



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

Date: 5th August, 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 1st August, 2020.
(Regulation 30 of SEBI (LODR) Regulations, 2015)

Please find enclosed outcome of the Analyst/Investors conference call of the company held on 1st August, 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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“Mold-Tek Packaging Limited Q1 FY-21 Earnings Conference Call”

August 01, 2020



**MANAGEMENT: MR. LAXMAN RAO – CHAIRMAN & MANAGING
DIRECTOR, MOLD-TEK PACKAGING LIMITED**
**MODERATORS: MR. ABHISHEK NAVALGUND – NIRMAL BANG
INSTITUTIONAL EQUITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Mold-Tek Packaging Limited Q1 FY21 Earnings Conference Call hosted by Nirmal Bang Institutional Equities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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. Abhishek Navalgund from Nirmal Bang. Thank you and over to you sir.

Abhishek Navalgund: Thanks Steve. Hello everyone, I welcome you all on behalf of Nirmal Bang Institutional Equities, on 1Q FY21 Earnings Call of Mold-Tek Packaging Limited. We have with us the Managing Director of the Company, Mr. Lakshman Rao – the Chairman and Managing Director of the company. Without further ado, I would request Lakshman sir to start with his opening remarks post which we can open the floor for Q&A. Thank you and over to you sir.

Lakshman Rao: Good afternoon everybody thanks for joining our Q1 financial results for and I hope all of you are keeping safe in this pandemic times.

So coming to the results; as anticipated we also had a long lockdown of about 1.5-2 months though our food packaging production started right in the beginning of April, majority of the Paint-Lubs and other packaging products could start only somewhere in the middle of May as the long-term started opening up. We still have the challenge of an availability of labor in necessary quantum and quality. But with the good commitments and determination of our staff at all the units they are able to bring in the new employees quickly on board and from June onwards operations are more or less at normal level of output. April was severely affected, May partially and June is as good as normal. That's a good news but overall the numbers have fallen sharply, sales are down from 116 crores to 65 crores on Q1-to-Q1 basis. It's about 42%-odd percent down and then profit after tax has come down from 9.37 to 1.51 crores. Initially during the beginning of the quarter we were under the impression even achieving a profitability would be a challenge but thanks to the quick turnaround and our plants getting back on to action especially in the month of June we could declare a nominal profit of 1.51 crores.

Coming back to the prospects; July started well. It's at par with what it is last year. The sectors which mainly contribute to our sales that is Paint and Lubricants are still lagging. Paints leader Asia Paints his back in normal levels at least from June onwards and the rest of the Paint leaders are catching up one by one. Our Lubricants also same situation, couple of leaders like Castrol and Shell and Mobil, the numbers have improved since June and others are catching up now. So like anywhere else the industry is slowly coming back to normalcy and our numbers are also coming back to the last year numbers, starting from June-July onwards. I hope that the same trend will continue because people are now learning how to live with COVID and thought the cases are still increasing, the number of discharges and the treatment for the COVID are also improved which is probably will ensure that we don't go back to the worst days like in April.

With that hope I still feel that company can continue to catch up the lost numbers and with some little help here and there and some good luck probably we will still try to catch up with the last year full numbers by doing better in the next nine months.

One of the positive aspects or steps that company has taken is, setting up a manufacturing facility for manufacturing pumps for sanitizers, hand wash and such liquids. Already some imports have been done to meet the requirements of our clients but the internal production will start only from October-November once the moulds are procured and assembly lines are put in place. Though this year it may not contribute significantly, next financially or probably this will also add to our numbers. This is one action I hope in these tepid days can take the company forward for the future.

Coming to the COVID impact on the employees and units; we are very fortunate till now not to have any major incidents of COVID positives. Very stringent steps of social distancing, sanitization and even providing vitamins support to the employees including the entire sub-contract laborers have been taken up at all the plants including the head office and supporting their insurance and family in case any of the family members get into trouble, we are also extending the help to the contract labor who may not be covered under such protection.

So also completed lot of CSR activities in the COVID time during the last 3 months in the villages surrounding our plants. We have kept a total amount of 50 lakhs towards CSR activities under the COVID and majority of its being used and supporting the groceries and essentials for the workers or also the citizens or people around the villages in the plants where they are located. All said and done this one disastrous period in our life, never I have seen it in my since last 60 years of my life and neither none of you might have seen such disastrous pandemic. But it's good to see that all of us are pulling together and coming back to normalcy and very soon there will be a vaccine and we will be back to normalcy come at least towards the end of this year.

