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MOLD-TEK Packaging Limited

MTPL/SECT/35/2024-25 **Date: 5th August, 2024**

The Secretary, Listing Department, **BSE Ltd.,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. **Scrip Code: 533080**	The Manager, Listing Department, **National Stock Exchange of India Limited,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. **Symbol: MOLDTKPAC - EQ**

Sub: Transcripts/Outcome of Analysts/Investors Meet/ Earnings Conference Call for discussing the Un-audited Financial Results of the Company for the first quarter ended on 30th June, 2024 and other Business Updates

Ref: Regulation 30(6) of SEBI (LODR) Regulations, 2015.

This has reference to our letter dated 30th July, 2024 where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investors Meet/ Earnings Conference Call of the company for discussing the Un-audited Financial Results of the Company for the first quarter ended on 30th June, 2024 and other business updates on **Friday, the 2nd day of August, 2024 at 4:00 P.M. (IST).**

In this regard, pursuant to the requirement of Regulation 30(6) read with Para A of Part A of Schedule-III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcripts of the Analysts/Investors Meet/ Earnings Conference Call of the company and the same has been uploaded on the website of the Company at:

https://www.moldtekpackaging.com/investors.html

For Mold-Tek Packaging Limited

SUBHOJEET BHATTACHARJEE

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Subhojeet Bhattacharjee
Company Secretary & Compliance Officer

Encl: A/a

"Mold-Tek Packaging Limited Q1 FY '25 Earnings Conference Call"

August 02, 2024

MANAGEMENT: **MR. LAKSHMANA RAO – CHAIRMAN AND MANAGING DIRECTOR – MOLD-TEK PACKAGING LIMITED**

MODERATOR: **MR. ABHISHEK NAVALGUND – NIRMAL BANG EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the earnings conference call for Q1 FY '25 results with the management of Mold-Tek Packaging Limited conference call hosted by Nirmal Bang Equities Pvt Ltd. As a reminder, all participant line 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 any assistance during the conference call, please signal an operator by pressing star, then zero 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 Equities. Thank you, and over to you, sir.

Abhishek Navalgund: Thank you, Shivangi. Hello, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to Mold-Tek Packaging 1Q FY '25 earnings conference call. We have with us Mr. Lakshmana Rao, the Chairman and Managing Director of the company; along with the entire finance team.

Without further ado, I request Lakshmana, sir, to start with his opening comments, post which we can open the floor for question and answers. Thank you, and over to you, sir.

Lakshmana Rao: Good afternoon, everybody. Thanks for your interest in joining in our conference call for Q1 '25. I'm glad to inform you that there is a decent growth in volumes compared to last year. In Q1, we grew by around 7.5% over the last Q1. And compared to the Q4, it is 9.07% growth in volumes.

In terms of EBITDA, EBITDA grew by about 2.77% compared to Q1 of last year and 2.5% compared to the Q4 of last year. However, the per kg EBITDA has come down. It's mainly due to the costs which were being capitalized during the project time. The manpower and various other overheads are now being taken in the expenditure side because all the projects have started commencing their commercial production in the last few months, starting from our plant in Cheyyar and Panipat for ABG and then the third plant is our pharma products at Sultanpur Hyderabad.

So all these 3 plants are now fully productive. And of course, they have been only occupied partially. They're running around 15% to 25% capacity utilization. Going forward, the good news is that both the pharma and ABG plants are indicated to do better in the coming quarters and hopefully will add better volumes from Q2 and Q3 onwards.

Having said this, I think there are more details we can share on question and answers. I'll now hand it back to the operator to start the question-and-answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: Mr. Rao, if you can call out what was the growth in the tin packs during the quarter? And if I see the overall F&F growth, it's just a little above 20 percentage. So does that imply your tin packs grew at very possibly in single digits during the quarter?

Lakshmana Rao: Yes. The Food & FMCG grew by about 4.5% compared to the previous Q1. But compared to Q4, it's a healthy 24% growth. And tin packs, again, grew robustly at around 45% compared to the Q1 last year. And together, overall total food and Qpack together, the growth is 21.2% compared to previous Q1 and 11.8% compared to Q4 last year.

