

Mitsuchem Plast Ltd.

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Date: August 10, 2023

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Mumbai- 400001

Script Code : 540078

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors and Analysts held on August 08, 2023

With reference to our previous communication dated August 03, 2023, intimating you about the Conference Call with Investors and Analysts held on August 08, 2023, please find attached the transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

FOR MITSU CHEM PLAST LIMITED

Ankita Bhanushali
Company Secretary

Encl: as above

Manufacturing Units

Unit-I: N-83/84, MIDC, Tarapur,
Boisar, Dist. Palghar -401506.
Maharashtra.

Unit-II: J-237, MIDC, Tarapur,
Boisar, Dist. Palghar -401506.
Maharashtra.

Unit-III: Plot No. 24/11, 24/12, 24/15, 24/8B & 25/1,
Village-Talavali (Lohop) , Post: Majgaon,
Opp. Birla Carbon Ind.P Ltd., Tal. Khalapur,
Dist: Raigad, Pin: 410220, Maharashtra, India.

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

Blow Molding | Injection Molding | Custom Molding



“Mitsu Chem Plast Limited Q1 FY 2024 Earnings Conference Call”

August 08, 2023



ANALYST: MS. KAJOL GOWDA KIRIN ADVISORS

**MANAGEMENT: MR. MANISH DEDHIA JOINT MANAGING DIRECTOR &
CHIEF FINANCIAL OFFICER MITSU CHEM PLAST LIMITED
MS. KASHMIRA DEDHIA VICE PRESIDENT OF FINANCE &
ACCOUNTS MITSU CHEM PLAST LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Mitsu Chem Plast Limited's Q1 FY2024 Earnings Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Kajol Gowda from Kirin Advisors. Thank you and over to you!

Kajol Gowda: Thank you. On behalf of Kirin Advisors I would like to welcome all to Mitsu Chem Plast Limited's Q1 FY2024 Concall. From the management side, we have Mr. Manish Dedhia, the Joint Managing Director and CFO and Ms. Kashmira Dedhia, Vice President of Finance and Accounts. Now I hand over the call to Mr. Manish Dedhia. Over to you Sir!

Manish Dedhia: Hello everyone. I extend my warm welcome to you for our Q1 conference call to discuss Q1 FY2024 performance and outlook going ahead. Despite cost pressures and market conditions we have a sustained turnover and profitability. We are optimistic on demand growth while we are equally concerned about cost pressure. Our focus is on minimizing cost and improving our profitability. Let me share the demand perspective with you.

India rigid plastic packaging market is expected to reach \$18.02 billion by 2027 growing at a CAGR of 8.01% from \$11.55 billion in 2021. The stronger growth is driven by rising GDP, increasing per capital income, surge in sales through e-commerce, and changing consumer perception. Rigid packaging is largely replacing traditional packaging such as glass bottles and jars, cartels, metal cans, etc., for a variety of reasons including lightweight, lower comparative cost, design flexibility and ease of recycling.

Indian pharmaceutical market is growing at a double digit rate. Pharmaceutical packaging is becoming increasingly important component of drug delivery system. Pharmaceutical companies are increasingly relying on packaging and labeling as a means of protecting and promoting their products as well. As increasing patient compliance and complying with the new regulations, plastic packaging is gaining importance due to properties such as moisture barrier, high dimensional stability, high impact strength, resistance to strain, lower absorption, transparency, heat and flame resistance and so on. Plastic is one of the most commonly used materials in the food industry for food packaging, its role in the food safety and reducing food waste has made it an essential material in the food industry.

Similarly, hospital furniture is another lucrative growth area. We have seen sharp jump in demand during COVID pandemic. The growth prospects are bright with many new hospital facilities are coming up and the government's thirst on medical facilities as well. India is becoming more of a



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manufacturing hub and its exports are increasing as well. To cater to the international market packaging standards are being raised, which necessitates the use of better packaging method to ensure that the end product quality and visual appeals are of the highest standard. The demand outlook is very bright, which is known for quality products and customization and our approach meet customers demand will help us ride on rising demand cycle. We project strong outlook for current year. Softening of oil prices is another positive for plastic packaging. We have seen softening of oil prices from May and June and the trend is still downward compared with a year ago. All in all we see positive outlook for our industry in near future. I now hand over the call to Ms. Kashmira Dedhia to give an update on Q1 FY 2024 performance. Thank you.

