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## **Operator**

Ladies and gentlemen good afternoon and welcome to Mold-Tek Packaging Limited Q1 FY'18 Earnings Conference Call, hosted by Nirmal Bang Equities Private Limited. [Operator Instructions]

Now I hand the conference over to Mr. Akhil Parekh, from Nirmal Bang Equities. Thank you. And over to you sir.

## **Akhil Parekh**

Thank you Meenaz. Good afternoon everyone on behalf of Nirmal Bang Institution Equities. I welcome you all 1Q FY'18 Earnings Call from Mold-Tek Packaging. We have with us Mr. Lakshman Rao, Chairman and Managing Director or Mold-Tek Packaging.

Over to you sir for opening remarks after which we'll start the question-and-answer session.

## **Lakshman Rao**

Thanks Akhil. And good afternoon all the participants in the call. Thanks for you interest in our company. As you might have already read from the press notifications, and notifications on BSC and NSC that in spite of steep fall in sales in June due to the expected GST implementation, company manages to maintain 6% growth in value terms. But the volumes have dropped by 6%, compared to the sales volumes of Q1 of previous year. In spite of that the profits have gone up by just over a marginally 1.3% due to better product mix. You could notice there's an increase food and FMCG sales sharply from about 5% last year of Q1 to almost 16% in this quarter.

This addition has improved the profitability in spite of drop in sales volume. And also following the India's system of accounting has resulted in reduced profitability due to option of defer tax adjustments almost to the tune of Rs. 45 lakhs in this quarter.

Anyway during the questions and answers we'll go more details into that. I'll just convey to you that RAK productivity, I mean, capacity utilization has improved considerably, when compared to the Q4. While Q4 we just did about Rs.90 lakh turnover, in the Q1 of this year we did about Rs. 180 lakhs, almost double. And in the current couple of moths again we're seeing another 20% to 25% growth on the monthly numbers. And as we predicted hopefully by end of this year we'll be operating around breakeven at a couple of major orders from Total Lubricants and other food industries around Middle East, with whom we are started development of their products.

And new plants of APAL Asian Paints we acquired the land and the building designs are just being finalized and plants are expected to go into production one by one around July, August of next year and another by end of the calendar year 2018. So both the projects are online. And the expansion of the food and FMCG at Hyderabad is happening at a rapid pace. As expected by December we'll be completing this first phase wherein we are expanding the IML label capacity, we are expanding the thin wall container molding capacity, which will be almost more than double from 1,400 tons to 3,000 tons. Autofit will be ready by December and rest will be by June next year.

This is in anticipation of food and FMCG orders from various MNCs and other generic products which we are introducing. So all these lead to a much better performance in the coming quarters. Of course, June and July both are affected due to GST. The movement of goods has come down and hence packaging materials movement has come down considerably in June. Similarly in July also the trend was very negative. But August and September things have started stabilizing and we are noticing back our growth. So hopefully second quarter we might at least end up in a single-digit growth number.

Going forward we hope these should improve because of the impact of GST absorbed now. And normal demand patterns are establishing.

So having said this I thank you once again for your interest, I'll put back to audience for question-and-answer session.

### **Question-and-Answer Session**

#### **Operator**

Thank you very much. [Operator Instructions] Mr. Akhil Parekh, you may ask the question.

#### **Akhil Parekh**

Because of Harvey we have been reading some news in terms of plant shutdowns for PP. Can you please shed some light on it. Are those news true and are we seeing any pressure on the raw material side.

#### **Lakshman Rao**

Absolutely nothing, because as you all know raw material pricing is directly adjusted every month in our pricing with each and every client. So the impact of PP price increase which we hardly saw about a Rs. 1000 in this month would be passed on to the client. So it will not have any impact.

#### **Akhil Parekh**

How much is the current price right now.

**Lakshman Rao**

Current price is around 88 now, last quarter it was 89. Actually it has come down from the last quarter average, currently it is around 85, 86.

**Akhil Parekh**

And second for this food and FMCG in the note you have mentioned that we have 15% has been contributed from food and FMCG segment any new clients apart from the 15% coming from Mondelez, any other big clients who have contributed in the food and FMCG segment.

