhere around 8.7%, 8.32%.

Ankit Merchant

Yeah. The quantum of debt for --

Janumahanti Lakshmana Rao, Chairman and Managing Director

The quantum of that is not going up, it is a stagnant in the long-term rate, but in the working capital as the sales are growing, we are gradually using little higher limit. If you want exact numbers -- long term is 34 crores, including the RAK repayment. And the working capital limits are around INR76 crores -- our limits are around INR90 crores but we

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are using around INR76 crores.

Ankit Merchant

Sure. My other question is related to the ex Mysore and Vizag facility. So what is -- at what current utilization of the operating at in those plants? And even for Vizag and Mysore, how is the utilization going on and going ahead in the future? What are your expectations? While, it is for the next year for each of the facility, be it Vizag and Mysore, and takes off Vizag facility?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. This year, so far in the first nine months, we did 1,600 tons in Mysore and only 1,840 tons in Vizag. Whereas, the annual rated capacity is around 3,000 tons. And I hope next year, full year, I'm talking of, this is for nine months 2,500 tons against 6,000 tons is what we did. And I hope this year probably we will end up around 3,600 or something like that. That is about below 60% capacity utilization. And next year, we are ramping up the 6,000 to 8,000 and in that 8,000, I'm hoping at least 70% capacity utilization, that is from 3,600 tons, we hope to reach 5,600 tons next year for these two plants. So, a 10% growth on our base of around 22,000, 23,000 tons is what we're anticipating to come from these two new plants. And apart from these two plants, the average capacity utilization for other plants is remains somewhere around 70% only, 71% maybe.

Ankit Merchant

Okay. So, my question is so by FY21, we would be at the peak utilization, if things improved as microeconomic situation improves and the volumes improved. So by FY21, we would be reaching out about 75% to 80%, so would that trigger a new round of CapEx for us?

Janumahanti Lakshmana Rao, Chairman and Managing Director

There will be a 75% capacity utilization next year is my guess too because now the capacity is 37,000 tons and we are anticipating to add another at least 2,000 tons, and 1,000 tons each at Vizag and Mysore taking the overall capacity to 39. And there will be definitely another 2,000 tons and 3,000 tons of first addition in the existing plants, where already capacitation came close to 75%, 80%, we better add additional capacities to make it in on time deliveries and insure some hikes and spikes in the demand. So probably the current 37,000 tons as of now would reach 41, 42 by end of the next financial year, that is 2021.

So 5,000 tons investment for that would be in the region of INR15 crores to INR20 crores. So, that will be easily tackled by our internal cash generation. This year, the cash generation isn't fit to be INR60 crore as against which we are including dividend outflow. After the affecting the dividend outflow, the cash flow will be in the close to INR60 crore, which was INR35 crore last year. And this year it will be close to INR60 crores. And the FX, I mean the investments in the current financial are closed to INR42 crores.

Ankit Merchant

Sure.

Janumahanti Lakshmana Rao, Chairman and Managing Director

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So, there will be net cash flow and probably we can see even reduction in the working capital limit utilization or at least stagnation in spite of a projected 20% growth for next year.

Ankit Merchant

Sir, and the tax rate will remain at --

Janumahanti Lakshmana Rao, Chairman and Managing Director

25%. Yeah.

Ankit Merchant

25%?

Janumahanti Lakshmana Rao, Chairman and Managing Director

25 point something.

Ankit Merchant

Sure. And this particular quarter, we were at 20.9%?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Sorry?

Ankit Merchant

This particular quarter, I believe we were at 21%?

Janumahanti Lakshmana Rao, Chairman and Managing Director

This quarter is less than 35%, is it?

Ankit Merchant

Yeah. It is less than 30%, 35%.

(Technical Difficulty)

Janumahanti Lakshmana Rao, Chairman and Managing Director

Some deferred tax advantage has come in this quarter, that's why it is around 23%, 22%, 24%.

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Ankit Merchant

Okay. So next quarter on word would be would it be back again at 25%?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Back to 25%, yeah.

Ankit Merchant

Okay. And my last question is one related to how the Cadbury models or the sale going?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Actually one of the points, I failed to mention when the last question was asked about Food and FMCG, lack of growth in this quarter. The one of the main reasons is though the other products have increased, vandalism number have come down. So that is one of the reasons, which has impacted the Food and FMCG sector growth.

They're now are picking up now again. I think they have introduced a new range of prize in their packs, Jungle Book or something in January and the numbers are slowly picking up. In February, they have given a decent quantum of projection. So one of the reasons of last six months deep in FMCG growth has come from reduction in (inaudible) volumes.