Jaiveer Shekhawat: Sir, is this lower growth in the tin packs, if you could just call out the reason for that because we did see intense heat waves. And even if you remember the commentary last quarter as well, I think you were expecting the F&F tin packs to grow at upwards of 20 percentage. So why is there mismatch in volume growth, what you have reported?

Lakshmana Rao: So the volume growth in tin packs was 4.54%. But compared to Q4, it's a big jump of 24%. Compared to the Q1 previous year to this year, there is some -- as I indicated in the last quarter results also, there are several small players who are offering these ice cream packs, spotted in the different parts of the country, which has indirectly impacted our ability to service all of them due to price or supply concerns. However, our north plant, which will be starting in August, September, probably September, it will start some products and pick up by next season. It would be the way to grow again into double digits. That's in Food & FMCG.

Another reason some of the products which we have developed them molds, they have not yet taken off. Only Kissan Jam has taken off the past 2, 3 months. And other products, for HUL and others, are still in a different stage of adoption. So those numbers have not yet come to contribute.

Jaiveer Shekhawat: Sir, just to understand this issue better, if we see the growth of ice cream players, I mean versus the last year, because last year, if you remember, summer was impacted because of unseasonal rains, almost all of them have reported growth of 20-plus, and some players even reporting 30 percentage, 40 percentage growth Y-o-Y. So I'm just trying to understand, are we losing market share with some of our key anchor clients in the ice cream business?

Lakshmana Rao: Yes. As I said, competition in some sectors of ice cream, especially in the interior sections in North and South, deep in the South, we are losing due to some competitors holding up with the standard ice cream packs. That is one major reason. And some of the products, which were to be launched in the last 3, 4 months ago, they got delayed. They would have been good decisions, but they got delayed. I can't list them out because it will be not good for some of the products, what other clients are launching, which were delayed. But that is one of the other reasons why the growth is tepid.

Jaiveer Shekhawat: Sure. And sir, on your paint business, if you could just call out how has been the volume pickup, especially from Grasim business? And then what's your expectation for the entire year for both Grasim as well as ex Grasim?

Lakshmana Rao: See, I won't be able to give you that kind of a breakup because it will divulge information about our -- but overall growth in the paint is again now positive. We have 4.7% growth in volumes in this quarter compared to Q1 last year. And compared to Q4, it is up by 8%. So these benefits are mainly occurring due to ABG. There is Grasim's orders. But they are picking up faster now. The pace of their production and the orders are increasing rapidly. And we hope hereafter, we can even see around 8% to 10% growth coming in the paint sector.

Jaiveer Shekhawat: Sure. And sir, would you maintain your overall guidance of, say, mid- to high-teens volume growth for this year and possibly next year as well?

Lakshmana Rao: Yes. We are very confident because the response to our pharma business is pretty good. Already, 4 major clients have audited and cleared our premises and accepted us as the vendors. Several products, I would say, more than 4 to 5 products are under development. Most are at final stage now. Some samples have also been submitted. As I told you, the stability tests and approvals take a long time in pharma. But some of them are on the anvil, which could even get cleared in September, and some of them in October and November.

So as I said, from Q3, we will see decent numbers coming from pharma. In this Q1, it's hardly a beginning with 80 lakhs worth of goods sold in pharma sector. But this number can swell in the coming quarters, maybe second quarter, it could be INR2 crores to INR2.5 crores. But in the third and fourth quarter, it can go up to INR5 crores to INR6 crores each. So our overall guidance of around INR15 crores to INR20 crores, we are still confident in pharma, which will be coming at a much higher EBITDA. So once those numbers come in from third quarter, we'll be seeing better growth in both in terms of volumes and even in EBITDA.

Coming to ABG, their indications are pretty strong. And our third plant, the Mahad, supplies will be starting from September on a trial basis. But by October, November, it will pick up pace. And those numbers will be added to improve our volumes further.

