

Mitsuchem Plast Ltd.

(Formerly known as Mitsu Chem Pvt. Ltd.)

329, Gala Complex, Din Dayal Upadhyay Road,
Mulund (W), Mumbai - 400 080, Maharashtra, INDIA.

T: + 91 22 25920055 F: + 91 22 25920077
E: mcp@mitsuchem.com W: www.mitsuchem.com
CIN : L25111MH1988PLC048925



Date: November 15, 2022

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai- 400001

Script Code : 540078

Dear Sir/Madam,

With reference to our previous communication dated November 07,2022 intimating you about the Conference Call with Investors and Analysts held on November 11,2022, please find attached transcript of the aforesaid Conference Call.

Kindly take the same on record.

Thanking you.

Yours truly,

Manish Dedhia

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
Q2 FY 23 Earnings Conference Call
November 11, 2022



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

MODERATOR: **MR. VATSUPAL SHAH** **KIRIN ADVISORS**

Moderator:

Ladies and gentlemen, good day, and welcome to the Mitsu Chem Plast Limited Q2 FY 23 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 star and then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vatsupal Shah from Kirin Advisors. Thank you, and over to you, sir.

Vatsupal Shah:

Thank you. Good afternoon, everyone. Thanks for joining the conference call of Mitsu Chem Plast Limited. I would like to welcome Mr. Manish Dedhia, Joint Managing Director and CFO of Mitsu Chem Plast; and Ms. Kashmira Dedhia, Vice President, Finance and Accounts. Mr. Manish, over to you, sir.

Manish Dedhia:

Thank you, Mr. Vatsupalji, good afternoon, everyone. I exchange my best wishes for the festive season, and I welcome all of you to the conference call of Mitsu Chem Plast Limited to discuss the performance during the second quarter of FY '23. Mitsu Chem Plast is a packaging solution provider engaged in the business of manufacturing polymer-based molded product, mainly used for industrial packaging for industrial like chemical, agrochemical, pharmaceutical, lubricant, food and edible oil. The company a leading manufacturer with more than 500 plus SKU in serving over 30-plus Fortune 500 client in India, the key product of the companies are molded industrial plastic packaging products such as drums, jerry can, bottle, Jar and its associates infrastructure and associates.

Infrastructure furniture parts such as chair as panels, railing, plants, trolley parts, etc. Rescue and safety equipment such as spine board in automotive components such as washer tanker and railroad. So the overall outlook for plastic packaging, the global plastic packaging market size was valued at around USD 355 billion in 2021 and is expected to expand at a compound annual growth rate of 4.2% CAGR from 2022 to 2030, the expanding size of key application indices, including food and beverages, pharmaceuticals, personal and household care, the growing penetration of organized as well as e-retail across the world are primarily fueling growth in the industry.

Plastic offers both flexible and rigid transparent and lightweight forms of packaging on account of which the key industries such as personal care, food and beverages and industrial primary preferred it over its counterpart, such as metal or glass. The scene is not different in India. We are witnessing a strong demand for plastic packaging on the back of growing pharmaceutical, food and beverages rising market of ready-to-eat products and personal care, India rigid plastic packaging market is expected to reach USD around 18.02 billion by 2027, moving at a CAGR of 8.01% during the forecast period.

Mitsu Chem Plast Limited
November 11, 2022

Our focus, product innovation and value engineering continues to be our focus to enhance product portfolio and product quality. We are ready to leverage every opportunity of business expansion and product portfolio enhancement. I am happy to inform you that your company is diversifying into new product category of plastic pail, which is mainly used for packaging of lubricants, paint, ink and food for the FMCG industry. We see the demand for plastic pail is increasing, and therefore, we have strategically decided to enter in the category of capacity augmentation. This will widen our product portfolio and strengthen our position in plastic packaging.

The new capacity addition is planned to announce capacity by 1,650 metric ton per annum from the existing 23,377 metric ton per annum. The total capex for the project estimated of INR 6.14 crores to be financed by an unsecured loan from NBFC. The plastic pail is proposed to be launched in the domestic market to metalizing demand from the user industry.