Ankit Merchant

So and how the HUL for us?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Sorry?

Ankit Merchant

HUL?

Janumahanti Lakshmana Rao, Chairman and Managing Director

HUL numbers will shoot up now because they go very slow during winter like any other ice cream company. Now, they're given the huge predictions from January middle onwards. And they have added two more products. Last year, they took only 750 ml. Now, they have added 500 ml and 125 ml packs. So there will be three packs will be supplied during this summer, and I'm glad to inform you Baskin Robbins also added as a main vendor starting from January. So, small supplies were made in this month, and the numbers are expected to shoot up in the next six months.

Ankit Merchant

Just one last question if I could squeeze in. One, we were also in talks about Zomato and Swiggy for their packaging as such. So any particular moment on that front?

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Janumahanti Lakshmana Rao, Chairman and Managing Director

Which one, sorry?

Ankit Merchant

I believe, we were in talk with Zomato or Swiggy for the packaging of food and items?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. Yes.

Ankit Merchant

Yes. So any particular event?

Janumahanti Lakshmana Rao, Chairman and Managing Director

No. Zomato and Swiggy, we have made some tax as an offer which were having tamper evidence and other features, but I think, it is not fitting into their budget as of now. As when the situation is little depressed, they won't try anything new in the markets, but they're in touch with us and thanks to their efforts, we developed a range of hinge packs, which are getting accepted by dates and Lion Dates has placed orders -- and decent quantum's and some other product applications are also we are finding for the specs. But from the Zomato and Swiggy, things are yet to start off. Even in Pepsi and Coke, where we proposed to develop the sequence, those products are also kept on hold in the last six months.

Ankit Merchant

Okay. Okay. Thank you so much.

Operator

Thank you. (Operator Instructions) The next question is from the line of Richa Agarwal from Equitymaster. Please go ahead.

Richa Agarwal

Thank you, sir for the opportunity. Most of the questions have been answered. Sir in the last call, you had mentioned that we'll be going with the flexographic printing by Jan, because of this the EBITDA margins should improve. So just want you to get an idea has it started and what kind of improvement we are looking at?

Janumahanti Lakshmana Rao, Chairman and Managing Director

The flexographic mission supposed to be dispatched from Italy on -- in this week got postponed, its leaving Italy on 10th February.

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Richa Agarwal

Okay.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, 10th or 12th February and reach here by first week of March. So, there is a month delay you can say it's mainly because of the manufacturers' delay in offering the trials. He was supposed to have given trial by 20th, he has requested three weeks extra time and requesting our team to come there on 10th of February. So if they go by 10th and clear it, around middle of February to start and can be installed by first week of March. But, I am confident those numbers only reflect in the next financial year, obviously, because by the time the machine gets into commercial production, it will be end of March. And -- go ahead.

Richa Agarwal

Assuming everything else remained same, what kind of EBITDA per kg improvement are we looking at?

Janumahanti Lakshmana Rao, Chairman and Managing Director

At least INR1 is what I am guessing. So from 34 level, we should level, we should see 35 as we gradually convert all the jobs come to this new flexo machine and improved volumes also should add to the EBITDA numbers.

Richa Agarwal

And once it has introduced how much time does it take for the entire conversion to be?

Janumahanti Lakshmana Rao, Chairman and Managing Director

About three months, we will immediately start off from middle of March, but to convert from rotor to flexor almost 200, 300 jobs, it might take two, three months.

Richa Agarwal

Okay.

Janumahanti Lakshmana Rao, Chairman and Managing Director

So it's impact will be felt more in the second quarter. But there will be a gradual movement in the cost reduction and speed of our agility to handle new product development will improve right from March.

Richa Agarwal

Okay. And sir, the new segment that you are entering into like agro, micronutrients and the detergents, the EBITDA margins are in the range of INR33 or INR35 per kg or is it?

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Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. They're not higher like small food products. They're medium range, I would say in the region of 33%, 35%. Yes.

Richa Agarwal

Okay. Thank you. That's all.

Operator

Thank you. The next question is from the line of Rupen Masalia from RN Associates. Please go ahead.