Jaiveer Shekhawat: Sir, wish you all the best.

Lakshmana Rao: Thank you.

Moderator: The next question is from the line of Jenish Karia from Antique Stock Broking.

Jenish Karia: Firstly, just a clarification, in the opening remarks, you mentioned the Cheyyar and Panipat plant being operated at 25% utilization. Is that correct?

Lakshmana Rao: Yes, it is improving month by month. It started around 10%, 15% in March, April. But now it is around 40% in June. And we are seeing more than 50% utilization coming from July onwards.

Jenish Karia: Okay. And sir, if you would provide the utilization levels for the pharma plant.

Lakshmana Rao: Pharma plant is hardly running at 10% capacity utilization. We are just doing a few EV tube sales have picked up. Various clients have taken our trial supplies, and filling line adoption and trial batches have been successfully completed. And now slowly, we expect the bulk orders to start coming in.

Jenish Karia: Next, if you could just provide the breakup in terms of volume and revenue for the 3 segments of Food & FMCG for the quarter.

Lakshmana Rao: Food & FMCG, we have about 1,365 tons. And Qpack is about 1,331. Pharma is hardly 19 tons, I'm out of 9,894 tons total. So these 3 contribute to somewhere around 27.5% of the overall sale. Paint contributes 46.5% and lubes contribute 26%.

Jenish Karia: Okay. And in terms of revenue, sir?

Lakshmana Rao: In terms of revenue, paint is 42.5%, lubes is 23.8%, Food & FMCG is 21.17%, Qpack is 12.11%, pharma is 0.4%.

Jenish Karia: And sir, similar breakup for IML and non-IML segment.

Lakshmana Rao: IML, non-IML, more or less stagnating somewhere around 66% now compared to 64% last year fourth quarter and 64.11% in the previous year.

Jenish Karia: So this is in volume term.

Lakshmana Rao: This is in terms of tonnage, yes, volume.

Jenish Karia: Okay. Great, sir. And sir, just lastly, you mentioned you're maintaining a mid-teen kind of a volume guidance for the year, so that there's an extremely high 9-month run rate to catch up. So apart from the ABG, which is expected to operate at 50% utilization of around 1,000 tons, any other green shoots you are seeing in the lubricants or the base paint customers that you're adding for such a high 9-month run rate?

Lakshmana Rao: No. Actually, ABG, more than 1,000 tons per month will be the addition because Mahad plant also will start from September, if not October. So next 6 months, Mahad also will be contributing for the last 6 months. So along with that and pharma, we are still hopeful that we'll be reaching close to 15% volume growth.

Jenish Karia: And sir, EBITDA per kg guidance, would you like to mention?

Lakshmana Rao: Yes. Again, our target is 40. We are not close to that. Now in the Q1, it is only 37.1. 40 is our internal target. I think we should reach there once pharma starts contributing.

Jenish Karia: So can we expect it by end of FY '25? Or it would be somewhere in FY '26 we'll be seeing that?

Lakshmana Rao: Our target is in FY '25. Let's see how it pans out.

Jenish Karia: Great. Sir, all the best.

Lakshmana Rao: Thank you.

Moderator: The next question is from the line of Avadhoot Joshi from Bryanston Investment.

Avadhoot Joshi: Just one question. If you look at the raw material cost per kg basis, it has jumped up quarter-on-quarter also. Just wanted to know what's the reason? If you look at polypropylene prices also they have been range bound. So if you can elaborate on that.

Lakshmana Rao: Yes, raw material prices are a lifting, uptrend compared to last year. But by virtue of RCP being used, which is as per the direction of the clients and needs of statutory compliance, the per kg of raw material has come down from INR98 to INR95. So there is a reduction in the overall pricing due to the use of RCP. That is recycled plastic. So impact-wise, it is not really there, about INR1 is the only impact.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Two questions. Would you have any directional lead on what we gather that the Asian Paints is investing further capacity expansion. So is there an order in place? Is there any indication you've got? And if that is true, by when do you think the additional volume can come? Will it come in '25? Or will it come in '26?