Mitsu undertake its responsibility towards a sustainable environment. We are committed to make material impact on the environment and the society by reducing the business carbon footprints. The company has undertaken various initiatives to fulfil its organizational goal and ESG commitments like installation of energy-efficient equipment and technological equipment to save energy. Installation of harmonic filter for reducing power factor and conversion, used transfer and polycarbonate sheet for roofing at the workplace for natural light penetration and increase in day life for plants.

Further, Mitsu endeavors to reduce its overall contribution to waste generation and therefore, uses post-consumer resin, plastic bags that has already been recycled and it repurposed for making it ready to use, again, the company has induced and reused mechanism that helps in using the raw material lost during the operation. The company also uses septic tanks for sewage water, wastewater, where the water is further utilized in gardening, thus reducing the business dependence on freshwater.

We also do rainwater harvesting and the collected rainwater is used to meet Mitsu secondary purpose, activities at the workplace. It can also be used for portable and non-portable purposes, offering commercial as well as industrial needs, we would continue to endeavor in all business proposals that help us grow at the same time we take our prime responsibility towards sustainable environment. This is your support and faith in the company, which drives us to perform better and better in coming times. I'm grateful to each and everyone for being associated with the company. Now I request Ms. Kashmira Dedhia to take further through financial performance of the company.

Kashmira Dedhia: Good afternoon, everyone. About financial performance, let me take first take you to the quarter 2 FY '23 performance quarter 2 financial year '2023 performance. Revenue reported at 20.65% to INR 59.83 crores. Higher raw material costs and other expenses pressurised EBITDA to INR 4.36 crores. EBITDA margin was at 6.27%. PAT for the quarter came at INR 1.5 crores with

EPS of INR 1.27. Packaging vertical contributed 85.43% to sales, while hospital furniture contributed 8.34%, while other verticals contributed 6.23%

Along with packaging, hospital furniture is another promising product vertical for us. Capacity utilization was at 61% during the quarter. Second half year FY '23 performance, revenues were higher by 31.32% to INR 154.52 crores. EBITDA rose by 13.36% to INR 13.76 crores, while net profit was at INR 6.7 crores. First half year FY '23 EPS came at INR 5.55 per share versus INR 5.09 in the corresponding quarter. Now I'm happy to take questions from all of you.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may enter star and one on the touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handset while asking a question. Anyone who has a question may press star and one. Ladies and gentlemen, we will wait for the moment while the question queue assembles. We'll take the first question from the line of Nairit Gala from TSG Capital.

Nairit Gala: Congratulations on a good set of numbers, sir. I just had one question. Can you throw some light on the FPO has announced that the approval has come through for any time line on the same?

Manish Dedhia: Yes, we have received semi approval in the month of October. And now it is a festival season. So maybe we will announce soon once it is all through with all the paperwork.

Nairit Gala: All right. So can we expect it in 2022 itself? Or would it spillover to 2023?

Manish.Dedhia: Yes. I mean we'll just announce in some time. So it will come to know. I also don't know the exact date. I finish with the festival and then the result and then now we will work on the FPO.

Nairit Gala: And any plans as to the usage of the funds that will be based on the FPO?

Manish.Dedhia: You need to repeat the question, please?

Nairit Gala: Any change in plans for the usage of the funds that have been raised from the FPO...

Manish.Dedhia: No. There is no change.

Moderator: Our next question is from the line of Yashwanti Khedkar individual investor.

Yashwanti Khedkar: Sir, I have two questions on some few questions on the financials. So we have reported around 20.6% growth in the revenues for the quarter. That's really great. But I just wanted to understand what has gone wrong, like the performance on a quarter-on-quarter basis, it was a little dispensed. This is my first question.

Manish.Dedhia: No, you need to repeat the last line. What did you said...