**Lakshman Rao**

Yeah, one of the big clients is Cadbury, Mondelez Lickables, a product we launched. So that has added a considerable numbers, MTR and other food companies are also taking thinwall IML containers. So these are the two major contributors and other minor push from other food companies has contributed this kind of growth. And in fact we are still working with many other MNCs on different product ideas which would take some time to introduce, so all the mold development, robot development is three to six months timeframe. So couple of projects are in the final stage growing ahead.

So as I told you in the past it will be keep on accumulating over a period of every six months or one year we will be adding couple of new products which would be adding numbers in the food and FMCG.

**Akhil Parekh**

And so how do we see this contribution from FNF at the end of FY2018 and FY2019.

**Lakshman Rao**

This year, as it is in fact, if you remember last con calls, I have mentioned 15% to 17% is our target for this year. We are already at 15.8%. So I think we will be ending at least 17%, 18% of the overall sales coming from food and FMCG this year. and we should be targeting more than 20% for the year 2018, 2019.

**Akhil Parekh**

Okay, thank you sir, I will get back in queue.

**Operator**

Thank you Mr. Akhil Parekh. We have Ms. Suvarna Joshi from Axis Security. You may speak.

**Suvarna Joshi**

Sir, good afternoon and thank you for the opportunity and many congratulations on the good set of EBITDA per kg that we have clocked. I think it is about 33 and in the previous con call we stated that we intend to achieve about 28, 29 levels in FY2018. So the first question is do you think we are going to sustain these levels of EBITDA per kg, or EBITDA per ton that we have clocked in the first quarter. And the second question is we had also mentioned about some big orders from one of the companies who is going to enter in the paints industry. So any update on that front as well.

**Lakshman Rao**

To answer your first question the EBITDA margins of 33 is really something which we also found very encouraging. And we hope that we'll be able to maintain this throughout the year.

Coming to your second question, we still not signed a commercial agreement with them, the pricing and other modalities are being discussed now. Models and designs have been approved, so I cannot reveal the details now. But certainly its' going to happen in the year 1819, commercial production has to start for them in 1819.

**Suvarna Joshi**

So sir it will start from the second half of FY'19 or as soon as...

**Lakshman Rao**

Say we're aiming at about May, June. So...

**Suvarna Joshi**

Okay.

**Lakshman Rao**

You can say middle of next year, calendar year or financial year.

**Suvarna Joshi**

Sure. Sure sir. And sir coming to Dubai, you mentioned that we are getting some good orders from some of the food and FMCG players.

**Lakshman Rao**

Yes.

**Suvarna Joshi**

So these are essentially the dairy companies or are there any other players like we have in...

**Lakshman Rao**

We are immediately aiming at the diary companies because the entire product range of diary companies is available with us. So whatever is the immediate growth that is coming now is from diary companies. We also have a range for grease lubricants, which are catching up now with the total adding – replacing their tin containers with plastics. So we are participating with them and giving them all the developmental support. So hopefully in the next three months to six months total can emerge as one of the major clients for us in Gulf.

**Suvarna Joshi**

So sir RAK, what kind of revenues are we expecting? I mean we understand that breakeven we are thinking should be happening by the end of this fiscal year that is by March 2018 or so. If you could just put it in terms of absolute numbers contribution to top line it will be really helpful?

**Lakshman Rao**

Yes see currently last quarter in the Q4, that's the first quarter effectively. We just did Rs. 91 lakhs turnover. In the Q1 this year we have done Rs. 180 lakhs, which is still not enough to reach breakeven. And currently we are operating around Rs. 80 lakhs, Rs. 90 lakhs per month, that is again another 20%, 25% better than the Q1. But I think most probably our breakeven point would be in the region of around Rs. 1.5 crores to Rs. 2 crores, let's say Rs. 2 crores per month sale, which we hope we achieve by November, December.

So it has to – as I said, at least one to two, one and half year it takes to cross breakeven. Having started production in November, last year. So we hope this November, December we should be hitting the BEP and thereafter that RAK plant also will start contributing to the bottom-line.

**Suvarna Joshi**

Sure sir. That's it from my end for now. If I have any further Qs I shall come back in the queue. Thank you. And wish you all the best sir.

**Lakshman Rao**

Thank you.

**Operator**

Thank you. [Operator Instructions] Bobby Jayaram, from Falcon Investment. You may speak.

**Bobby Jayaram**

Yes hello. How you have been able to break into the food and FMCG market, given there are already established players there? So is that mostly a pricing issue or what are the dynamics like?