Lakshmana Rao: It will be coming in '25 itself. We are planning to bring the volumes ready by December this year.

Shirish Pardeshi: Okay. And this is what kind of additional volume you are expecting in terms of tonnage, if you can help me to understand?

Lakshmana Rao: Maybe it's a confidential information, but more or less, we are doubling.

Shirish Pardeshi: Okay. The second question is in the North, you said there is some FMCG clients you are expecting to add. At what journey, at what stage, we are thinking? I mean, will it contribute in second half to our top line?

Lakshmana Rao: Yes. Already, we have 1 client asking us to set up Qpacks in North. So once that deal is struck, the initial couple of months, we agreed to take from Hyderabad. But later on, probably from October, we'll start supplying from North. So Qpack will be our first food product to be sold from Panipat followed by sweet boxes, and maybe when the season comes in, ice cream boxes, ice cream cups and all that. So as early as October, we hope Qpack sales will be starting from North.

Shirish Pardeshi: Okay. Just last question. I think overall volumes for FMCG segment are looking up driven by the stable monsoon, recovery in volumes. So do you get any such indication that you've been asked to increase capacity by any player? Or do you think that will happen maybe post the value you will get a clear indication.

Lakshmana Rao: Yes. As of now, as I said, competition ramped up in items like ice cream boxes and small packs in various sectors, in various pockets of the country, which is certainly impacting part of our sales. But coming to the exclusive items, we still maintain to gather interest from several big players. And a couple of those projects got delayed, which has impacted the growth in this year. Once those clearances come, they will improve. It can happen from Diwali or even before Diwali. But the numbers may not reach 20%, 25% growth levels, which we achieved in the last 5, 6 years. Such growth we will only see in pharma going forward.

But Food & FMCG will continue to play an important contribution to our growth. I'll be happy even if we close only Food & FMCG thin wall at 10%, with Qpack around 40% to 45%. Therefore, together will be contributing around 20% to the volume growth.

Shirish Pardeshi: Okay. So just one follow-up here. Out of 3 segments, the prime segments that you are catering, which segment in the current situation the demand looks very, very positive and there will not be any surprises in the rest of the year?

Lakshmana Rao: Qpacks is where we are finding solid demand coming in, inquiries coming from major players for our edible and ghee and even other sectors. So I'm very confident of what we -- last year, it did almost 60%, 70% growth in Qpack. Probably, it's not that much, at least 40% to 50% volume growth is possible in Qpacks.

Moderator: The next question is from the line of Pankaj from Affluent Assets.

Pankaj: Sir, as I understand, most of the headwinds are behind now and few tailwinds also playing out. Sir, how long will it take for you to reach, say, INR1,000 crores of top line and INR100 crores of bottom line from here on?

Lakshmana Rao: If things go well in pharma, what we anticipate will be more stable from next year because this year will be our introductory and then approvals and statutory clearances and various things, which we almost crossed. But client approvals and stability tests will take a little longer time. But I'm very positive the way our plant has been approved by various major pharma players and being given a clean chit to go ahead to their respective vendor development teams. So almost 6 or 7 such players have already put us in the list. And some of the products have been already offered to us for development and sample submission.

So this process takes maybe another 3 to 6 months to stabilize. From Q3 onwards, we will be seeing decent numbers coming in. But the numbers, if you ask me, in the year '25/'26, they will be decent. And if things go well as per plan, '26/'27 would be a major year where pharma will be contributing handsomely, and that can shoot up our numbers beyond INR1,000 crores top line and even INR100-plus crores in the PAT. So I would look at '25/'26 or '26/'27.

Pankaj: INR1,000 crores top line for '26 and beyond that, '25, '27, right?

Lakshmana Rao: Yes, '25, '26 is where we will be aiming close to INR1,000 crores top line. And obviously, if that comes through pharma, as I anticipated, PAT can cross or close to INR100 crores.

Pankaj: Okay. Secondly, as you mentioned that we have capitalized some of the costs on account of new developments, so have we reduced this additional cost expenses? What would be the adjusted EBITDA margin for this quarter?