- Yashwanti Khedkar:** Quarter basis, it's comparatively low.
- Manish.Dedhia:** Yes. Okay. And what is your second question, ma'am?
- Yashwanti Khedkar:** I just wanted to understand, like how is our raw material cost performing spilled oil pressurized margin oil-related products pressurized over margin? And what is the outlook you would like to give in terms of -- from the company perspective on the raw material, which is linked to the oil.
- Manish.Dedhia:** So there are basically majorly you know the Europe issue. So this is a global issue that are wars and all going on. So good chemical and pharmaceutical export is down from India. So it is indirectly, we have also affected because we supply to them and they supply to other countries. And this is one of the issue. Second issue definitely, there is a slowdown. The second quarter was very slow down overall. So we got that heat also. And we don't want it to go -- still bottom down and do the business. So definitely, it was a conscious call again the same.
- Yashwanti Khedkar:** Going forward, do you see the quarter 3, how are the things you're seeing in export market? Is it improving or we can see the same subset quarter even for the later current quarter?
- Manish.Dedhia:** Yes. So I don't know. Yes, it looks like that it will improve maybe after this festival season, maybe it will improve. And -- but I see quarter 3 will be better than quarter 2 overall in industry-wise. -- chemical and pharmaceutical...
- Yashwanti Khedkar:** Yes. Okay. Sir, any outlook on the company perspective on the raw material side?
- Manish Dedhia:** So overall, yes. See, there are two things, I'll connect your the second question and the third question. So there are many commodity prices are going down due to the global economic things. And that way, I mean like many-many companies will be benefited the manufacturer who has not talked too much. So definitely, I see commodities price falling down on a drastic manner. And yes, we will take the advantage. It looks like we can also take advantage of the sales.
- Yashwanti Khedkar:** So you think that is coming in the third and the fourth quarter. In the second quarter, we were upside
- Manish Dedhia:** Looks like, looks like.
- Yashwanti Khedkar:** So any reason why whether you gain a 10% increase on employee cost, even for the after this is almost 14% increase on the revenue, so around 14% on a revenue. So any area because of the new plant which we have planned for that Pail a new product...
- Manish Dedhia:** Any new recruitment has started also. And definitely, we are planning to have a big expansion. So yes, we have recruited many people.
- Yashwanti Khedkar:** Just continuing with your expansion plans

- Manish Dedhia:** just a little louder, sorry, I could not hear.
- Yashwanti Khedkar:** Okay. I just wanted to understand like you talked about the capacity expansion to entering in the new product capacity. So these machines and all is already ordered what is the pay
- Manish Dedhia:** we have already started the production.
- Yashwanti Khedkar:** Okay. You're already started the production. So this quarter 2 has seen some amount coming from them?
- Manish Dedhia:** Sorry, in October. So I think we have informed exchange also. So we have started in the first week of October.
- Yashwanti Khedkar:** Okay. So in the third quarter, we can see.
- Manish Dedhia:** Yes. So machines and molds and everything arrived now. Now it's all initial stage is going on. Many things are going on.
- Yashwanti Khedkar:** Sir, my last question on the margin. Like this quarter, we have seen the margin at around 6% on a half yearly basis, it is 9%. What outlook we would like to give for the full year? Would you see some improvement as we are seeing some better quarters on a top line basis?
- Manish Dedhia:** So if you ask me like quarter-to-quarter, like the last year second quarter also was that poor already, so maybe we see maybe third quarter and fourth quarter can improve much-much better, all over the industry. I'm talking about all over the industry because, see, it's not like an individual company. Here, the market react when everything goes down, so then market reacts immediately. So our chemical market, plastic market, its like that. So let's see hope for the best.
- Yashwanti Khedkar:** So at least, we were able to maintain the half yearly margin for 9%?
- Manish Dedhia:** Yes, definitely, now. We have to be improved from there. This is not our benchmark for sure.
- Yashwanti Khedkar:** No, numbers. So we just wanted to understand like how the outlet is going to be?
- Manish Dedhia:** Definitely. See, definitely, we will definitely improve. But this is not our benchmark for sure. But I don't know if global things are like I'm seeing good improvement. So let's hope for the best.
- Yashwanti Khedkar:** So do you think by FY '23, all is concerned to be bottomed out and FY '24, will be the better year for the company and for the industry?
- Manish Dedhia:** It looks like. So and as of it, like in there will be election year, 2024 will be election years, so maybe it looks like much, much outlook will be much better in India, especially.