**Lakshman Rao**

Yes one of the issues is certainly pricing but that's not all the reason because the supplies are coming all the way from Saudi and Turkey. Apart from one or two small players in Dubai. So one major reason for these dairies to shift to us is availability, and faster delivery and with little price advantage possibility transport cost savings. So these are the motives for them to shift.

And when they visited our plant and the way we maintain the health hygienic standards they are at par with European or American standards. So they were presently surprised and they were very happy to associate with us, because dairies and food products require very good manufacturing practices and premises which we have created in REK [ph] (0:14:39).

**Bobby Jayaram**

Right. But do you have any plans to do this in India as well?

**Lakshman Rao**

In India we already did it in our Hyderabad plant, where we got ISS2000 certification. And we are now the pleasant expansion of that 1,400 tons capacity to 3,000, tons, 3,300 tons is happening right here in Hyderabad. But the similar facilities as in RAK, similar driving conditions and manufacturing practices.

**Bobby Jayaram**

Right, India has always the competitive dynamics is that very competitive sector.

**Lakshman Rao**

As of in IML there are hardly couple of players other than Mold-Tek and those two also are in the small way with like a few robos, so as far as IML content manufacturing is concerned, there also generic products that means products which were made for ice creams, made for some cheese or butter which would be sold to each and everybody by just changing the IML but while they come to specific products like Cadbury's or MTR or some products which we are now developing for GSK and others. There are specific products that means molds, robo and everything need to be made aligning with the shapes and sizes of the containers, the individual client.

In which case the client also invest on the molds so there will be longevity of the order and better realization and issued business. So in that field we are the only player as of today in IML.

**Bobby Jayaram**

What is the penetration rate for IML?

**Lakshman Rao**

The penetration rate you can get from the numbers that are improving year-after-year or quarter-on-quarter, last year while the entire year we ended up with around 48% of a sale coming from labels, label for the containers, its now become 54.5% in Q1, this was below 25% two years ago. So gradually more and more sales are coming from IML and of course HCL but food and FMCG is the main segment where everything that we produce is generally with IML.

**Bobby Jayaram**

Right now. I also mean what proportion for the industry as a whole what is the proportion of manufacturers that go for IML.

**Lakshman Rao**

As I said again there were hardly few players in the IML segment so if you look at it the whole paint industry I can't comment because our side itself is hardly 40% of our sales to paint industry goes in IML. In the case of better its somewhere around 50%, 55% but in the overall industry other than us there is no other supplier to the paint and lube industry. So if you look at the overall industry of paint maybe it could be as low as 10%, 12%. Similarly lube also it could be 20%, 25%. Food and FMCG this is where we are just entering for last two and a half years. Ice creams have adopted IML, cheese and butter, yes they adopted but most of these nutrition foods, coffee or even foods like chocolates, biscuits and many other applications, yogurts IML is there to get in.

So we are working with most of these MNCs who are active in this product and trying to turn their non-IML products into IML. So that process is mainly through Mold-Tek maybe there are one or two small players in Delhi and Ahmedabad who are also giving them some supplies, but they are mostly tied up with generic products like some products which are made for everybody. But when it comes to specifics that are hardly I'd say 60% to 70% directly say 80% of new development is happening only in Mold-Tek.

**Bobby Jayaram**

Why are new players entering this industry if its lucrative?

**Lakshman Rao**

It is lucrative so it is technologically very advanced to just given idea, a couple of our competitors in the field of paint and lube that is Jolly Plastics and Hi-Tech which are reasonably big players about Rs. 200 crores, Rs. 300 crores turnover, they are being using the robo, they purchase robos at least four, four and a half years ago. And even today they are not very successful in getting proper productivity over them in terms of quality, in terms of rejection rate or in terms of giving consistent suppliers.

I don't the latest status but even six months ago they were into supplying any major volumes to any of the paint companies. Where we already supplying IMLs the last three, four years, so its just not the ability to invest on robots but our ability to get a consistent molding, consistent quality and controlled rejection rate place the major lesson, especially bigger containers like paint and lubes. So in small containers its much easier get off to IML. That's where this couple of companies which I mentioned in Delhi and Ahmedabad they are doing a decent job. But come to the big containers where our painted lubes and anything above 1 liter I call it as bigger container. There you will need laminated label IML and there are challenges with handling that label and executing.

**Bobby Jayaram**

All right, thank you very much.