Rupen Masalia

Yes. Thanks for the opportunity. My question is pertaining to the composition of overall business in probably next three to five years, like currently Food and FMCG accounts for approximately 24% of total business. So in the next three to five years, where do you see this pie growing? And with higher focus on Food and FMCG, what would be the CapEx intensity, overall EBITDA margin and the capital efficiencies in the form of return on capital employed, ROE? So, if you can throw some light on that.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. We are anticipating to double our sales in the next three to maybe four years. And one area of positive sign is Food and FMCG from currently, let's say, it ends up this year at INR100 odd crores, maybe INR105 crores or INR110 crores, can easily go up to INR250 crores to INR275 crores, however in the next four years, that means while the overall growth maybe double, we may see to two and half times growth in Food and FMCG. Basically, because the paint industry side our numbers which are around INR190 crores last year will be more than doubling because of these two plants will be almost 4 times expanded by the time. So current 6,000 will become -- sorry 14,000 tons. So, that's about 2.5 times growth in Asian Paints numbers. So, while the percentage might remain at -- from 25%, may go up to 30%, 33% but the numbers per say in food and FMCG are expected to go up by at least 2.5 times in the next four years ago.

Rupen Masalia

Right.

Janumahanti Lakshmana Rao, Chairman and Managing Director

So the percentages can change from currently 23% to somewhere close to 33% in the next four or five years, because Paint numbers also we shoot up.

Rupen Masalia

Right. So sir like CapEx intensity for Paints business, Lubes business, vis-a-vis Food and FMCG business?

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Yes. Paint -- the intensity is unless is a green fields plant. Actually, the green field plants, even if it is a food industry or a painter or lube industry, the costs are overall same. Because in the paint industry, you need bigger machines and more space, but you don't need very hygienic conditions as you require in food industry.

So the cost per ton will be lower in paint industry, but if you look at the value additions, they will work out similar for a -- let's INR1 million value addition whatever investment is required in paint industry and food industry, will be more or less same. So that way capital-intensiveness similar, if you look at the profit as a motive, but if you look at only is the quantum or revenue, intensity is more in Food and FMCG.

Rupen Masalia

Right, right. And finally sir, on EBITDA profile because Food and FMCGs predominantly IML lead packaging vis-a-vis traditional used for paint and lube. So in that case naturally per kg EBITDA would go up and so would be the return ratios -- capital return ratios. So, is that correct?

Janumahanti Lakshmana Rao, Chairman and Managing Director

You are correct. The EBITDA margins in Food and FMCG are much higher per kg basis if you look at, sometimes they are as high as three times that of per kg of a paint and lube industry in some of the products. There are cases where we -- while our overall average sale is INR182 that is for paints and other industry, the sales for small cups as high as INR300. So there is a much bigger valuation in smaller cups. But again the volume is sell in quantum is lower. So the overall, it is better to have more-and-more of Food and FMCG business because it will contribute higher sales and -- I mean higher profitability.

Rupen Masalia

Right. That's it from my side. Thank you very much, and all the best for future.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thank you.

Operator

Thank you. The next question is from the line of Kaushal Shah from Danske Securities. Please go ahead.

Analyst

So thank you sir for the opportunity again. Sir, one -- a couple of clarifications, you shared the volume numbers for Mysore and Vizag, if you can also share the revenue number for these two plants sir, what revenue did that do in the nine months?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Revenue in Mysore in the nine month is around much higher. It is around INR25 crores. And Vizag it is INR14 crores.

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Analyst

Okay. And sir, you also shared the capacity expansion plan. You said, I think, if I understood correctly, we are going to increase capacity from 6,000 to 8,000 in both the and so that's the total increase of 4,000 tons?

Janumahanti Lakshmana Rao, Chairman and Managing Director

No, no. Not increase of 2000 tons.

Analyst

Okay. And what will be the CapEx for that sir? And if you can also share the CapEx for the next year, which is financial year 2021. What would be the total CapEx?

Janumahanti Lakshmana Rao, Chairman and Managing Director

We are framing of the budgets for next year CapEx, but it will be much less than INR42 crores what we invested in this year and INR81 crores we invested in '18, '19. So I hope, it will be in the range of INR25 crores to INR30 crores because these two plants have to be expanded, that won't take much because there will be adding mainly the machines that moulds which will be hardly INR4 crores to INR6 crores, but more investment might come if we go ahead with the Kanpur plant as planned. If you defer that the CapEx may be limited to the INR120 crore next year. But if we go ahead with the Kanpur plant which will decide in the in the course of the next couple of months. Then probably it will shoot up to INR30 crores -- in the region of INR30 crores.

Analyst

Okay, sir. That was very helpful. Thank you so much.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thanks.

Operator

Thank you. The next question is from the line of Shailee Parekh. Please go ahead.