So I think more discussion can take place in the question and answers. I'll handover back to the event manager to proceed with the question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Archana Gude from IDBI Capital.

Archana Gude: My first question is on the capacity utilization, you said now things are getting back to normalcy, what kind of capacity utilization we are running at in July?

Lakshman Rao: So typically the capacity utilization use to be around 70% to 75% is the best capacity utilization on the rated capacity. This first quarter we ended up at 42% and now we are back in the region of 70%-72% in the month of July. So I can say we are back to normal capacity utilization of pre-COVID times.

- Archana Gude:** In Q1 we took prudent cost-cutting measures and that has really supported EBITDA margins, so do we essentially in the same kind of cost cutting Q2 for onwards, what kind of sustainable EBITDA margin guidance you would like to quote?
- Lakshman Rao:** Leaving yes quarter aside we will be back to normal in all terms, not only in top-line but also in EBITDA lines will be back to our Rs. 33-34 per kg kind of a valuation in EBITDA. And I would rather say that there could be some savings in transportation, travel and other staff cost because it's almost near impossible for people to travel and meet the clients, everything is nowadays happening on videoconferencing. So there could be some marginal improvement but I would rather keep it there between Rs. 33 and 34 per kg will be the future EBITDA margin in kg terms.
- Archana Gude:** This Asian Paints management gave good guidance, there were like June volumes were almost 14% up YOY for them. So do you think now for Paint segment even we should be back on the track and that should start contributing like it used to pre-COVID levels?
- Lakshman Rao:** Yes Asian Paints case we see that number is picking up really from June, even in July it is as good but that's not the same with the rest of the Paint industry. They are still maybe a month or two lagging, people are talking about improvement in August, some companies like Berger improved in July for us but Akzo Nobel is indicating stronger August which is supposed to be let's say taking it at about 100, now currently it is around 70. So it will be reaching 100 in August is what they are saying, I need to wait and see. But I would not say that the Paint industry will be back to normal like Asian Paints, in the case of other leaders it might take some time. But returns are positive, so hopefully if it sustains we will gain some traction and at least meet the last year numbers.
- Moderator:** The next question is from the line of Ankit Merchant from Reliance Securities.
- Ankit Merchant:** Can you just help us out with the volume growth for each of the segment and the value growth?
- Lakshman Rao:** Yes it's another drop you can say. In the main segment, the drop in the contributions are here, 51% drop in Paint segment, 55% in Lubs and 27% in food and FMCG. In Food and FMCG the drop is least because overall drop is 43.6%, in Food and FMCG it is around 27.7%. Basically that also is due to the drop in sales of ice cream containers. The summer which is typically used to be huge rise in demand for ice creams, this summer turned exactly the reverse. Ice cream has been considered as a taboo and many people stopped consuming ice cream though the sector was open to production in April-May-June, the numbers are very-very minimal. I would say not even 10% to 15% or 20% of what it was the year before. But for the ice cream segment the food industry sales of last year would have been sustained. But due to the particular segment got drastically down demand reduction found, we have ended up Food and FMCG segment also down by 37%.
- Ankit Merchant:** Can you just repeat the Lubricant part, how much drop did we witness?
- Lakshman Rao:** 51% in Paint, Lubricant 55% and 27.7% in Food and FMCG.