**Lakshman Rao**

Thank you.

**Operator**

Thank you. Next question comes from RohitChabla from Axis Securities. You may ask your question.

**RohitChabla**

Yeah. Hello. Good afternoon, sir.

**Lakshman Rao**

Good afternoon.

**RohitChabla**

Thanks for the opportunity. As we know that the paints are slightly increasing, so I wanted to know the outlook on the paints and lubes. So how do we see depending on this considering the GST impact? And what number – what growth percentage will expire at the end of the year?

**Lakshman Rao**

See, still now in this last one quarter, paint has degrown by 4% and lubes by 11% because of – directly I can relate this to GST, because of a sudden in July everybody stopped because they want to clear their stocks that are lying at various sufficient locations, so similar concepts are seen again in July. The muted sales in both paint and lubes, I don't have the numbers but they are certainly down in July. But from August onwards we're again seeing some healthy growth, August and September. So gradually the sales are increasing. Thereby we're able to at least

recover the losses of June and July. So the first half of the year for paint and lube it could be a neutral year or it could be a zero kind of growth. But going forward, this cannot be stayed for long because the demand for paint directly not only related to the infrastructure development and real estate in the country, but also to the replacement demand of paint. So certainly it's going to shoot up in the second half is my guess.

So the whole year I'll be very happy if paint and lube at least together contribute a 5% to 6% growth, because in food and FMCG we already have 10-plus percent growth at delta. So together we can try to read some error on 15%, but they all depends upon how paint and lube will pan out in the next six months, I mean in the second half of the year, because first half is just I would say still negative but close to zero because improvement in August and September if it continues we would still see paints and lubs in the sub zero level. But if they take off in the second half, then the numbers could really improve the results.

### **RohitChabla**

Okay, okay. Thank you for this. And to see these numbers again at FY 2019 have two expansions?

### **Lakshman Rao**

2018-2019 expansions may not contribute significantly because that's the first year of getting into production. And all the teething troubles and they were expecting us to start first supplies in October 4 for Mysore and January 19 for Vizag. So I wouldn't consider any major numbers coming in 2018-2019 from these two plants. But the plants of thin wall and food which we are setting up now first phase in December and the second phase in June 2018 would be handsomely contributing. And RAK will be instead of a negative contributor in the current year could end up positive contributor in the year 2018-2019. So the next year could be more RAK and food and FMCG driven growth.

Followed by paint will be taking over in 2019-2020 because that is the year where Asian Paints both the plants will be operating its reasonable capacity utilization. But going forward food and FMCG also will continue to grow because of our new product interaction. Cadbury's created a lot of interest among MNCs. And I may not able to tell the names, but certainly with most of the MNCs, at least I can say five, six of them were in close talks to conclude product development.

So these will contribute to only up to six months because even if we start developing the malls now they get into production only from say January or February. But they will be like these opportunities every quarter at least one opportunity every quarter is good enough to take another 7% to 8% kind of annual growth coming from food and FMCG.

### **RohitChabla**

Okay, that's great. Sir, as you said that, we'll be expanding from 1,400 to 50,000 tonnes. Till June next year what will be the capacity? 3,000 to how much will be expanding?

**Lakshman Rao**

See, current expansion is a major one, because here we're creating this hygienic facility of almost 25,000 square feet area and we're also adding very high end IML printing machine from Italy, it's just arriving in the end of September, install by end of September. So this is creating more of capacity and infrastructure for future. So next additions need not be huge, in the sense, next five let's say from 3,000 to 4,000 tons, the investment need not be like Rs. 20 crore by two that is Rs. 10 crore, it could be as low as Rs. 4 crore to Rs. 5 crore.

So the delta for expanding the capacities in thin wall also will be more what you say, I mean in terms of ATO asset on the ratio ATR it will be much better, because now the basic infrastructure is being built. The number seem to be high for the volume riser 1,400 to 3000 or 3,200. But coming forward in the next couple of years to make it from 3,000 to let's say 6,000 probably we don't need even Rs. 20 crore of investment. Do you understand?

**RohitChabla**

Yes, yes, yes, not as far. Okay, thank you so much, sir. Yeah.

**Lakshman Rao**

Thanks.

**Operator**

Thank you. [Operator Instructions] Next question comes from KamleshKotak from Asian Market. You may speak.

**KamleshKotak**

Good afternoon, sir.