Yashwanti Khedkar: The company will benefit from it. The company will be benefiting from the debt for the resist.

Manish Dedhia: Your voice is going away in some of the things. Yes.

Yashwanti Khedkar: No, I was just saying that as the outlook for India goes to the outlook for the company is expected to be better?

Moderator: Our next question is from the line of Riju Dalui an individual investor.

Riju Dalui: Sir, just one book-keeping question on the inventory side. So if we look at these current quarter numbers, it seems like we have some inventory loss. So is that right observation?

Manish Dedhia: Inventory?

Riju Dalui: Loss.

Manish Dedhia: Inventory loss?

Riju Dalui: Like, I wanted to say that might be you are having some high cost inventory and...

Manish Dedhia: High cost inventory. So yes, it happens. Like we are 40%, 50% importing raw material from other countries. And we have to keep import raw material for 90 days to 120 days. And somewhere in the September month, yes, we have received additional quantity also because of the BIS thing. So yes, so it looks like more quantity is there.

Riju Dalui: So this high-cost inventory will impact our number in Q3 as well? Or like it is actually coming off?

Manish Dedhia: So let's see how the market reacts or the customers, because nowadays, we see a little improvement in the overall market, I was just reading the papers and like it's a good improving in the chemical and pharmaceutical market, and hence, they are our customers. So I bank on that.

Riju Dalui: But I just want to understand, like we had high cost inventory like we had to purchase...

Manish Dedhia: It's not high cost inventory. So you see, you asked me questions about higher inventory. So I said, yes, it's a higher inventory.

Riju Dalui: So that inventories are still holding as consumed in Q2?

Manish Dedhia: Just, can you go a little away from your mobile and speak because your voice is echoing.

Sir, I wanted to understand like we had some high-cost inventory since raw material prices are coming down. So that inventory, we are still holding or that we have consumed in Q2?

Manish Dedhia:

No, obviously, See, this is a cycle. We are not -- we are never doing a speculation here. We are -- this is like the material was supposed to come in October, but -- because I don't know what was the reason, but then it came a little early. So it's showing here. So this is a regular material. So this is a regular material only, which was supposed to come in to October because we have a cycle.

We -- whatever the price goes up, price goes down, we have to buy regular material from raw material companies because we have all the MOUs and all. So over the period, like we always see import price and an average in a year, not in a quarter, not in a month because sometimes you get a very high inventory cost, sometimes you get a lower inventory costs. So now commodity price is a bottom today. So now whatever we will buy, which will come in the next month, maybe the lowest cost. So we average out the things in a year.

Riju Dalui:

So sir, in October might be like we have purchased raw material at INR 100 per kg, and that has actually came down in December, November?

Manish Dedhia:

Sorry. Come again.

Riju Dalui:

Suppose we have purchased a raw material in October at around INR 100 per kg. Like have you seen some softness in that in that...

Manish Dedhia:

Yes, initially, I said initially in the first question only, I said. See, there are a lot of commodity prices are going down, all the commodities, not only HDP, polyethylene, polypropylene, but all the commodities are going down. So the same way, this is also effect. So all these prices are now bottom at bottom right now. I can say it's the bottom prices.

Riju Dalui:

And you said that you are keeping and 120 days kind of adding inventory, raw material inventory. So how much that would be high cost raw material inventory that you are keeping?

Manish Dedhia:

It would be very difficult to say, sir. like, I don't know -- that's why I said we don't calculate like high cost or other things, it's a regular practice. We have to buy every material every month we have to buy some committed quantity. So it is an average out we do.

Riju Dalui:

So sir, can I assume that the higher cost event that you have purchased maybe October before October, so that we have consumed mostly, but my...