- Ankit Merchant:** This is the volume decline, right?
- Lakshman Rao:** Yes this is in terms of rupees. In volume it is 44.6% in Paint, 51% in Lubs and 16% in Food and FMCG.
- Ankit Merchant:** And your gross margins have pretty much remained at the last year level itself and what we have seen that the employee cost to an extent has gone up. So is that because primarily due to lower utilization and over a period of time as a percentage of sales, employee cost will come down?
- Lakshman Rao:** Yes obviously because employee cost has gone up because we can't reduce the cost, most of the employees were long-term and they will be paid and it will certainly come down as the top line gross or the number of tonnes of sale increases. So it is normal level only, in fact directors and top managers continue to take a pay cut for a further period of 3 months whereas other employees being paid full ones the company start improving its numbers June onwards. So the cost of per employee cost will certainly be at par or little less than last year in the remaining nine-months.
- Ankit Merchant:** Just another question related to the debt, as the debt increase over the last 3 months for us?
- Lakshman Rao:** Debt increment is not there. We have not borrowed in a long-term debt and the working capital bank borrowings keep varying. That also stayed more or less at the same level. Now in fact we have invested for some of the machines which we have ordered last year. They have already arrived and the total of around 7 crores company has already paid towards those machines. Debt after April is around 3.5 crores without any borrowing.
- Ankit Merchant:** Are we seeing any problems related to our receivables from any of the manufacturers or the payment continues to be on time?
- Lakshman Rao:** Most of our clients are all blue-chip clients in different industries Paint, Lub, or Food and FMCG and in case of medium-sized companies who are new to our business, they generally pay in advance. But yes there could be small numbers like few lakhs can still become bad debts in the current quarter compared to the previous quarter but that's not going to be sizable.
- Moderator:** The next question is from the line of Naushad Chaudhary from Systematix.
- Naushad Chaudhary:** Question is on the CAPEX side; for this year we had around Rs. 18 to 20 crores of CAPEX plan and including this new thing which you have announced sanitizer pumps which I believe will need around Rs. 12 crores of CAPEX. So this is including in our Rs. 20 crores of CAPEX plan or is it additional on Rs. 20 crores?
- Lakshman Rao:** No, this is inclusive. Maybe it may move up to 25 crores because as the things become normal we need to add some balancing equipment for our Food and FMCG lines and also maybe a new additional building block, so in which case the CAPEX can go up marginally to 23 to 25 crores. This is inclusive of the project cost for the pumps.

- Naushad Chaudhary:** Two questions year on this sanitizer pump CAPEX plan; how much of revenue potential you see from this CAPEX and would this line be fungible for other products, so suppose tomorrow if you don't have must demand of these pumps, would we be able to use it for some other products?
- Lakshman Rao:** Yes the beauty of injection molding is the machines are fungible 100%, only the molds become specific for a particular product. So the molds in case of drop in demand may become redundant but we see that not only for sanitizer the same pumps can be used for the hand wash and other liquids and there is a severe shortage of pumps capacity in the country. So even if the COVID is past and we all back to normal days, there is sufficient demand for good quality pumps in India which were previously being imported from China majority. So we still feel that there will be reasonable demand to continue the business on the long run. In case of negative developments like sudden drop and lack of demand in this segment, those machines can be completely used. So almost say, 70% of the investment is fungible and the rest of the 30%-35% for molds and assembly lines may become redundant.
- Naushad Chaudhary:** And what kind of revenue this investment can generate for us?
- Lakshman Rao:** At full capacity it can definitely add around 40 to 45 crores turnover at the top line with a decent EBITDA margins close to Rs. 35-37 per kg. But this year I don't expect that it may be only for 3-4 months, so it will take a lot of learning and lot of stabilizing the operations. But next full year we see a decent contribution from this segment.
- Naushad Chaudhary:** So commissioning of this plant is done and we are doing stabilization and other stuff or when do we expect commissioning?
- Lakshman Rao:** Commissioning will happen by end of October, middle of October and supplies may start partially in October but mainly from November onwards. But different products and different applications, different lines require to stabilize the pump fitments and various quality tests they have to pass through. But once that happen the numbers can shoot up.
- Naushad Chaudhary:** So we should expect by 4Q some revenue should start coming in?
- Lakshman Rao:** Yes in the fourth quarter the numbers can start coming in.
- Naushad Chaudhary:** On the margin side, despite such a steep drop in our revenue, we have maintained a decent margin at EBITDA level. I believe this is due to benefit of our product mix, apart from this our cost reduction is there any other factor which is also playing for our margin like raw material benefit or something one-off which has helped on the margin?
- Lakshman Rao:** Not really, the most important thing is we never compromise on pricing and especially in Food and FMCG, we are in a position to command a decent premium which we continue to do so in this quarter also, especially so because many companies were going for packaged food in these days and they find all these years they were mainly looking at cost savings and not able to spend on packaging for the packaged food. But today they identified that importance of good hygienic

packaging like IML, so some segments there is improved demand. But one of the major setbacks as I explained is ice cream which is really impacted the food packaging numbers this year. Otherwise things would have been at least normal given the surge in demand from other packaged food segment.