Lakshmana Rao: The direct staff costs still has gone up by INR1.70. That would have been not there if we capitalized it. But because plants have gone into commercial production, all those manpower costs are now added to the expenditure. So I can see that itself is contributing INR1.70.

Maybe other items which are relevant like travel and other things also now come under the full expenditure. So probably about INR2 per kg would have been capitalized had we not started commercial production because commercial production at very low levels will not yield towards fixed costs, they will be not fully absorbed. So almost INR1.50 to INR2 per kg would have been impacted due to capitalization.

Pankaj: So you mean to say out of 37?

Lakshmana Rao: It would have been 38.5, had there been capitalization.

Pankaj: Closer to 39. Okay, sir.

Moderator: The next question is from the line of Prakash Modi from KCT Financial Management.

Prakash Modi: Sir, a couple of questions from the taxation perspective. Like, any update on the EPR guideline that has come up on the rigid plastics, so anything from that side? And second, on the GST. Recently, there was some changes in the packaging side. So any impact on our products?

Lakshmana Rao: No, there is no impact on our products for the changes. And even EPR, the change will be applicable for next year. They are talking about 20% to 25% recycled plastic utilization. We already reached about 20% now, though we are not under any statutory obligation. Due to clients and our own internal developments, we have reached that level now. So reaching 25% next year, is going to be statutory from next year. Shouldn't be a major challenge.

Moderator: The next question is from the line of Ashutosh Khetan from Asian Markets Securities.

Ashutosh Khetan: Just wanted to know the IML contribution in terms of value. The volume is 66%, right? So in terms of value, what is the contribution?

Lakshmana Rao: 70.5%.

Moderator: The next question is from the line of Abhishek Navalgund: from Nirmal Bang Equities.

Abhishek Navalgund: So my first question is on the thin wall. So you mentioned that there was some 20% to 25% sequential improvement in terms of volumes. And despite that actually, even if we see gross profit per kg on a sequential basis, there was a INR3 drop. So I understand that on an overall basis, while your new capacities are not fully utilized and hence, the operating leverage impact is not visible, purely because of the improved mix wherein we've sold maybe more ice cream packs or maybe more dates packs in the form of thin walls, really, why are gross profit per kg is declining? Have you taken any price cuts in anticipation of competition or any other reason?

Lakshmana Rao: No. The point what I mentioned is capitalization costs, which were taken till last quarter to the extent of INR1.50 have now taken an expenditure, INR2 actually. But assuming, it would have been covered partially by the production now. So it would have been 38.5 had we not gone ahead with the commercial production because the capitalization advantage is no more there. the number looks subdued by INR1.5.

And coming to your other question of Food & FMCG and thin wall, growth is 21%. It is majorly driven by Qpack. And in Qpack, our margins are not as good as thin walls. So that is why, though, the 21% growth in the overall food and Qpack has come, it has not contributed handsomely to the bottom line improvement and EBITDA improvement.

Abhishek Navalgund: Okay. I mean, my immediate question was, you also mentioned in your opening remarks, or maybe to some of the participant's question, that in ice creams, also, we are seeing competition wherein some of the smaller local players are also offering the similar kind of containers. So because of that, our pricing or the revenue per kg that we charge to the client is under pressure in similar cases? Or there is no impact at all. I'm purely talking about thin-walled containers wherein we enjoy higher margins.

Lakshmana Rao: There is some pressure. Once there is a competition increasing, you need to adjust your pricing to retain your major players, so we could successfully do. But there are pockets of small players and they, indeed, arise only in the season, due to which we also let go.

And they will be looking at -- even at 3%, 4% price advantage and they'll lap it. So that way, we miss the growth burst in ice cream this season. And going forward also, that should be a reality, because there will be players who will make standard products like ice cream cups and diary cups also to some extent.