Kashmira Dedhia:

Good afternoon. We started FY 2024 on a positive note with a total income of Rs.80 Crores and net profit of Rs.1.35 Crores. At EBITDA level we reported profit of Rs.5.03 Crores while PBT is Rs.1.84 Crores. The complete molded industrial plastic packaging products accounted for the largest share of 84.68% to the revenue as it continued to supply OEMs of various industries such as chemical, pharmaceutical, dye, agrochemical, disinfectants, etc. The hospital furniture part verticals also contributed 7.51% to the revenue and other verticals including infrastructure furniture contributed to 7.82% to the total revenue. Mitsu Chem Plast Limited continues to maintain a good level of capacity utilization during FY 2023. The company's plant operated at an average capacity utilization of around approximately 70% plus on installed capacity of 25,000 metric tonnes per annum approximately. The capacity utilization was achieved through efficient production planning, effective cost management and timely investment in technology and machinery. With this brief update I would like to open the floor for questions. Thank you.

Moderator:

Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Yashwanti Khedkar from Kojin Finvest Private Limited. Please go ahead.

Yashwanti Khedkar:

Thank you for the opportunity. Sir I just wanted to understand the business outlook and the business growth because from couple of past quarters we are not able to maintain the expected profitability, the cost pressure has been continuously weighing on our bottomline so what outlook you will gain and as this is happening for a couple of quarters what strategies are in place to optimize the profit and minimize the cost?

Manish Dedhia:

Thank you very much Ms. Yashwanti. Yes your observation is right. We are trying to do many, many other things also, so I think we did at first a lot of value engineering with the production output so there we reduce the cost, but I think yes we need to reduce some of the costs as well and we had already started that and we are reducing some of the cost as well but outlook it looks very, very

positive so somewhere we do not have extraordinary expense as well but somewhere the cost pressure comes at that time your margin shrinks and then maybe sometimes that things gone down.

Yashwanti Khedkar: Are any hedging policies or passing on to the customers, whatever the hike we are expecting we are seeing in the raw material costs, are we in a position to pass it on to customers or do the hedging for the raw material acquisition?

Manish Dedhia: First thing hedging in plastic is not too much possible looks like number one. Number two, so what happens are like prices are going down and going up both the things are happening here. Yes, we are getting a price from customer also but sometimes what happens is like we are 60% depend on the import at the time and we have to keep definitely 75 to 90 days inventory and then by the time raw material, which is here in India, so here the prices are different, so sometimes those margin pressures are too much and that inventory level and the local prices versus import prices makes lot of different things.

Yashwanti Khedkar: Can we substitute it with the Indian material?

Manish Dedhia: No, so basically out of 60% I think 40% material is a compulsory material where we are buying from some other countries because India is not manufacturing that particular grade. We are forced to depend on the import.

Yashwanti Khedkar: Sir any benefit from the government is enjoyed by you?

Manish Dedhia: No, but yes, I think in a year's time India will come up with a manufacturing facility of the same grade, but I think it will take one year so unless and until the product comes out we will not be able to show because in world also there are not many players, only very few players. Already you can count it like three and four players are there whose materials are like okay for quality.

Yashwanti Khedkar: Even your competitors would be also be suffering from the same price hike and the higher prices of the raw materials, right?

Manish Dedhia: Yes.

Yashwanti Khedkar: So how we can distinguish from them?

Manish Dedhia: Good question. To distinguish I do not know. Some people are selling maybe lower than us, somewhere we also found out that many, many suppliers like us are selling at the lower cost than us, so which we do not understand sometimes the market or the suppliers. I did not know, so sorry I do

not have that answer with me right now. It is difficult to say anything. Nobody says the truth, even the customer or the supplier so like, that is the biggest issue.

Yashwanti Khedkar: In case the supplier competitors are selling at lower prices it means that you also have a pressure to lower down your prices am I right?

Manish Dedhia: Right, exactly. So sometimes we leave the business, sometimes we have to pass on that benefit or so we are doing mix of that.

Yashwanti Khedkar: So you expect after a year or year-and-a half, so we can see some tailwind in our profitability?

Manish Dedhia: So see what happens is like the prices has gone down in May after May end and June so all the benefit will come in Q2 but then again how the Q2 will survive with everything. Whatever India is doing, India is a really growing market so as of today everybody wants to sell in India even the importer also unlike those other countries people wanted to sell raw material here, so definitely they match the price and all these stories like then we will get a benefit maybe next quarter, so it is like spill over rate.

Yashwanti Khedkar: The strategy of introducing a high value product that is high value and high margin product can be a strategy to counter this issue?

Manish Dedhia: Definitely see we already have those value added products as well but like value added product has some quantum. It cannot be like very big quantum so those niche items yes we are supplying like example hospital furniture I say there is a margin in other furniture, infrastructure furniture, but those all goes in the capital intensive market.