Naushad Chaudhary: Lastly two quick bookkeeping questions, you have shared volume growth number. If you can share the absolute number, how much tonnage of sales we did in this quarter?

Lakshman Rao: This tonnage is 3713 as against 6300 in the Q1 last year.

Naushad Chaudhary: And how much was from Paint, Lub and F&F?

Lakshman Rao: It is 1814 Paint, 900 Lubs and about 1000 Food and FMCG.

Naushad Chaudhary: The revenue number if you can share of Paint, Lub and F&F?

Lakshman Rao: Revenue number of Paint is 27.5%, Lub is around 14%, Food is 20.1%.

Moderator: The next question is from the line of Sonia Vernekar from Equentis PMS.

Sonia Vernekar: I have a small question, you mentioned that we are facing manpower issue and that tendency is at 70% to 75%. But still we have managed to reach our pre-COVID capacity utilization, so how are we doing that? And what strategies we will be going ahead with to increase this manpower to get more people to work?

Lakshman Rao: As far as reduction in the manpower is concerned, it is there everywhere and utilizing them more effectively is what we are able to do. Our people like the supervisors are also getting involved in the critical activities like quality checks specially where being of mass production we used to have lot of people working on visual inspection. So that area some of the staff members have taken over and releasing our people to operate on the machines. And wherever it's possible and people are ready to do we have made them work on 12 hour shift with over time and we have providing both lunch and dinner. Earlier it used to be one meal but now we are offering all the people whether they work allows or not, they can have both subsidized lunch and dinner, so that they are also motivated to work for 12 hours and have the both meals which are cooked hygienically with better protein and better mix of all ingredients that are needed in this time of the day. So these small-small things are enabling us to run the show even at 90% of normalcy with 75% of the actual labor present. And going forward we are also now providing medicines or vitamins for all the employees right up to the subcontract labor, some 1.5 lakh vitamin tablets are being procured and distributed right at the gate on a daily basis to all the employees were entering the premises to ensure that their immunity system improves. These small things are also making difference in more labor or mainly the subcontract people coming over to work with Mold-Tek compared to the other nearby industries. So not great tricks of the trade but basically it will make sure that they are also safe and they will keep our interest also in their mind. So that is what is helping us to attract slowly the improving in the attendance.

- Sonia Vernekar:** By when you expect this to normalize?
- Lakshman Rao:** That's a big question because the cases are still increasing, only thing is what I hear from the news that the impact of COVID in terms of the kind of death rate or the criticality is coming down thanks to the medicines availability and care that is being taken by people in general, especially in Telangana. If you see the mortality rate is very low here, so probably the ability to face the pandemic is improving in the people and that's what is everybody hoping. That's the day when we can see normalcy but I think it will continue for at least 4 to 6 months before we see a total relief.
- Moderator:** The next question is from the line of Akhil Parekh from Elara Capital.
- Akhil Parekh:** My first question is on the containers for the hand sanitizer which you mentioned, so mostly these contenders if I am not mistaken are the blow-molded containers while our expertise lie in the injection molded containers. So would you be able to shed some light on this?
- Lakshman Rao:** The edible oil containers, we made some minor corrections in the caps and make it suitable for fitting a pump, so some sanitizing companies are finding it very user-friendly because it looks elegant and can be kept right in the office desk or in a mall where mass consumption of sanitizer is required. So couple of them are successfully launched in the last month and another big brand is introducing in this month. But these numbers are not very big to talk about but that will add whatever new applications for our existing pack. So this is basically our 5 liter edible oils back which we have modified to suit to the pump of a sanitizer.
- Akhil Parekh:** Any visibility are we seeing because you mentioned that we are putting up an additional line and we are building molds for the containers for the pumps, so any of the big clients have hinted us that they will procure from us?
- Lakshman Rao:** Yes, we have couple of clients in principal committed to us, one is Asian Paints, another is Wipro and we are also in talk with ITC, Apollo at various stages of finalization. But everybody's looking forward to the sample before they give the final commitment but definitely has shown interest to go with us.
- Akhil Parekh:** And this will be margin accretive or dilutive product compared to Food and FMCG products?
- Lakshman Rao:** It is equivalent. More or less equivalent to Food and FMCG.
- Akhil Parekh:** IML and non-IML part if you can please give tonnage wise how much would be these and the value wise also?
- Lakshman Rao:** Food and IML regular has become around 62.5% as compared to 60.8% last year.
- Akhil Parekh:** This is for IML?