Manish Dedhia:

Again, I can tell you one of the -- I think what is your concern is I can understand. See, from July month, July, August, market started getting softening -- so many things have started softening from August onwards. So a lot of materials coming in the lower, lower, lower down, okay? So there is not too much higher cost with us. That's what I can say.

Riju Dalui:

And sir, the second question would be that you have launched a new product into packaging with a month capex. So how much revenue can target from this capex from this new product?

Kashmira Dedhia: So it will be half yearly, we are estimating approximately INR 25 crores to INR 30 crores.

Riju Dalui: INR 25 crores to INR 30 crores.

Kashmira Dedhia: For this half year. From October to March.

Raju Dalui: For full year basis, how much it could be? Might be INR 50 crores to INR 60 crores revenue that we can assume for a full year basis?

Kashmira Dedhia: Yes, definitely. Going forward, it will utilize it more efficiently.

Raju Dalui: Okay. So that means that we can expect around kind of asset turn out of this capex, right?

Kashmira Dedhia: Can you just repeat, sir, your voice is breaking...

Raju Dalui: Can I expect ex kind of asset turn from this 6.1 capex, right? On a full year basis?

Manish Dedhia: So I think some of the questions because we haven't given these things on exchange at all this - our performance. So we would like to say we can't say many things unless we publish the results. So I'm sorry to say for this.

Moderator: Our next question is from the line of Abhishek Agarwal from Prithvi Finmart Pvt Limited.

Abhishek Agarwal: Actually, my question is more related to revenue growth, okay? What we have seen quarter-on-quarter and year-on-year. And which has resulted in PAT degrew by almost from INR 5 crores to INR 1.8 crores, okay. So how do you see in the next quarter, it will look like because it's a huge drop in the revenue and profitability. Is there any seasonality on the quarter-on-quarter basis that can you highlight?

Manish Dedhia: Yes. Because see, I understand, see, basically, there are many, many aspects for us to do analysis this way. So I would say we generally go with the whole year rather than the quarter, the reason. See, there are many things I mean like last quarter that a lot of things has happened with the Europe, the US market down. So because of the war, definitely. So I mean, can predict quarter-to-quarter, how it will be done. But yes, the overall yearly outlook, we look at very good numbers. As a last call also, I'd say that yes, we will be achieving almost same growth like the last growth -- what we are doing the growth. Also, we are coming up with the FPO. So definitely, the growth -- we are at a growth path.

Abhishek Agarwal: So sir, actually, I want to understand not the situation which happened last year or this year because this so much things are changing and if a situation are very difficult for all the players, okay? So just I want to what the product you are dealing with it. Is there any relating the product because we are generally selling to the individual industry like chemical and pharma -- so I don't think they have any signal in their business. So same with us also.

So why is there a huge drop quarter-on-quarter? Because last quarter, we did around INR 85 crores around and this year, this quarter, you're only INR 70 crores, okay. Though there was growth year-on-year. But quarter-on-quarter, there is a huge decrease. So that's I want to understand the product, what we are dealing is the seasonality in this, not for particular for your company or industry-wise, you can say?

Manish Dedhia: See, I understand I think what you are saying, see there is seasonality in the product, there is a -- see, we are majorly giving it to exporters and the export market had hated very badly and somewhere we have also affected a lot. Now it's not like that we are not supplying it to local customers. And so the people who use our drums for local sales. But yes, there is a drop to many our customers' exports. So obviously, we will affect. So once I can say, somewhere you are right, that many things are unpredictable right now.

So that's number one. And yes, definitely, there are like even seasonability also, I cannot say because seasonability is also changing every quarter. Like what was last year was not this year. So many, many things are not exactly. You can predict what happened last year, and it will happen the same this year.

Abhishek Agarwal: So sir, can you give the revenue breakup industry-wise that what percentage goes to chemical and on the farmer FMCG sector or on same as a geography side, like what percentage is export and which country we -- most of the product goes...

Manish Dedhia: No. So understand we are not exporting our goods to any of countries. We are giving it to exporters who make chemical, pharmaceutical product, they pack their goods in our drums and then they export. Okay. Okay. Our major market is in Maharashtra, Gujarat. So generally, this is a blow bundling container. So generally, this goes a maximum 300 or 400 kilometer areas. We are into Maharashtra. So most probably Maharashtra Gujarati is our major reason for this.