Yashwanti Khedkar: The benefit is nullified?

Manish Dedhia: Not nullified. We get a benefit, but it cannot be repeat order. It is supplied to one office example those hospital furniture and then they supply to one hospital the hospital may not buy again and again, but yes the other hospital will buy for sure.

Yashwanti Khedkar: So where the client will differ from every quarter-to-quarter?

Manish Dedhia: Yes, yes, in particularly niche items. So we are also going for some value added items also, but I think we have started already the research and everything; it will take some three to six months down the line to coming with the right product where we can have regular orders also.



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- Yashwanti Khedkar:** Hospital healthcare is a very niche category so there is likely that many unorganized player also will be a part of this segment right?
- Manish Dedhia:** Yes, maybe yes because we supply to Pan India, we have godowns in North in Delhi and in Hyderabad also. We supply to many, many customers or small, small, small time customers also who supply to hospital. So yes, there are many unorganized players also in this.
- Yashwanti Khedkar:** Thank you so much for your kind explanation. I will come back in queue and all the best for your future projects.
- Moderator:** Thank you. The next question is from the line of Alok Damani from Shree Capital. Please go ahead Sir.
- Alok Damani:** Good afternoon Sir. Sir I want to know till how long we can expect the cost headwind to continue?
- Manish Dedhia:** Cost.
- Alok Damani:** Cost headwinds like higher costing?
- Manish Dedhia:** We have already taken many, many steps to reduce the cost, so I think you will see very soon quarter-on-quarter you will see the results that is for sure.
- Alok Damani:** What is our EBITDA margin guidance for ongoing forward?
- Manish Dedhia:** Our internal target is 13%, but at least we are optimistic we are seeing at least 10% EBITDA margin we require this year.
- Alok Damani:** What measures you will take for it?
- Manish Dedhia:** Definitely see as I said like a lot of value added items we are also doing planning and all these things and we have already introduced some of the new products as well. So we are trying to get some better margin in that product.
- Alok Damani:** May I know which product you are introducing in pipeline?
- Manish Dedhia:** We will announce very soon Sir.
- Alok Damani:** Any new client addition in your portfolio?



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- Manish Dedhia:** Yes so I think we have added around 25 customers in last quarter.
- Alok Damani:** Could you bifurcate your total revenue in the hospitality furniture contribution?
- Manish Dedhia:** Yes Kashmira we will do that.
- Kashmira Dedhia:** From total revenue we have 84.68 in packaging and 7.51 in hospital bed furniture.
- Alok Damani:** I want to know the status of your pail container business?
- Manish Dedhia:** It is going on and we are still on that development stage, so many customers are on a development because that there is a lot of trial and error and everything is going on but at least I can say it was good quarter, last quarter was a little bit good and then this we are trying to get more orders in this quarter.
- Alok Damani:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Anirban Manna, an Individual Investor. Please go ahead Sir.
- Anirban Manna:** Sir my question is for the last six quarters revenue is almost stagnant, so when can we expect the uptick in the revenue like almost Rs.70 Crores to Rs.80 Crores we are forwarding in between these range so when can we expect the uptick in this revenue?
- Manish Dedhia:** In the last concall also I said the same thing. Right now we are planning for improving our bottom line. Definitely turnover is also as well important, yes. We are doing now many, many developments and many I can say many management involvement for both the things to increase the turnover and increase the profitability both we are doing things. So next two to three quarters you will see very good results looks like. Hope for the market come back at its own.
- Anirban Manna:** Alright any ballpark number for FY 2024 in terms of revenue?
- Manish Dedhia:** So I think I can tell you that it will much better than last year.
- Anirban Manna:** Alright. Thanks. All the best.
- Moderator:** Thank you. We take the next question from the line of Himani Ubhan from Suraj Enterprises. Please go ahead.



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Himani Ubhan: Sir good afternoon. Sir my first question is what is your working capital cycle?

Manish Dedhia: Kashmira will give the answer only.

Kashmira Dedhia: Net operating working capital cycle for the quarter is 48 days Madam.

Manish Dedhia: We have increased four days from last quarter it was 44 days and now it is 48 days.

Himani Ubhan: What is average interest rate?

Manish Dedhia: Approximately 11% in this quarter compared to last year it was 9.97%.

Himani Ubhan: Cash from operations was really good so any plan for capex?

Manish Dedhia: Yes, we will let you know soon in the planning of doing that, so we will announce soon then.

Himani Ubhan: What is your current capacity and capacity utilization?