- Lakshman Rao:** IML.
- Akhil Parekh:** This is volume wise?
- Lakshman Rao:** 62.5% in tonnage, so there is a gradual improvement over the last year Q1. But this quarter is not a quarter to really make comparisons because the sales are not really in line with what they used to be.
- Akhil Parekh:** I didn't catch up, you said 62.5% in tonnage wise you are saying it IML?
- Lakshman Rao:** Tonnage wise from 60.8% last year.
- Akhil Parekh:** And value wise how much it would be?
- Lakshman Rao:** Value wise 64 crores, more or less same.
- Akhil Parekh:** Have you seen any drop in the price realization across our category because if I see the volume growth is slightly lower while value drop is on—I have said—across all....
- Lakshman Rao:** Not that because the difference is, the bigger containers of edible oils are sold in this quarter than ice creams containers last year, so the ice cream containers of small but they add more value whereas the Food and FMCG sales of edible oil has improved in this quarter compared to the previous quarter whereas ice cream has really beaten the dust, down by almost 70%-75%.
- Akhil Parekh:** Would you be able to highlight how much we are expecting from this edible oil segment because I'm assuming it is largely unaffected by COVID and if I remember correctly.
- Lakshman Rao:** As I remember I don't have but it is certainly better than what it was last year, edible oil is same.
- Akhil Parekh:** I meant how much is the guidance for the year for the edible oil?
- Lakshman Rao:** No it is increased to 9.8 from 9.1. It was 9.1 crores in the Q1 last year, it is now 9.8 and volume wise 560 tonnes has become 630 tonnes, so there is an improvement of around 12%-13% in the sale of edible oil packs.
- Moderator:** The next question is from the line of V.P. Rajesh from Banyan Capital Advisors.
- V.P. Rajesh:** Just very quickly if you can repeat the numbers for Q1 for the business from FMCG and Lubricants business?
- Lakshman Rao:** In terms of revenue the Lubricants was 14.39 crores and Food and FMCG was 20.1.
- V.P. Rajesh:** And you were saying you will be able to potentially post the same numbers you did in last year, so is that in terms of both revenues as well as the EPS or if you can just give some more color around that how do you see the next 2-3 quarter shaping up?

- Lakshman Rao:** That's our target to be very frank with you. We need to cover whatever 50 crores odd loss of revenue in the first quarter we wish to cover in the remaining nine months. That may be itself a long call but if the pumps business starts in October-November and they start adding about 10 to 12 crores per quarter that is hardly for 1-1.5 quarter left in this year by the time and if the numbers in the Paint industry grows up as projected by M/s Asian Paints we may still able to reach somewhere near the top line number of last year. so that is the internal target, I am reasonably confident we will be able to do that unless situation change and things again go back or any further damage happens through this pandemic in terms of labor availability, in terms of drop in demand which today we can't guess.
- V.P. Rajesh:** How much lead-time from your customers in these various segments, is it like 30 days or 60 days or longer than that?
- Lakshman Rao:** The credit period we always have is average around 60 days and that continue to be the same. There are few bad debts happening in the small sectors especially but we are generally protective in terms of taking advance from smaller clients. There are delays to the tune of maybe 7 to 8 is on an average. It is around 3 to 4 days overall increase in the debtor days.
- V.P. Rajesh:** But I was actually asking about the order lead time, let's say if Asian Paints is placing an order then they do it 30 days before you have to deliver it or is it longer if you can just give some color on that?
- Lakshman Rao:** That's very fast actually; they give twice in a month. Majority of the clients give twice in a month. They call it first phase and second phase. First phase the orders come generally at the end of month for the next month and the second phase come in the middle of the month for the remaining part of the month. So let's say around 25th of this month like July we will be getting to know the first half demand in August and by around 15th-18th of August we would know the demand from second half of August. So the frequencies pretty short, the time gaps are around 15 days. Some clients keep even weekly call-ups because their orders are open-ended, volumes are indicative and the real numbers will be given weekly by some clients like Valvoline for example. They give weekly call-ups. Other major clients give typically twice in a month.
- Moderator:** The next question is from the line of Karan Bhatelia from Asian Markets Securities.
- Karan Bhatelia:** Just wanted few data points, so how much of sales we did from the new Asian Paint plants at Mysore and Vizag, in metric terms and in crores?
- Lakshman Rao:** Mysore and Vizag numbers are comparatively better, basically because last year this time hardly they started. Mysore just started in the month of April, March ending or so and Vizag inaugurated towards end of April last year. So their numbers in the first quarter of last year were almost negligible. But this year though April got very badly affected, May and June the numbers have improved. Current quarter we did almost 11 crores in these two units, so almost 1/6th of our turnover has come from that compared to maybe couple of crores last year. Last year it was just beginning.