For packaging industry. In hospital furniture, we supply to all over India. So that's both the different different verticals.

Abhishek Agarwal: And as my previous participant also asked that what the asset turnover for the capex you have done, I don't want specific on the capex, what you are planning to do. I just want to understand on your product, what you do, what the asset turnover generally we have for our product?

Manish Dedhia: Generally, I can say, yes.

Abhishek Agarwal: So what the asset turnover?

Manish Dedhia: Generally, our asset ratio is around 4% to 5%. The industry standard also.

Abhishek Agarwal: And sir, what EBITDA margin we can expect this year? Because I'm not issuing in the next two to three years, what EBITDA margin because this year already headed by higher commodity

price and all, if the situation gets normalized, what EBITDA margin we can expect because with the product we are getting into, that's a high-margin business because if I compare with the other players, if they are dealing in the product which you are coming right now, that's a high-margin business. So if you can give some guidance on the EBITDA margin front.

Manish Dedhia: So it will be much better than the last year EBITDA -- so that's what I can say. The market is improving in many aspects, and we are also expanding in a recent bound. So definitely, we are also watching how many things -- and definitely, so it will be -- you can consider definitely good amount, good numbers from last year.

Abhishek Agarwal: And sir, my last question, like last year, we did around INR 260 crores of revenue. And this year, already half year, we did around INR 155 crores around. So if I extrapolate that number, we can do around INR 310 crores of revenue. It can be more than that also. So what next three to four years, what revenue target we have in mind with the expense and plan and everything?

Manish Dedhia: So again, I think those things we haven't circulated to exchange. So it will be not easier not okay to me to explain.

Abhishek Agarwal: Yes, but it's a public forum actually. So I don't think there's any issue -- and that if you can give what the target we expect, actually, I don't want a specific guidance, but what revenue we are looking to achieve?

Manish Dedhia: For blow molding market is -- as I'll say, generally, the blow molding market generally CAGR is around 12% to 13%. Our company is increasing all this year, you can see 20% to 40% in between. Definitely, it will be higher side with Mitsu.

Abhishek Agarwal: And sir, last thing, can we see some improvement in Q3? Because as we're able to pass on raw material price and all these things.

Manish Dedhia: Sir, definitely, sir. Many things are changing. As I said, like many things, they're like, if you asked me last quarter, last week also, there was a lot of changes and even this week on to a lot of changes.

Abhishek Agarwal: Definitely, sir. That we can't predict.

Manish Dedhia: Can predict. See, here, as we said, you also can see, we are coming here for that, a lot of expansion. And if we are not having a bottom line, then there is no meaning of expansion.

Abhishek Agarwal: Correct, sir. So sir, like I just want to understand business model, what the time lag we pass on the raw material price to our customers?

Manish Dedhia: So generally, raw material prices, we pass on. I mean, like if it is a very drastic change, then it takes some immediately, we have to go to the customer and we have to ask for revisions, whether it is upward or downward. So, and sometimes, yes, there is apprehension also from the customers

that the market is not good. And so, but yes, this is always the market. But yes, we are able to pass on the prices because the company cannot take a hit. Maybe sometimes it takes hit maybe 15 days or 20 days or not more than that.

Abhishek Agarwal: Sir, my last question, if you can allow like if you can give the breakup between end user industry, our revenue breakup?

Manish Dedhia: So, end user, I can say, so see, total like, we are supplying 85% to blow-molding packaging items, around 9% to 10% we are supplying these hospital verticals, hospital furniture verticals and around 6%, 6.5% are other articles where we are supplying many other articles like furniture and others.

Moderator: We'll take our next question from the line of Akhil Parekh from Centrum Broking.

Akhil Parekh: Hi, Manish, hi, Kashmira. My first question is on the volume numbers. Could you say share exact absolute volume numbers for second quarter first half of this year?

Manish Dedhia: So you want to in kgs or how?