And they will be able to garner local demand, because bigger companies will look at, not only just the pricing, but they also look at the volume or ability to house several molds and several robos, which will, in case of any breakdown, there won't be any disruptions. So bigger players won't leave us. Like, same in the paint industry. Earlier, we used to supply to everybody. But today, we are only restricted to top 5, 6 companies.

Similar to ice cream industry also, we are with all the top companies but let go some of these small companies who are far away and they're periodic in their buying and they are very stingy about pricing. So competition's sitting in, in that area also, which I should admit. But going into other areas where we have better margins is the way forward.

And we are very excited about our entry into pharma because we notice, in pharma also, a lot of players are not agile in terms of development of new products. It takes a long time in their abilities to showcase to the pharma company about -- by providing samples or 3D designs. Our concepts, it seems to be, in our first few months of marketing, we noticed that the pharma industry is really looking for such a well player. So Mold-Tek can be run because of our product design, mold design and mold manufacturing facilities. So we're really hopeful that our way to pharma will be very successful in the coming years.

Abhishek Navalgund: Okay. That's helpful. And second question, sorry, I missed that part, but you mentioned about doubling of capacity for Asian Paints. Could you please elaborate more on that?

Lakshmana Rao: No, not Asian Paints. ABG plants.

Abhishek Navalgund: ABG, okay.

Lakshmana Rao: ABG plants, Cheyyur and Mahad, we are increasing, if not doubling. We'll be adding at least 60% to 75% capacities, which are currently, I mean, set.

Abhishek Navalgund: Okay. So with this, I mean, what could be the total capex number that you're looking at for FY '25?

Lakshmana Rao: Yes. That schedule is happening, the capex, so far, committed is around INR55 crores to INR58 crores for various expansions. But if volumes need to be grown up in pharma, again, there could be a growth investment required during the second half of the year. So most probably, we'll end up somewhere around INR75 crores to INR80 crores capex for the current year compared to INR140 crores last year.

Moderator: The next question is from the line of Hasti Savla from Prabhudas Liladher.

Hasti Savla: I actually missed the figure, I wanted the revenue contribution for paints, lubes and food.

Lakshmana Rao: Our revenue contributions for paints is INR83.5 crores, lubes is INR46.7 crores food is INR41.6 crores Qpack is INR23.8 crores, pharma is INR0.8 crores. So total INR196.5 crores.

Hasti Savla: And sir, could you also repeat the volume number?

Lakshmana Rao: Yes. Paints were 4,605 lubes, 2,574 Food & FMCG, 1,365 Qpack, 1,331 pharma is 19 tons.

Moderator: Mr. Lakshman Rao, would you like to initiate the question and answer session while we wait for the participants to join the question queue?

Lakshmana Rao: If there are no questions, we can conclude the meeting. Unless any of the participants want to clarify.

Moderator: We have 1 participant. The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Sir, I had 1 question on pharma. Last time, you had said that we can achieve INR50 crores, INR60 crores of top line by FY '26. What kind of EBITDA per kg do we envisage here? Do we maintain that INR150 to INR160 per kg as EBITDA? And what kind of EBITDA per kg we will achieve in pharma for this year.

Lakshmana Rao: This year also the EBITDA will be nice. It will be INR100 to INR120. But the numbers, being smaller, may not significantly alter the overall picture. But going forward, next year, once we are in the INR50 crores to INR60 crores level of turnover, it will be handsome, because INR100 to INR120 EBITDA per share. It depends upon the product mix again. If we end up with formal bottles and caps, it may be INR100 to INR110. But if there are items like canisters and high-end caps what we are developing now. If those sales pick up, it can even go up to INR150. So the band could be INR100 to INR150 depending upon the production. We are into all the products. So it is wise to take somewhere around INR120 per kg as a contributor -- contribution.

Akhil Parekh: And sir, you mentioned that we have approval for -- with the 4 clients now in Pharma?

Lakshmana Rao: Yes, already 4 major players have approved -- audited and approved as well another 3 are on the pipeline. Some of them are audited but we have to do their final go ahead to their development teams. So for a company which is hardly 3 months old, getting 7 audits done and 3, 4 already approved is definitely a good milestone.