- Karan Bhatelia:** And in terms of metric tonnes?
- Lakshman Rao:** Metric tonnes you take around 300 to 330 tonnes production as against 100 tonnes, 654 tonnes for 12 crores.
- Karan Bhatelia:** And how are we seeing things on the raw material side because we have seen massive volatility in raw material in the crude side, so how do we see things shaping up there?
- Lakshman Rao:** As I told you many times the raw material prices are always adjusted within a maximum span of one month with all our clients in the base pricing. So cover price movement will not have complete relation with the raw material pricing, it's only partially they are both linked and whatever happens this month we pass it on to them next month, either up or down. So raw material prices doesn't matter, only they matter in looking....the revenue number may look big or small that's why we always consider our numbers in tonnes or per ton basis.
- Karan Bhatelia:** I was asking because there was sudden volatility in the crude prices.
- Lakshman Rao:** But that didn't really result in a very drastic drop, certainly there is a drop, for example the last 12 months average is 85.7 for the raw material has become 75.5 in this quarter from 85 last year to this quarter 75, so there is a considerable drop. But whatever drop majority we will pass it on to the clients.
- Karan Bhatelia:** Any clarity on the Kanpur plant that we were talking about?
- Lakshman Rao:** Kanpur plan most probably will be deferring this year because it's not possible to go out and build a plant in this kind of COVID condition. So we have already intimated both our clients Nerolac and Berger that this year we will not be going ahead with the plant. If things stabilize by beginning of next year we will certainly take it up in the middle of next calendar year. We certainly deferred the plant for this year.
- Karan Bhatelia:** The enquiries for sippers and for Zomato, Swiggy, detergents, dates, so all these are on or even they are delayed given the current scheme of things?
- Lakshman Rao:** Everybody is affected, you name it but companies in the Food industry are reasonably better off in April and May compared to others and these dates, we found 2-3 clients who are buying detergents, we have added couple of clients. But when things are so dull and their own production is not running nobody would be inclined towards innovations and trying new tricks in the trade. So generally the outlook is pessimistic to try anything new. But as we shackle out things will start moving normal maybe in couple of quarters.
- Karan Bhatelia:** We were facing issues with Mondelez since last couple of quarters we have seen sales declined, so now what steps have been taken and how do we see FY21 as a whole, not considering the impact of COVID, so can we achieve the normalcy sales that we used to achieve 2 years back?

- Lakshman Rao:** In Mondelez alone or you are talking about the entire company?
- Karan Bhatelia:** No sales to Mondelez.
- Lakshman Rao:** Mondelez alone things are not really good, actually the deterioration in their numbers is continuing. Their numbers actually in this quarter were pretty low, is one of the other reasons for the Food and FMCG to fall otherwise it would have been at least at same level as last year because they are more concentrating on biscuits than on this fancy kids items and they say that they are going back to the basics for the time being and probably from the third quarter we will start picking up better numbers. But the overall numbers for this year will be certainly down compared to last year by reasonable percentage.
- Karan Bhatelia:** But we were also planning to manufacture different sizes for Mondelez because they had gone for slightly different packaging sizes, so still that did not work...
- Lakshman Rao:** Yes they mentioned that and we even developed the prototypes and all but they dropped that idea. Last year, towards end of last year I think November or so they mentioned to reduce the pack size to save cost and make the container and more numbers but they dropped their idea. Now currently there is no such discussion about changing the pack, its continuing as this but their numbers have come down considerably.
- Karan Bhatelia:** Reducing the pack size, wont it benefit us because smaller the pack size we are better off at the margins level?
- Lakshman Rao:** Agreed but it is the final call to be taken by Mondelez, so they decided to continue as it is. So we couldn't push them and in these COVID time I think...
- Karan Bhatelia:** Any yearly number can you guide, maybe number for FY20, rupees in crores or what was the average 5 years back or something like that?
- Lakshman Rao:** They are down considerably in these first 3 months is what I can say. You can send a query and I will ask Ram Babu to answer but in the first 3 months the numbers are considerably down.
- Moderator:** The next question is from the line of Shailee Parekh from Prabhudas Lilladher.
- Shailee Parekh:** I have two questions, one was I just wanted to reconfirm the volume numbers that you shared for the Vizag and Mysore plant for this quarter, did you say 654 tonnes for Q1?
- Lakshman Rao:** 650 tonnes for Q1 and the sale number is 11.72 crores.
- Shailee Parekh:** And this number last year you said in value term was just a couple of crores and in volume terms...
- Lakshman Rao:** No, it is not so less, it is around 8 crores, so it's gone up by almost 50%.