Akhil Parekh: Yes, in tons basically, if we can share like how we towards our second quarter and for the entire first half of the year? And also, if possible, similarly for the last year as well, second quarter in first half?

Kashmira Dedhia:

Definitely, we have a good market and still we are intact with the margins in that level. So I don't think so. That's a big challenge there.

Akhil Parekh:

The reason I was asking was, right? Because otherwise, if we don't go into specialized value-added products like hospital or SAPs, our profitability will largely remain a function of how the commodity performs. So we anticipate that this hospital segment probably from 10% can go to, say, 15%, 20% in the next one, two years and maybe other segments also more value-added segments, which can contribute to the sale?

Manish Dedhia:

See, we are already expanding in packaging side also. Now the new one added is pail. Now those all will go into packaging industry. So definitely, here, we are expanding in packaging industry as well. So in the future also, yes, the volume growth will be there in the furniture business. But the percentage maybe I cannot commit. But yes, there is a good growth. I can say, good volume growth in furniture segment as well.

Kashmira Dedhia:

Absolute numbers will...

Manish Dedhia:

Absolute number will be there, for sure.

Akhil Parekh:

And second, on the pail side, right, we have commenced this capacity of 1,500-odd tonnes. So any other plans in this segment like are we going to expand further in FY '24 or

Manish Dedhia:

You need to repeat, I think some of the words has missed.

Akhil Parekh:

Yes and repeat. I'm saying the newly commenced capacity for the pail containers. Are we going to expand it further in FY '24? Do we have any plan or at this point of a time, we'll stay with that INR 1,500...

Manish Dedhia:

Sir, I think anybody comes in a pail cannot just day with some of the numbers because, yes, we are coming up with a very small range initially to test the market. And yes, where we have to do expansion. There is no other option.

Akhil Parekh:

But do we have any concrete plans as of now or it's more of wait and watch a...

Manish Dedhia:

So here, this works like something differently here in the pail industry. So it is on a -- basically on an RFP basis. So it is a yearly project with the companies also -- so there are many talks going on, but any -- we can't conclude any talks unless and until that tender and all the system goes smoothly.

Akhil Parekh:

And last question on the capacity utilization side, I think in the opening remarks, you mentioned that the utilization rates are at right now 60%, 61%.

Manish Dedhia:

61%, yes.

Akhil Parekh: And in the last call, I think we had mentioned that we probably will reach that utilization rate to 75-odd percent by end of this year. Do we maintain the target? Or do we see any change to that target?

Manish Dedhia: No, we haven't changed yet, sir. The market was not so good in that time. And hence, like we have to restrict our numbers. So can't help it with the market.

Moderator: Our next question is from the line of Nikhil Chandak from JM Family Office.

Nikhil Chandak: Sir, I'm still new to the company. What I wanted to understand one thing from a product offering perspective. The way I see is that the product offering is primarily into for the lack of a better word, low value-add segments like drums and so on and so forth. Now there is an initiative to move to -- on the consumer side packaging, like, for example, what you talk about pail, over a three, four-year window, how do you see the product profile of the company really getting changed?

Because till the time the product profile, I presume, is predominantly into furniture or hospital supplies and things like that. I'm not sure whether the EBITDA margin can really go materially to what is best in the industry, like more than 17%, 18%. It may just remain in the 10% to 12% kind of a range. So how do you think about the product offering? Besides pail, what other segments do you want to get into over a three, five year window, so that the margin profile of the company changes from 10%, 12% to say, 17%, 18%?

Manish Dedhia: Yes, good question. And I think, yes, you need it. So just see, I know maybe industry leader, there are some industry leaders in pail business also, and they are having around 16% to 18% EBITDA level, which yes, definitely, we also follow those leaders. And definitely, as I say in the last question of someone that we have to come up and we have to grow in this business.

Because if you restrict that we are just doing the small things and then it will not work out because already we have -- and here, in the blow-molding sector, we are already having more than 500 plus customers. Out of that, around 40% customers are -- can be our customer for a pail, because many people are consuming that pail. So this is a one of the market. But yes, about FMCG and other markets is a huge market, and it is growing. So definitely, there is a growth. I had in the -- we can see that. But now Mitsu also grow at that level.