Akhil Parekh: Sure, sure. And would it be fair to assume that we are far, far more confident now in the pharma packaging than we could have been 6 months back?

Lakshmana Rao: Yes, I am. But I'd be much more clearer in my thoughts in, like, October, November, once we meet for the second quarter. We'll have some of the orders executed. And then the challenges of first time mass production would come out, but we are -- I mean, having the necessary wherewithal and expertise to handle that. Already in EV tubes IML, we have achieved a breakthrough, which many players could not do that. We also had our own experiences. But today, we are confident we will be able to handle that.

And like that -- in other products like canisters and various types of caps and bottles, we have already submitted at least 5, 6 products newly developed within these 4 months to various clients. So that is the speed at which we are able to develop new products. I'm sure that is where I'm going to be, our USP in winning the clients. We can certainly give you a better guidance.

Akhil Parekh: And last on the paint segment, would it be to fair to assume, like, worst is over for paints?

Lakshmana Rao: The worst is not over for other products, but certainly, the future is bright with ABG as players giving us a good opportunity to supply them the paints at 3 locations out of 5. And we being also, again, same there, we are fast in developing the molds now. They indicated quicker volume ramp-up, so we are ready to go for it. Hopefully, by November, December, max December, we'll be ready with the improved capacities. So ABG is certainly a torch bearer of growth for us for the next couple of years. And by then, pharma should be able to give us the impetus.

Akhil Parekh: And for the Asian Paints, like, we have not lost any kind of a market share, right, from Asian Paints?

Lakshmana Rao: No. I don't think that is the case with Asian Paints. Probably, their developed 1 or 2 plants are subdued due to various reasons, but they are not impacted as of now at least, certainly not.

Akhil Parekh: There is no conflict of interest given that we are supplying to their one of the largest competitors?

Lakshmana Rao: Actually, right from the beginning, we've been supplying to Nerolac, Berger, AkzoNobel, Nippon Paints, now to Pidilite. So absolutely, no conflict of interest, and that is not going to affect our business.

Moderator: The next question is from the line of Deepak from Sundaram Mutual Fund.

Deepak: Sir, I have only one question. In the starting of the year, we said we will achieve a volume growth of 15% over FY '24. Now if I look at the current growth of Q1, it is around 7.58%, which implies that on a 9 months basis, you would have to clock in a volume growth of 17% to 18%. Sir, how confident are you that you can do that in FY '25 for you to clock an overall growth of 15% for FY '25?

Lakshmana Rao: Yes, correctly said. Now the run rate has increased to 17% for the rest of the 3 quarters. And typically, Q2, that is rain-impacted season, will be difficult to clock such a big number. But from Q3 onwards, we see a good ramp-up coming up in our capacities to ABG and also numbers from pharma. Yes, it is a challenge, but we still keep 15% as our guidance. We try to achieve that. We see afterwards, then we'll know better.

Deepak: Okay, sir. And sir, let's say, at the peak utilization level in pharma, what kind of volume can we do?

Lakshmana Rao: At peak utilization of pharma, we can achieve a turnover of INR60 crores in the current set up, maybe with a couple of small auxiliary machines being added, like, assembling machines or something, which won't be more than 3, 4 months' time. But these volumes, by the trend, what is going on, might need to be enhanced in the next second half of the year. That, we will be knowing by October, as I said.

Deepak: Okay. Sir, I was asking in terms of volume.

Lakshmana Rao: In terms of volume, it will be, say, something like 1,500 tons to 1,600 tons now currently. That is our production volume.

Deepak: And sir, is this 1,500 is the nameplate capacity? Or is it the operating capacity?

Lakshmana Rao: No, INR1,600 will be the possible capacity, because it's really difficult to calculate capacity in injection molding as it is. And coming to these pharma products, the mix defines the volume. For example, canisters, we sell more. The weight of the product is less and the realization could be as high as INR500. But when you get to bottles and caps, if we sell them more, the realization may be around INR350 -- INR300 to INR350 and the weights will be higher. So at this stage, without going through 1 year, I can't comment upon average realization but -- and volume of sale versus sale value. In -- roughly, you can INR50 crores to INR60 crores and -- for a sale of around 1,500 to 1,600 tons.