- Shailee Parekh:** In terms of volume did you say 100 tonnes last year?
- Lakshman Rao:** 8 crores means this must have been around 450 tonnes.
- Shailee Parekh:** And my second question was you did share the volume and value breakup for the edible oil segment, could we get the same data for the thin walled the curd and the ice cream segment as well?
- Lakshman Rao:** The other than edible oil sales the numbers have fallen in the ice cream segment considerably. I think it is down by almost 26%, put together that means other than edible oil, in the thin walled drop is around 26%.
- Shailee Parekh:** In value terms you are telling me?
- Lakshman Rao:** In terms of value and volume more or less same, 24% in value and 26% in volume.
- Moderator:** The next question is from the line of Mehernosh Panthaki from Dhanki Securities.
- Mehernosh Panthaki:** You even had plans to enter to the agrochemical segment and around a couple of quarters back you had given in the press release that we are in talks with several clients and in the agrochemical segment you are citing a very strong opportunity. Now quite understandable that currently there is a slowdown but just wanted to get an update on the same, is the project completely on hold or we are progressing on that front as well?
- Lakshman Rao:** Actually when we started that this COVID started in a big way and we are still in touch with couple of them. That is not a very huge segment by itself for pails because they mainly use roto-drums and blow molding containers in their overall segment of packaging, drums and blow molding containers occupy almost 80% to 90% which we are trying to gradually replace with pails. So that process of change in this period is becoming more tough but we are still in touch with them, thus numbers may not improve this year because the ability to meet the clients, conduct the various tests and transportation test, nobody has either the mobility nor the time and resources to do such experiments now. So those things will be on the backburner at least for the time being but the moment normalcy comes we still have that in mind and the molds for that are already been made, at least one set of 20 liters mold is made and being tested at our end which is found to be suitable but the clients are in not really great mood to do any tests now.
- Mehernosh Panthaki:** This you are talking about the agrochemical space, right?
- Lakshman Rao:** Yes the agrochemical and pesticide.
- Mehernosh Panthaki:** Just wanted to understand that when the things normalize and you will be progressing on the same what kind of sustainable or potential margin is there in this business going forward?

Lakshman Rao: Margins will be similar to the Paint and Lubricants, there won't be much higher pricing for them because other than seeds segment, agrochemical segment is also a kind of industrial lines and they are very much particular about pricing. But the numbers could be reasonably good, let's say the potential could be to the tune of 50 to 60 crores per annum in terms of rupees, so up to that much of volume can be created in a good year had it been introduced by now. But this year I don't see any contribution coming from that segment.

Moderator: The next question is from the line of Ankit Merchant from Reliance Securities.

Ankit Merchant: My question was related to our investment which we are doing in the pump segment for sanitization. Now I understand that we could be starting somewhere in October and till the time the full effect comes, it will be almost Quarter 4. So it's just that we are spending close to 12 crores odd into this segment and almost close to 25 crores of CAPEX we are planning for this particular year. So do you think it is quite a valid argument given that we have done our investments in RAQ and that has also actually turned bad and are there any chances this also could turn bad considering that this could be a very short-lived sort of a phenomena?