**Lakshman Rao**

Good afternoon.

**Kamlesh Kotak**

Sir, so what will be about total capacity post this expansion of foreign FMCG?

**Lakshman Rao**

Now currently we're at around 13,000 tons. This is small addition of about 2,000, about 32,000.

**Kamlesh Kotak**

And how many robotics we would have?

**Lakshman Rao**

Now currently we're adding another 10 robots, four of them from outside and six of them are made in house by June, then will be operative. Some of them are getting operative in December itself, half of them and there are many how could we going into production from the [indiscernible] (27:28) See what happens Kamlesh is sometimes the capacity addition of injection molding and robotics are fairly fast. If we get couple of deals done with MNCs with whom we're talking probably we may add them all of them by January, not waiting till June, because the delivery period of injection molding and robotics is hardly three to four months.

**Kamlesh Kotak**

Okay.

**Lakshman Rao**

So but we kept the outer line of June completely go on to screen. It could happen little earlier depending upon the deal could fresh.

**KamleshKotak**

So with this 10 more robots, total robo will be how many sir all over the company?

**Lakshman Rao**

Really last count it could be 55 maybe, 55, 56 robots.

**KamleshKotak**

Okay, fine. And sir, I don't know whether you give the volume number for this quarter and the breakup of point...

**Lakshman Rao**

It is 4,900 tons.

**KamleshKotak**

And in terms of breakup paint you've been put how is it thus split this quarter?

**Lakshman Rao**

It was around 53% pink, 31% blue, and 16% food and sense.

**Kamlesh Kotak**

Okay, versus how much it was last year same quarter sir?

**Lakshman Rao**

Last year Q1 it was 58, 37 and 5.

**Kamlesh Kotak**

Sorry, come again.

**Lakshman Rao**

58.

**Kamlesh Kotak**

Okay.

**Lakshman Rao**

37.

**Kamlesh Kotak**

Okay.

**Lakshman Rao**

And 5.

**Kamlesh Kotak**

Okay, okay. [Indiscernible] (28:57) at RIK as of now how many customers do we service number of customers?

**Lakshman Rao**

More than 10, 12 class customers have started using at everybody testing our capabilities by giving small orders, which are now surely getting into volumes. So at least 10 to 12 claims are already there both in dairy and lubricant industry.

**Kamlesh Kotak**

Okay.

**Lakshman Rao**

And couple of then in the paint industry also.

**Kamlesh Kotak**

Okay, that's great, okay. And sir, when you see domestic FMCG customers, how many customers now here we servicing all is FMCG and Ford...

**Lakshman Rao**

There also we have more than 15, 20 clients, but half of them are 70% of all clear. Now the biggies are getting into IML, now as you know, GST has impacted everybody to relax and first look at business and supply chain. So that is one of the reasons why there was some delay in some of the decisions, which have been pending for last three, four months. But that GST in fact has been – slowly things are moving in the last few weeks. So otherwise there could have been much more editions during the last four, five months. Many people were little disturbed with GST, me itself and they're now again looking back at development and new product lines – new content and new packaging adoption.

[indiscernible] (30:29) is when situation demand for more concentration on a – obligation, all this began – they rather focus on it rather than new product line – new product changes. So that also is a indirect impact for delay, otherwise I could have seen some more development already on hands. I think it will start now.

**KamleshKotak**

And you said the pricing currently that 85 right.

**Lakshman Rao**

Raw material, yes.

**Kamlesh Kotak**

Yeah, which was how much average last quarter sir?

**Lakshman Rao**

Last quarter average was 89.

**Kamlesh Kotak**

And last quarter or same quarter last year.

**Lakshman Rao**

Last one year, 1.5 year they've been varying between 84 to 90. Currently it is around 85.

**Kamlesh Kotak**

Okay, all right. Okay, sir, that's it from my side. Thank you, sir.

**Operator**

Thank you. Next question comes from Chintan Seth from Sameeksha Capital. You may ask your question.

**Chintan Seth**

Yeah, thanks for taking my question, sir. So, if I look at your 2017 working capital cycle, which has been deteriorate a bit compared to historical 70, 80 days to 94 days. Any thought on how that number will be going forward or because of demand we had an impact...

**Lakshman Rao**

Working capital is currently also the similar level Rs. 30 crore to Rs. 33 crore is the utilized funds – more than Rs. 70 crore available. So there's a little change in the working capital.