Kashmira Dedhia: Capacity utilization for this quarter was on an average 70% plus and capacity is approximately 25000 metric tonnes per annum.

Himani Ubhan: Have you taken any price hike to escalate cost to our clients?

Manish Dedhia: Yes Madam. We are trying to do that. For all the corporates to be very honest the last quarter was not good with our customer factor as well so our customers are like chemical industry, pharma industry, new buying so I think everybody has shrink their margins so, yes, we are trying to get those margins but like it is really, really difficult. We are trying so once their market comes up very good to automatically then our cost also will be accepted.

Himani Ubhan: Has any product added to our product portfolio?

Manish Dedhia: No. So small, small developments are already on like in blow molding and injection molding some of the products are on but some value engineering product we are coming up so it will take some time. So it is in a development stage. Once we are ready we will announce very soon.

Himani Ubhan: My last question is are you planning to start in exports?

Manish Dedhia: Yes.



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- Himani Ubhan:** So till when we can expect?
- Manish Dedhia:** Very soon.
- Himani Ubhan:** Thank you so much. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Gunit from CCIPL. Please go ahead.
- Gunit:** Sir thank you for giving me this opportunity. You mentioned that FY 2024 revenue numbers will be much better than FY 2023 so would we start seeing this from Q2 onwards itself?
- Manish Dedhia:** Yes. I am not just praising myself but yes, I am like in this pressure time also we maintain those turnover, profit margin has gone down but yes the numbers will be definitely better than the coming quarters.
- Gunit:** In Q1 we are operating at historically one of the lowest margins so you feel that the margins have bottomed out in Q1 or is there scope for going down further?
- Manish Dedhia:** No. Your observation is very, very correct and I do not think so, we do not wish to also go below that. I think this is the bottom now we cannot go below this.
- Gunit:** Alright that is very heartening and what kind of margin trends are we seeing currently like Q2 onwards, what kind of margins are we seeing right now, is there any improvement and what should be the margins that we can expect overall for FY 2024?
- Manish Dedhia:** Sir I must say that that like see our targets are little higher like internal target around 12% to 13% of EBITDA margin, but at least we should achieve 10%. Due to Q1 was not too good so maybe we will have that margin pressure also, but I think we should achieve at least 10% of EBITDA margin this year.
- Gunit:** Alright. Sir do we have any evidence in apparently that margins are improving or what is the rationale for expecting 10% margins wherein we are sitting at around 6% to 7% right now so do you see that market conditions improving on ground right now or do you expect anything in future?
- Manish Dedhia:** There are both. Definitely we are also positive in the market like the market condition definitely will improve because the whole world is looking at India and now the export is also, I think in Q2 onwards the export will also come up. The chemical market like government started giving incentive PLI, so many, many companies are coming up with expansion and all, so definitely the business will be there for sure okay. Now when you are saying the profit margins will be better so definitely see we



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are also coming up with new, new products so in Mitsu we are known for a lot of innovations so we are trying many, many new things here. So that is what I said very soon we will come up with a new product, lease and everything. So I think that is a strategy what we have right now as of today.

Gunit: That is very heartening to hear and can we expect like an uptick in margins like from Q2 onwards itself?

Manish Dedhia: Yes look like because see as I said like the market, the raw material of our product market gone down from May and June onwards and then definitely those materials what we have booked and those are arrived in July and August so that definitely now maybe we will see good margins ahead.

Gunit: Alright. That is very heartening. I wish you all the best and thank you for this opportunity.

Moderator: Thank you. We take the next question from the line of Lalit Kumar, an Individual Investor. Please go ahead.

Lalit Kumar: Sir I am just summarizing the last three our friends who have given their thoughts right so I was just looking at our financials for the last five years, we were Rs.100 Crores company now currently we are a Rs.300 Crores company, to now become probably another three to four years Rs.1000 Crores company right what are we going to do, are we export plan was one, now we are 100% domestic, so export is one so have we started thinking in terms of hiring global heads for our export strategies, we are now doing 25000 MTPA have we started visualizing to be probably 45000 to 50000 MTPA, our top 20 to 25 clients are about 75% of our business have we started visualizing a much more diversification, our market share is probably negligible have we started visualizing a market share of 10% to 50% so what is our strategy inside that we can become Rs.1000 Crores because cost size we have absolutely no control for all the imports which we are doing 60% to 70% we have absolutely no control over there so the only way is now on the demand side how do we increase ourselves and become from the Rs.300 Crores to Rs.1000 Crores play, what is your vision onto this and what is the plan which we have over here, I know that this question should be actually asked in the AGM but yes at the paucity of time I just wanted to hear your thought process Sir?

