



“Mitsu Chem Plast Limited Q1 FY2021 Results Conference Call”

August 10, 2020



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LIMITED**

- Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY 2021 Results Conference Call of Mitsu Chem Plast Limited, hosted by Kirin Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you Sir!
- Vastupal Shah:** Thank you. Good afternoon everyone. I would like to welcome Mr. Manish Dedhia, Joint Managing Director and CFO of Mitsu Chem Plast Limited. Manish Sir over to you!
- Manish Dedhia:** Good afternoon to everyone. I will tell you some of the financial highlights for Q1.
- Total income is 32.84 Crores with the EBITDA of 5.21 Crores, and with the PAT Rs.1.81. EBITDA margin has increased from 9.49 to 16% this quarter, the whole year, it was around 11.45, although it is a lockdown and COVID situation, the plant was running at around 30% to 40% overall in the June month, it was a 50%, but we managed very efficiently with the good customer base and we got good product range due to COVID and also we got a good benefit here in the hospital furniture part where cross border tension and all these and in this COVID situation also that make a very sale in hospital furniture part as well. All together that made this quarter good success. I think I will over to questions and answers. Better I will give questions and answer session.
- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rajesh Gupta from SBICAP. Please go ahead.
- Rajesh Gupta:** Thank you for the opportunity. Sir if I look at your Q1 FY 2021 number I think you have done fairly well in this current pandemic when we have seen most of the industry reporting a degrowth in the topline, we were able to maintain quite decent number with not much declining while your profitability has gone up substantially. So just wanted to check with you, what were the reason behind this and my basic question, basically I want to understand the industrial outlook because you will supply these packaging industrial packaging moulds to lot of industry, so what had been the feedback from them, I mean have you seen any kind of order deferment in next one or two months, what kind of business traction that they are witnessing in their own area of operations?

- Manish Dedhia:** Thank you very much Rajesh Ji. So, your first question is like, I will give may be one by one answers, I will give question wise. So, your first question was what was the reason of maintaining progressing in the profit right?
- Rajesh Gupta:** Yes.
- Manish Dedhia:** So, basically as I said like in this situation, I seriously appreciate Our operational team and we had a very good clientele based and that sanitizer business was also very good, and we got a good margin there that is number one. Number two, the segment wise we increased our stake in furniture parts by around 11.20%, which was earlier, it was 8.30%. So, that is also one of the good things in hospital furniture is Better margins.
- Rajesh Gupta:** So basically, this profit growth is broadly attributed to the higher margin businesses, correct?
- Manish Dedhia:** Yes.
- Rajesh Gupta:** What is the outlook from the industrial packing business where you supply your product to a lot of clients so what is the feedback from those clients what they are seeing, what they foresee in the near term about the future outlook on the business because recently there was a report, which came out recently, which suggest that a lot of this MSME and SMEs are very optimistic about the recovery and their business in next one or two quarters, so what is your feedback from these companies to whom you are supplying these product?
- Manish Dedhia:** So basically packaging business is in this pandemic situation also very good and like from June onwards, lot of packaging business came to normalcy, so like in April and May, the normal business was not there, so lot of extraordinary business like sanitizer business and alcohol business because alcohol is supplied to a lot of sanitizer manufacturer , so all these mixed businesses were a very special business in April and May. We had a normal business also in April and May that be little less. In the June, I think we came back to normalcy so normal orders were there, we were like processing that, and from July onwards, 100%, there is a normalcy. So the industry purchase of container business, yes, it is a very good from the last quarter as well and this quarter also because there will be demand in every sector, you said pharmaceutical, you said chemical, you said edible oil, lube oil as like now people are travelling now after two or three or four months, so everybody required fuel and this lube oil and everything. So, the lube oil has demand has shot up like anything. Same

way the pharmaceutical, the sanitizer business is also still on, you name the business and were still growing in that way.

Rajesh Gupta: Okay. But Sir these higher businesses are not sustainable, I mean because sanitizer business or let us say, is hospital furniture business, are they sustainable in the long term, I mean, I am looking at for let us say next three, four and five years?

Manish Dedhia: No. So, I think I mentioned that. April and May were a little special month also. So, there was a big demand of sanitizer business, which was only for I can say only for two months, in the June month, we came back to normalcy. So, we do not have bank on too much on the sanitizer business, but we already a supplier to so many sanitizer businesses which is normal business which we are going ahead. It is in that case, it is going ahead. So, that is sustainable from last so many years, not because of this pandemic, but otherwise also we were supplying this sanitizer manufacturer .