**Chintan Seth**

Okay. I was just referring to our working cycle inventory data...

**Lakshman Rao**

Determined to be around 70 days I think, the entire – 68.

**Chintan Seth**

Okay.

**Lakshman Rao**

It is our collections cycle, but inventory if you had it is another 12, 13 days cycle.

**Chintan Seth**

Okay. And you did mentioned about the capacity currently we will be going from Rs. 30,000 to Rs. 32,000, what will be our capacity we're setting up in Vizag and Mysore.

**Lakshman Rao**

Vizag and Mysore first phase is Rs. 3,500 each, somewhere around Rs. 3,000 to Rs. 3,500.

**Chintan Seth**

And what can be this capability.

**Lakshman Rao**

That has to go up to together 14,000 tons in five years time, from 6,500 together they have to grow to 14,000 tons.

**Chintan Seth**

Okay. That is calibrated...

**Lakshman Rao**

By 21, 22 I think.

**Chintan Seth**

Okay. And I was hearing – limited in terms of expansion either or we can scale up further.

**Lakshman Rao**

That's what I explain to you. In Hyderabad, the major expansion is happening in the food and...

**Chintan Seth**

Correct.

**Lakshman Rao**

Where we are now creating basic infrastructure of printing capacity and building – land building, so whereas in future when we further expand from this 3,200 tons to say 4,000 or 5,000 tons, they'll be only addition machines and robots, which could be faster and with less investment.

**Chintan Seth**

From 3,200, how much we can add what 10,000...

**Lakshman Rao**

See the printing machine what we are now getting as capability to handle another four to five times kind of molding capacity.

**Chintan Seth**

Okay.

**Lakshman Rao**

That – from 3,000 even if we go to 10,000 tons, I don't need to add anymore printing machine investment. In this Rs. 25 crore on printing alone we are investing about Rs. 8 crore to Rs. 10 crore, including the land and building. So that Rs. 10 crore don't need to be invested for next at least three, four times of growth – so that is why this time, though the number of Rs. 25 crore looks bit, the addition to the volume is highly 2,000 tons. But coming forward, every 2,000 tons, probably would require investment of Rs. 6 crore to Rs. 7 crore or Rs. 8 crores maybe.

**Chintan Seth**

Okay, okay. And on the realization front how are we seeing our relation improving from here, because if we see this quarter we saw 6% within our volume that we still able to grow at 6% on a oral value basis. So certainly our FMB has helped us to improve our realization, overall revenue realization. So going forward when we see our focus or growth driver for this year at least will be from FMB and Rock getting green at least they can't bottomely level. What kind of average realization we see growing from last year levels?

**Lakshman Rao**

Realization means you mean EBITDA per kg?

**Chintan Seth**

Revenue per ton – EBITDA you pre-new for ton now it is currently...

**Lakshman Rao**

Per kg revenue is there on 172 average.

**Chintan Seth**

Okay.

**Lakshman Rao**

I'm sorry, IML and HDL is 189, overall is 172.

**Chintan Seth**

Okay. Which we expect to reach because of the higher FMD, or we do expect this number to close to IML realization by November 2018?

**Lakshman Rao**

Yes. That is what's our hope, and that's what is happening in the last few quarters. So as food in FMGC volumes grow to overall per kg realization it also will go up.

**Chintan Seth**

And sir on the [indiscernible] (36:43) you mentioned that second half if they grow we can cover up the – we can at least match up the last year's growth – this year.

**Lakshman Rao**

Yes, exactly. First half is gone because mainly the two months are hit June and July, but second quarter we might not end up with a negative growth, we are looking at a positive number, maybe 7% to 8% is possible if things go well in September. But going forward third and fourth quarter could be much better because the demand as to come in from paint and dupes they cannot keep their stocks at a zero level in the supply chain. So they have to bring in new.

**Chintan Seth**

Or if you can help us speak the market share you have in the paints and dupes because there are many players who are supplying their packaging requirement, so overall...

**Lakshman Rao**

Yeah, yeah. I would say our paints and dupe together we would have around 18% to 20% of the overall market size.

**Chintan Seth**

Industry requirement.

**Lakshman Rao**

In that if you again take a break – breakup maybe paint is only 15%, 16% whereas the dupe we maybe have higher 35%, 40%.

**Chintan Seth**

Okay.