Shailee Parekh

Hi, sir. I have a couple of questions. One is on the -- is a follow-up on the CapEx question that was just put up to you. So, just to clarify to go from 37,000 tons to 41,000 tons, we are going to be to be spending about INR15 crores to INR20 crores. In case, if we do decide to go ahead with Kanpur as well, this number will stand revised upwards to about INR30 crores. Am I understanding this correct?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yes. INR30 crores, and then the capacity might go up to say 43,000 tons.

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Shailee Parekh

Okay. So 2,000 tons more?

Janumahanti Lakshmana Rao, Chairman and Managing Director

More yes.

Shailee Parekh

Okay. So that was my first question. My second question was sir, if you can tell us that for the Paint segment as a whole what kind of growth therefore are be looking at in FY20? Given that Ex Asian Paints, there has been a degrowth. If I remove the volumes of Vizag and Mysore, there has been a degrowth in volume which even you have mentioned. So for the year as a whole, what kind of growth can we still look at in Paints? Would it still -- do we still end at 20%?

Janumahanti Lakshmana Rao, Chairman and Managing Director

We had 20%, thanks to the new plants that is not there.

Shailee Parekh

Yes.

Janumahanti Lakshmana Rao, Chairman and Managing Director

You are asking that question or do you think --

Shailee Parekh

Yes. I'm just asking sir, Paint volumes as a whole what kind of growth are you looking at by the end of FY20?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, we might end up somewhere near the same 20%, 21%.

Shailee Parekh

Okay.

Janumahanti Lakshmana Rao, Chairman and Managing Director

In Paint industry because of this to new plants are now running at almost 75% for the last couple of months. And the projections for Jan, Feb, March also look very healthy. So it might be improve a bit from say 21% to 22% overall.

Shailee Parekh

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Okay. And my last question was sir, if you can also call out what has been the revenues from ice creams in nine months of this fiscal?

Janumahanti Lakshmana Rao, Chairman and Managing Director

That, I need my actions to provide you the data. I can ask Rambabu to provide you separate.

Shailee Parekh

No problem. I'll be in touch with the Rambabu later then.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Sure, sure.

Shailee Parekh

And sir my last thing was is it, is there any possibility for you to even broadly breakdown? I mean, of course, I do understand that 6,000 tons is dedicatedly for Asian Paints and for the Paints industry, but off the remaining 31,000 tons, would it be possible for you to breakdown the capacity between Paints and Food and FMCG and Lubes? Or just Paints, Lubes and FMCG on the other side?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, basically the Food and FMCG weight wise, they are much lower. Even today, last full year, we've done about 3,400 tons out of 21,000 tons. So I would say that the capacity is fungible to some extent, out of 31,000 tons, though we have dedicated as a 6,000 tons maybe as a Food and FMCG as of now. Another 2,000 tons to 3,000 tons can be fungible from the samples which we are making the products for painting loose by changing the moulds and robots, we can use those moulds.

So unless, we see a product range is being introduced and that's getting a good traction from the market, there's no need to create facilities in the Food and FMCG. And our management philosophy is also to procure the missions as and when the capacity demands are increasing. And fortunately now our industry is always a four to five months lead time. If somebody wants to introduce a new range of products, for example, levers or GSK, somebody has decided to go for a new set of packaging, they give five to six months' time, because the moulds take four to five months to develop and their free trials will take a couple of months.

During that period, the expanded capacities can be created parallelly. But for last two years of expanding in new greenfield locations, otherwise our capacity calculations, our creations can be as in line with the demand growth.

Shailee Parekh

Thanks. So it would be fair to say that as of now, about 8,000 tons is what gets utilized towards Food and FMCG, of which like you said 2000 tons is fungible. And then the balance 29,000 tons is what get -- including Vizag and Mysore is what is used towards Paints and Lubes?

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That's fair estimate.

Shailee Parekh

Okay. Great. That's all from my side. Aisha, we can continue with the queue please.

Operator

Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

Akhil Parekh

Hi, sir. Thanks for taking my question. Sir, my question is on the Mysore or Vizag plan. You mentioned that we did almost 1,600 tons in Mysore and around 840 tons in Vizag, while the sales were around respectively INR25 crore and INR14 odd crores. If you can just work out sales per kg, it comes at around INR156 per kg for Mysore and INR166 for Vizag, which is in line with our non-IML per kg -- sales per kg data. But if I remember correctly, you've said that the new plants will be on HTL and the realizations will be better than and in line with IML. So just kind of understand why they will be discrepancy in sales per kg number?