Lakshman Rao: Ankit I agree there is always a risk in any business but we have did our homework this time and especially not only for the sanitizer pumps which might not have a long life in terms of a huge demand which they're enjoying now but hand wash and other liquid applications also need pumps like shampoos for example in India there are only couple of medium-sized players who are active in this pump segment and any time if there is any shortage of volumes people were use to import from China. Given the anti-China sentiment and maybe probable import duties or additional cost that may be associated in future, some of the clients in India are now looking at local sources and we are trying to talk to them and make some arrangements for 1-2 years of commitments which of course are subject to business conditions. But that kind of safety we are trying to take from at least half of the capacity and hopefully by next quarter when we talk I will have more clarity about how deeply we could get commitments, how much volumes we could take commitments to safeguard our interest. And I again answered a question previously that most of the investments now are about 70% of them go into injection molding machines which are generic that means they are fungible, they can be used for any other applications, they can replace some of our old machines which generally every year we keep changing at least 7-8 machines per year of which half of them are small sized. So 4 to 5 machines a year we keep replacing because more than 10-12 years and they are consuming more power, they are increasing maintenance cost. So these 9 machines we are adding now won't really go waste. In couple of years they can be used for our in-house in case this project doesn't take-off. So that risk of project and the taking off is there with any product but 70% of the investment that's about 8 crores goes into the basic building and basic machinery will be certainly useful. Only the molds and assembly lines costing around to 4 to 4.5 crores, maybe 5 crores would be at risk.

Ankit Merchant: But that was more related to our capital allocation as a policy, so that was my main question for you. So that we don't end up creating domestic which we have committed in the past, so I was just pretty cautious on that front that's it.

- Lakshman Rao:** I take your point of view Ankit. We've discussed it and lot of thought has gone into before going for this project. It's not that sanitizer is going to stay forever but shampoos and hand wash will certainly be there and there is clear gap of demand supply in this segment for some quality pumps. So we hope that we can have a sustained demand.
- Moderator:** The next question is from the line of Deepak Mehta, an Individual Investor.
- Deepak Mehta:** I will ask something related to private labels. In private labels what kind of demand we are seeing from the small companies and all?
- Lakshman Rao:** Yes certainly the small companies which were earlier reluctant to go for IML and costly packaging solutions are now looking at IML containers even they are expensive because as the consumer is going more and more for packaged foods, the awareness about IML and not only for the decoration but the hygienic ways IML is produced and how it differs in the shelf compared to a traditional skin printed or stickered container is making even a small players to shift towards IML. And now that we have added our Flexographic machine, small runs also are possible. That means we don't need to keep a minimum 50,000 order to make it IML compatible. We can even take an order of 15,000 or 10,000 of and give them effective pricing. So there is a shift and the number of small players asking us for especially Food and FMCG containers are on increase.
- Deepak Mehta:** Question is that so due to anti-China sentiment, so what can be the potential market opportunity for our company if we tried to figure out?
- Lakshman Rao:** Actually nothing what we manufacture comes from China because containers occupy a lot of space and they will be very expensive for anybody to import them from China because that cost of transportation would itself be in the tune of 15% or more, so there is nothing much happen by stopping imports from China. Hopefully the pump is the only segment where there is considerable import because pumps don't occupy lot of space. That is the only area where we might see some benefit due to any curbs on Chinese imports, not in our regular products.
- Moderator:** The next question is from the line of Karan Bhatelia from Asian Market cap securities.
- Karan Bhatelia:** I was under the impression that the investment in mold is done by the OEM.
- Lakshman Rao:** Yes, in case any product is made for a specific line then the molds are made and borne by the client like Mondelez. But in case we generally develop a container like our edible oil container and we sell it to everybody then those molds investments are also on us.
- Karan Bhatelia:** I missed the value number for IML and non-IML for this quarter, can you just repeat?
- Lakshman Rao:** Yes, the IML is 62.5; non-IML is 37.5, compared to 60.8 and 39.2 lakhs.
- Karan Bhatelia:** I'm talking in terms of value.

Lakshman Rao: In terms of value it is 64 and 36.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Abhishek Navalgund for closing comments.

Abhishek Navalgund: I would like to thank the Management for patiently answering all the questions and also thanks to all the participants for joining the call. Stay safe and take care.

Moderator: Thank you. Ladies and gentleman, on behalf of Nirmal Bang Institutional Equities that concludes this conference. Thank you all for joining us and you may now disconnect your lines.