**Lakshman Rao**

But paint is a much bigger market compared to dupes.

**Chintan Seth**

Okay, sir. I will get back into queue. Thank you.

**Lakshman Rao**

Okay. Thanks.

**Operator**

Thank you. Next question comes from AmanVij from Astute Investment. You may ask your questions.

**AmanVij**

Good afternoon sir.

**Lakshman Rao**

Good afternoon Aman.

**AmanVij**

The first question is you mentioned that out of the 10 robs, few part in 4 and 6 was again house. So just wanted to understand, does it like the low-tech rob-free [indiscernible] (38:41) how does it – quite few manufacture everything...

**Lakshman Rao**

No, no when there is a sudden requirement of robs and timeline phone tell us to make it our in house, we go for importing some of them. They could be complex, they could be same as what we are currently using. But the idea was more of timelines, because we have a limited capacity to manufacture and assemble robs. So there is a sudden rise now, because of many new Food & FMCG projects we are envisioning and expecting. So that is why I said, out of last the 10, which we added in the last six, seven months about four or five, I don't remember or some are from abroad and remaining five were made in house.

**AmanVij**

And the cost instead as of today it will be how much?

**Lakshman Rao**

Cost different is still is consumable, it is at least let us say, if the imported price from Taiwan or Hong Kong or even China is around Rs. 30 lakh, 32 lakh we make it at least around Rs. 18 lakh to Rs. 20 lakh – Rs. 16 lakh to Rs. 20, lakh depending upon the complexity.

**AmanVij**

Okay, but we...

**Lakshman Rao**

If we go for a European robo it could be as the expenses are Rs. 50 lakh plus.

**AmanVij**

Okay. So the four, five we bought we would have paid that much higher.

**Lakshman Rao**

Yes.

**AmanVij**

Okay. Thank you for that. The second question is regarding last con-call, you were talking about sippers, so any update on that you were saying in three-fourth...

**Lakshman Rao**

Yes. Sippers with PVR and other sellers are added. They were also – entire GST has put them in a kind of the confusion, because they require the supplies to be made to varies location in small quantities. So the challenge is they have to use some courier system from Hyderabad to see the sippers reach varies theatres across the country. So when they were about to take a decision this GST has come in and they were again taken a stop. Now they are again asking us to restart the whole development.

So one of there is, what I stated in my call previously in my talk and the last few minutes ago. How GST has impacted is – one is this. Because nobody knows how it's going to be and what would be percentage and how will bear and how the cinema halls have to be serviced from a central point. Now that there is some clarity, everybody is now moving. So probably in next six months, by the second phase which is June, I said sippers will be definitely there.

**AmanVij**

And what kind of volumes, you're expecting and say by end of this year, FY2018?

**Lakshman Rao**

For food and FMCG?

**AmanVij**

Sippers, specifically?

**Lakshman Rao**

Sippers, I don't think in this year, they will contribute any major numbers, because if we start development now, but the time, we really start commercial production and supply, it would be March. So this year, I don't expect sippers to be any contributor. It would be next year, they can and they catch up – I mean how they will be response in the market, I can't really guess. But the capacity what we're now going to start is about Rs.1 crore sippers per annum. That's about it, Rs.10 crore turnover, if it all sold. But that can be doubled or tripled, based upon how the market responds. So we have to wait and see.

**AmanVij**

Sure, sir. But these will be less than 1 litre, right? So won't there be more competition...

**Lakshman Rao**

Yes. It is 400ml and 600ml.

**AmanVij**

Yes. So my question was you were talking about in less than 1 litre, there are good number of competitors from Ahmedabad and all those regions. So won't there be competition for this kind of product.

**Lakshman Rao**

Yes. There could be but when this kind of volume as product are brought by PVR or other Cineplex companies, they will be looking at the strength of the company ability to supply variety of IML, the container, because every movie will be using different art work, different pictures of the hero or titles are whatever. So the ability to produce variety of IML quickly and supply them across the country that kind of strengths, I don't think the small players can show to the clients.

So certainly there might be competitors in the small market where there is somebody's wedding machine, they are selling sippers, there may be probably we will find competition. But in a organized setup, we will definitely have an upper hand, because the die cutting and making a new label every month, variety of label is not possible and one of the reasons, why we are going for this Italian machine for IML label is, it's ability to take a shot prints and that to vary quickly.