Janumahanti Lakshmana Rao, Chairman and Managing Director

No I think whatever the numbers you've said, INR156 per kg and INR160 per kg is better than the prices what we realize in other brands. Because the raw materials price have fallen drastically in the last six months. From average price of INR90 for the last full year is INR94 rupees is now the nine months average with INR89 and the last three months is the INR82. So that is why you might see that the sale price is also lower, but it is still better than the overall average of our Paint sales.

Akhil Parekh

Got it. So it means the mix has not been diluted, it's just purely a function of low raw material plan?

Janumahanti Lakshmana Rao, Chairman and Managing Director

It's low material cost, yes.

Akhil Parekh

Got it. So I think that is why our blended sales per kg also slightly on a lower side basically for this quarter?

Janumahanti Lakshmana Rao, Chairman and Managing Director

No, it was down from INR184 --

Akhil Parekh

Correct. From INR185 to INR178.

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Janumahanti Lakshmana Rao, Chairman and Managing Director

INR178 or something like that, yes. INR179 now. INR184 to INR179. If you look at the EBIT, it is still better. It was -- from 33.87%, its gone up to 34.36%.

Akhil Parekh

Correct. That helps. And sir, one last question, does edible oil and ghee estimates which you had told last quarter on INR70 or odd crores basically which we should expect for FY20. But now if we look at edible oil, we should be doing INR36 crores for entire year, and ghee should be around INR24 crores. So roughly comes at around INR60 odd crores?

Janumahanti Lakshmana Rao, Chairman and Managing Director

For ghee, INR24 crores is what I'm projecting next year. This year, it will be close to INR5 crores, INR6 crores. INR20 crores will be next year.

Akhil Parekh

Okay. So roughly basically INR40 crore, INR42 crore for edible oil plus ghee basically for FY20?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah.

Akhil Parekh

Then this is much lower than our estimate. Because in last quarter, what we were guiding was around INR60 crore to INR70 crore basically for these two segments?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Yeah, there is a consumable dip-in volumes in the last six months, mainly in the edible oil segment. Actually, we were hoping that we can even cross INR50 crores turnover in edible oil alone, INR25 cores to INR50 crores but that's going to be around INR36 crores, INR37 crores.

There are sensible reasons, one is slowdown in the economy and general resistance to save cost and not reprise something new. And second is, what they say, I don't know if it's correct, in Gujarat and Western part of India, the oil feed production and oil availability for -- has come down sensibly in this third quarter, that is October, November, December. And the filling lines are kind of idle in the consumable times. Especially in Indore and in that region, they say, there's no lack of -- there's no supply of basic oil for them.

So, general, when the depressive things go on, people will not be testing on that new tax and spend less on advertising, all this also impacted conversion into our sales. But going forward, we still see new seeds are getting added. Now in this year, we added couple of the clients in Rajasthan, couple of them in UP, and recently one in Orissa. So slowly their spread and acceptance of these greenfields is increasing in the market.

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Akhil Parekh

Got it, sir. This was helpful, sir. And just one clarity on CapEx number, you said INR20 crore for FY20, right roughly?

Janumahanti Lakshmana Rao, Chairman and Managing Director

Without considering the Kanpur plant, it will be INR20 crore to INR25 crore. If you consider Kanpur, it will be INR30 crore ,INR32 crore level.

Akhil Parekh

Got it, sir. Thank you so much, and best wishes for coming quarters.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thank you. Thank you.

Operator

Thank you. As there are no further questions, I would now like to hand the conference over to Mr.Lakshmana Rao for closing comments.

Janumahanti Lakshmana Rao, Chairman and Managing Director

I thank each and everybody who has participated in this conference call and shown interest in our company, and its future prospects. I also thank Shailee of Prabhudas for arranging this conference call, and to the convener. Thank you, everybody, and I wish you all the best in the coming quarters. Good luck. I hand over back to Shailee for her comments.

Shailee Parekh

Thank you, everybody for joining in on the call today. And thank you Lakshmana sir, it's always a pleasure to host you. Good evening, everyone.

Janumahanti Lakshmana Rao, Chairman and Managing Director

Thanks. Bye-bye.

Operator

Thank you. On behalf of Prabhudas Liladhar Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect you lines.

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Company Name: Mold-Tek Packaging
Company Ticker: MTEP IN
Date: 2020-01-28
Event Description: Q3 2020 Earnings Call

Market Cap: 7623.27112365
Current PX: 274.95
YTD Change(\$): -6.6
YTD Change(%): -2.344

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 15.014
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 4681.143

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