Rajesh Gupta: Sir one last question is that this margins 60% obviously is very special, I do not know how sustainable this margin is. My other question basically is there any plan to list your company on NSE part from BSE?

Manish Dedhia: May be yes, within a year. Sir, we might plan that.

Rajesh Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Jayan Shah, an individual investor. Please go ahead.

Jayan Shah: Good afternoon Sir. My question is what was the working capital cycle for the first quarter?

Manish Dedhia: It is little tepid in the first two months, April and May, and then it started coming down in the month of June. So initially the payment was coming little slowly.

Jayan Shah: My other question is like the margin growth of quarter one will continue for the whole year?

Manish Dedhia: We hope so.

Jayan Shah: My last question is what is the situation for hospital bed business?

- Manish Dedhia:** That is going great and I think as last call also we had mentioned that we are looking for good growth in that so we achieved from 8% to 11% in the first quarter, I think for sure this numbers will remain the same, they wanted to go ahead little bit more. We have targeted something little more on the 11%.
- Jayan Shah:** My last question is Sir do we have any benefits because of the Chinese situation like we are not importing from there?
- Manish Dedhia:** So, we are not importing, but we got a little good benefit in this geopolitical situation as like we are in a hospital furniture but our immediately competitor is China and then we got a good benefit in that case.
- Jayan Shah:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Utkarsh Somaiya, an investor. Please go ahead.
- Utkarsh Somaiya:** Thank you for the opportunity. Could you please tell us what would be your peak revenue at 100% capacity utilization?
- Manish Dedhia:** The peak revenue could be around, quarter it would be 48 to 49 Crores and then it depends again on lot of other situations also like raw material prices and all is around 48 Crores.
- Utkarsh Somaiya:** So, we can assume 200 Crores topline on a yearly basis, you can do an 100% capacity right?
- Manish Dedhia:** Yes. 200 plus.
- Utkarsh Somaiya:** Okay. What is the sustainable margin?
- Manish Dedhia:** I did not get you exactly?
- Utkarsh Somaiya:** What is the sustainable EBITDA margin, you can sustain over the next or two years?
- Manish Dedhia:** I think 14% and 15% is a good sustainable, which was our target as well, so we continue with the 14% to 15% it looks like.
- Utkarsh Somaiya:** All right and do you plan for any expansions in the near future?

- Manish Dedhia:** Not right now, but definitely something is there then we will announce.
- Utkarsh Somaiya:** Just last question, Sir currently do you have topline of 32.5 Crores, that is how much your capacity utilization for the full quarter? In June, you mentioned was 50%, or for the June quarter 50%, I did not get Sir.
- Manish Dedhia:** The whole quarter I can say around 50% you can say average.
- Utkarsh Somaiya:** All right. Thank you for that.
- Moderator:** Thank you. The next question is from the line of Utkarsh Somaiya, an investor. Please go ahead.
- Utkarsh Somaiya:** Thank you again. I had another question. So just to give us an idea by when you think you will be able to achieve this 100% capacity utilization. The peak revenues of 200 Crores a year?
- Manish Dedhia:** So, I will just say like what is the capacity we have, we can achieve I mean like this 100%, maybe this quarter, we will achieve around 70%. In the plastic business, cannot achieve whatever installed capacity, you cannot achieve 100%, so you can achieve 80%, that is a maximum. To reach 80% I mean like we can reach this 70-75% in this quarter, it looks like.
- Utkarsh Somaiya:** Sir what is the management's thought process for the next five years like the management vision for the company?
- Manish Dedhia:** Vision is I mean like we are more looking at bottom line rather than topline, so we wanted to increase the EBITDA and the PAT margins, so we think on that good numbers. So, I do not know whether I can share the figures or not, these are some targeted figures.
- Utkarsh Somaiya:** So, the focus is not to increase topline but to increase bottomline.
- Manish Dedhia:** No. It is both. But major focus will be on bottomline so the marginable business, so we are already targeting lot of different articles right now and we are into I mean if we launch some new good product in coming times, so that will be all good profit margins.
- Utkarsh Somaiya:** Thank you.



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Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to Mr. Vastupal Shah for his closing comments.

Vastupal Shah: Thanks everyone for joining the conference call of Mitsu Chem Plast Limited. If you have any queries, you can write us at vastupal@kirinadvisors.com and once more thank you everyone for joining the conference.

Manish Dedhia: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kirin Advisors that concludes this conference. Thank you for joining us. You may disconnect your lines. Thank you.