Manish Dedhia: It was really, really like thrilling your questions are so much thrilling and like it motivates us like anything. Thank you very much for those kind of questions. Sir I think whatever you said and whatever you have analysis is very, very perfectly done. Definitely we become a little slow in some of the last I think in the last year Q2 and Q3 also went very bad for plastic industry for many reasons BIS or EPR and all. Even nowadays also there are a lot of EPR so compliance is level. We are trying to approach government for ease of compliance and all. Definitely so those are also one of the parts the **cost incurred** there also. Whatever you say but yes and that is a big advantage to non organised

where unorganized people so they do not have to apply all these things. So this is one of the biggest criteria, okay. About saying that yes we are looking bigger growth in next two to three years so there will be a lot of things as you know. FPO also was planned for bigger expansion only. Definitely, so we will have both vertical growth and horizontal growth both we are planning to do that. For profitability yes we are adding many, many products so lot of development is. I do not know till what you heard last sorry.

Lalit Kumar: You were mentioning on the profitability side, I think profitability will come Sir I think the company's management focus should be completely in terms of growing topline profitability will come from volume scale I do not think the company has to make a great effort in doing it I think our focus should be how to become from 300 Crores to 1000 Crores company, profitability of 12% will come from volume growth.

Manish Dedhia: Perfectly right Sir. We are focusing on both Sir. This is a mix of products so commodities also we are focusing. We are focusing on value added items. We have three to four divisions for different, different things and new product also once it comes so then also those margins and the turnover also will increase on that basis.

Lalit Kumar: Got it. So we will be closely watching on each of the action points Sir. Wishing you all the very best.

Manish Dedhia: Thank you very much for your thrilled question.

Moderator: Thank you. The next question is from the line of Yashwanti Khedkar from Kojin Finvest Private Limited. Please go ahead.

Yashwanti Khedkar: Yes, thank you for the opportunity. My question has been already taken by some participant. Thank you so much.

Moderator: Thank you. We take the next question from the line of Darshan Gori from VS Enterprises. Please go ahead Sir.

Darshan Gori: Sir my question was how do you manage difficulties linked to plastic waste in population in a sector that is under heightened security owing to environmental concerns, what steps has the company taken to ensure responsibility plastic uses?

Manish Dedhia: Yes. We spread a message that use plastic very responsibility wise and like the littering habits should be improved of all the Indian nation people so I think this is my message to entire nation for that about. About, yes, whatever the rules and regulations are there we are managing that the EPR and all



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the waste pollution and I think we are also amending lot of laws. So yes, but we are adhering all the laws and sustainability point of view we are also doing many, many activities so I think you will find maybe in the annual report also lot of activities.

- Darshan Gori:** Got it. Sir my next question was is your hospitality bed part is there any growth or it is stagnated?
- Manish Dedhia:** Definitely there is a big growth. So I think India is looking for many, many hospitals. As of today, there is a big scope for new hospitals in India and definitely for the growth and definitely we are participating in many, many exhibitions abroad and definitely now we will see the results in coming quarters for export as well.
- Darshan Gori:** My last question was what challenges you see in terms of EPR as you mentioned?
- Manish Dedhia:** So not as a challenge it is like those are the complex things but I think we have to overcome and we have to come up as per Indian law. So initially to get those understanding things is a complex.
- Darshan Gori:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Anirban Manna, an Individual Investor. Please go ahead Sir.
- Anirban Manna:** This is the follow up question. I want to ask what is the sales volume in this quarter year-on-year?
- Manish Dedhia:** So you want to understand the sales increase for last quarter?
- Anirban Manna:** Exactly year-on-year in terms of percentage.
- Kashmira Dedhia:** In Q1 of FY 2022 as compared to this June 2023 quarter our turnover has reduced by 6%, Sir.
- Manish Dedhia:** He is asking for quantity.
- Kashmira Dedhia:** Volume wise?
- Manish Dedhia:** Yes.
- Anirban Manna:** Yes volume I am asking for yes in terms of percentage.
- Kashmira Dedhia:** 17% growth.



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Anirban Manna: Year-on-year comparison right?

Kashmira Dedhia: Yes year-on-year.

Anirban Manna: Alright that is a good number and I would like to thank the management because besides being a small company only Rs.200 Crores company you have been consistently conducting concalls so I would like to thank from the bottom of my heart for that and I would wish you continue this going forward. Thanks.

Manish Dedhia: Thank you for appreciation Sir. Thank you very much.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Ms. Kajol from Kirin Advisors for closing comments. Over to you Madam!

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

Manish Dedhia: Thank you very much everyone.

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