Nikhil Chandak: Sir, so I understand, but what is your action point? Like what is the business plan? How do you gear up your team, your technology, your capital allocation you know to move from where we are to the FMCG segment, for example?

Manish Dedhia: Sir, we can't discuss unless we put it on the exchange. That is number one. Number two, as some of the things that we have highlighted...

Nikhil Chandak:

Understanding as a management as a promoter, this is just your vision for the company, right? This has nothing to do with exchange, for example. What is your plan for the company? How do you -- or what is the thought process? Like how do you move from the segment, what you are in right now, two for example, high margin, high value-added segments in the consumer space, for example. So this has got nothing to do with the exchanges. Is it just your vision for the company, your plan for the company. Is that something concretely planned out at this stage? Is it on the drawing board? Is it not on the agenda?

Manish Dedhia:

Yes. Definitely, sir, if it is a -- we have planned it for very, very nicely and definitely, we are coming up with the expansions, and we are coming in with the FE also. That is also we have announced. So definitely, everything has been planned properly. The management always thinks that like we have to grow at -- with that, our bottom line also should grow in a well manner. So definitely, we are here to majorly on to good numbers for bottom line. Rather than just no turnover, we are not here to mile do that. But yes, definitely, we are looking at a good bottom number.

Nikhil Chandak:

I completely appreciate this. You are absolutely right. What I'm trying to ask very specifically that is this a part of your business plan over the next three to five years to move more and more into value-added segments, for example, like the consumer space. Now the first step is there, what you're talking about is pail beyond pail. Is there a plan or an intent to get into more value-added segments such that your margin profile of the company completely changes from where it is to, say, 17%, 18%. Is that something which is a part of your business plan?

Manish Dedhia:

Yes. So what I can answer in that thing that definitely. See, we are also not only expanding in the pails, but there are many other products, there is a niche items. We are expanding in that also. So we will announce in short, once the product is ready, we will announce that also.

Moderator:

Our next question is from the line of Pranjal Pandey and an individual investor.

Pranjal Pandey:

Actually, my question is already asked.

Moderator:

We'll take our next question from the line of Aditya Jain from AJ Capital.

Aditya Jain:

Sorry, sir, if I missed this number. The recent small capex, which we have done in the pail, how much is the revenue can we expect from this in H2?

Kashmira Dedhia:

So as I answered, it will be around INR 25 crores to INR 30 crores for this half year. We are expecting that project in the set.

Aditya Jain:

So INR 154 crores revenue we did in H1, confident of maintaining H1 rather then H2 as well?

Manish Dedhia:

Yes, it will be better than this for sure. As many new products also, we have added in our basket. So definitely and looks like the market is improving. So hope for the best.

Kashmira Dedhia: So sir, if you see the growth history in five years,



Mitsu Chem Plast Limited
November 11, 2022

come up. So I think this is a new start to what we have done in exhibitions and everything. Now let's see hope for the best. So once we take all the orders and then only we will speak on this.

Dilip Chaturvedi: And what would be the price difference on that?

Manish Dedhia: No, it's not too much. So it's not, in India, though we are still much-much competitive than China, much ahead with the China. And in the world market also, now people have a lot of anti-China things going on. So what are the advantage, let's see, the rates wise, we are definitely we can compete. As a Indian, the thing because India is also a large manufacturer of polyethylene polypropylene. So definitely, yes, we also have a good advantage here.

Dilip Chaturvedi: So we are expecting some overseas demand over there, right?

Manish Dedhia: Yes. We are expecting.

Moderator: As there are no further questions from the participants, I now hand the floor back to Mr. Vastupal Shah for closing comments.

Vastupal Shah: Thank you. Thank you, everyone, for joining the conference call of Mitsu Chem Plast Limited. If you have any queries, you can write us at info@kirinadvisors.com and once more many thanks for every participant and management for joining the conference.

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