The current machine, let say give us 7, 8 drums in a day, this machine give as many as 24 drums a day. That means changeovers, we can change quickly and get into a new label in an hours time,

with lesser investment on every SKU. So that's the kind of investments, we are making on the IML label production side, which is also an important point for us to grow food and FMGC.

**AmanVij**

Sure. That helps. And the last question is on the new technology side, basically, we're hearing about biodegradable packaging. Is it possible first of all for our industry not be...

**Lakshman Rao**

That's the very long shot. The biodegradable plastics are not even in the countries like Europe and U.S., Japan. They're not even come to 0.1% of entry or not even 0.01% of the entire consumption and there are still at a very nascent stage. I think next 5 to 10 years, there won't be any impact due to that kind of product coming in and in case they became the name of the industry, and we can adapt to that. It's a long shot.

**AmanVij**

Okay, okay. And so next from IML will be first will be this oxygen barrier IML which you are talking about are is there something ?

**Lakshman Rao**

Yes. Oxygen barrier IML is the second thing and we are also been talking about it. Now we have come to a stage where we have developed prototypes and submitted to couple to clients. And yes we are celebrating the decision as I said, last two three months has been latest flow in decision making. I'm hoping coming forward in this quarter we may start the action barrier IML in a one form or other.

**AmanVij**

Okay. Thanks for that. Thank you.

**Lakshman Rao**

Thank you.

**Operator**

Thank you.[Operator Instructions] We have Mr. Akhil Parekh, you may go ahead, sir.

**Akhil Parekh**

So just few question, in term of CapEx or what, how much it will be in total for FY 2018 and FY 2019?

**Lakshman Rao**

In FY 2018 and FY 2019, there will considerable CapEx because of the two plants for Asian paints will be actively taken up, because now one land was acquired and some part of the building construction is planned in this current financial year, to return the 4 crore or 5 crore.

But the major investment of almost another 20 crores, 25 crore has to happen during the year 2018, 2019. And there maybe marginal few crores of investment in the present FMCC has the opportunities come up. So again we see a kind of 30 crore to 35 crores kind of CapEx during 2018, 2019, which is happening almost same level in this year also.

**Akhil Parekh**

So in terms of IML user 54.5% and non-IML rest of 45.5 so its volume term of value term is it?

**Lakshman Rao**

It is value terms.

**Akhil Parekh**

Has much to volume.

**Lakshman Rao**

As volume it is 49.2% is IML. And 50.8% or whatever is on it.

**Akhil Parekh**

So in terms of bit of a KG use aRs 33 per kg which we comes out in blended level. So would be able to give one segmented wise IML and non-IML, how much it would be?

**Lakshman Rao**

IML, non-IML per kg do you have number two.

**Akhil Parekh**

Can you give me different...

**Lakshman Rao**

No, we didn't do it, you can send a email I will replay to you.

**Akhil Parekh**

Okay. And so RIK just last question on RIK how much capacity utilization we are expecting by end of FY 2018?

**Lakshman Rao**

Now currently we are at 15% in the first quarter, and we expect that to reach at least 45%, 50%, 45% let's say by December. That is the level at which we be at 45%.

**Akhil Parekh**

45% at the end of December.

**Lakshman Rao**

Yeah, yeah.

**Akhil Parekh**

Okay. So in label capacity we write all five million square meters right?

**Lakshman Rao**

I don't have that number, because in square meters it is difficult to measure, but yeah you could be correct, but I don't really have that exact number.

**Akhil Parekh**

Okay, all right. So that's all from my side. Thank you.

**Operator**

Thank you. As there are no further question from the participants. I'll now hand over the conference to Mr. Akhil Parekh for closing comments. Over to you, sir.

**Akhil Parekh**

I thank you all on behalf of Nirmal Bang Institutional Equities for joining the call. Thanks for Lakshman sir for joining the call. Sir will hand it over to you just for any closing remarks if you have any.

**Lakshman Rao**

Thank you very much for all the interest you all shown in our company and thanks for Nirmal Bang and the coordinators of this call. And thanks ones again to all the participants. Wish you all, have a good day. Bye. Bye Akhil.

**Akhil Parekh**

Yeah. Thank you.

**Lakshman Rao**

Bye.

**Operator**

Thank you. On behalf of Nirmal Bang Equities. That conclude this conference. Thank you for joining us and you may now disconnect your line. Thank you all.

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