Deepak: Okay. And sir, one last question. On your raw material costs, it was asked by an earlier participant as well. I don't understand why did your gross profit per kg declined INR3 despite a favorable mix from thin walls. I mean to say, do we expect this INR114 per kg to continue from -- in the next 3 quarters? Or is it -- will it come down?

Lakshmana Rao: Which one you are talking about 114?

Deepak: Raw material costs per kg.

Lakshmana Rao: Raw material costs per kg is INR100.14, not INR114, INR100.14, went up from INR98 last Q1.

Deepak: Okay. So is this -- will this come down? Or will it stay at the current level?

Lakshmana Rao: It will be more or less -- this month, they announced a INR2 reduction, Reliance has announced. So it may come down, but more or less, it will stay somewhere there. It won't come down drastically. It looks like more or less INR1 up in a month and INR1 down in the next month. So last 6 months, it's been hovering around INR100 to INR105 or INR104 to INR108.

Deepak: Okay. Sir, I was talking about your raw -- our raw material cost per kg, not the polypropylene price.

Lakshmana Rao: Yes. Our raw material cost includes RCP that is recycled plastic. That's why the average has come down to 100. Actually, the RCP costs around INR80, to INR85, INR85 to INR86. So the overall average raw material cost is about INR100 now.

Moderator: The next question is from the line of Ankit Kanodia from Smart Sync Services.

Ankit Kanodia: And I have just 1 question related to the Food & FMCG business. Do we have any direct assignment with Swiggy and Zomato, or their partners hotel?

Lakshmana Rao: Swiggy and Zomato, still not approved or going ahead with us. We have been talking to them for quite some time. They are very price conscious, and they also have their partners to approve the cost of the packaging. So that is where the problem. Most of the partners are restaurants operating with a deep discount for Swiggy and Zomato, so I don't -- I think that is where we are stuck. So as of today, there is not much progress with them.

Ankit Kanodia: So don't we think, in terms of volumes, if we can get more volume, so it can help us in lowering our cost and then go for them. Do we find it unattractive, those...

Lakshmana Rao: Volumes won't help us to reduce the cost. It is not a cost -- it is a stand-alone machines and stand-alone molds and robots. So if you want more production, you have to need more machines, more robots, so your fixed overheads and even variable overheads also will go along with your machine utilization.

Within a machine, within a mold and a robo, if the capacity utilization is better, there will be improvement in the pricing or profits, which we can share with reducing the cost. But beyond that, again, you have to invest for a second machine. It's like in costing, they call it. What is that, marginal...

Ankit Kanodia: Yes. Variable costs will go up soon in terms of costing logic...

Lakshmana Rao: Not only it goes up, but again, your cost of investment also goes up in steps.

Ankit Kanodia: Right. So is it fair to assume that this is not our top priority at the moment and we'll be focusing more on growing the pharma...

Lakshmana Rao: Where the pricing is depressed and actually, there was one proposal, I don't want to name, somebody want us to set up plants near to them, but the price they were thinking is absolutely not possible in injection molding. Where -- in injection molding people are offering containers at low price because the technology is low, the investments are low, manpower requirement and is mostly manual operations that is stickers and all that. So you can compare that with an injection mold and container of IML quality. So this thing cannot come down just because the volumes go up. Up to some extent, you are correct. But beyond that, again, new investment and new costs come in, and that's when we go for such low prices.

Ankit Kanodia: So that should be the case in case of all the subcategories in F&F, I would say, a competition from the unorganized sector where people would be willing to supply at least at much lower prices, right?

Lakshmana Rao: Yes. See, the people who are set up and idle, they need to run for whatever contribution margin that's coming in and they are closer to the clients sometimes and they treat them very well running. Not that we think anybody is bad, but they give -- prioritize even small suppliers, so they get attention. So some small players move off to -- for pricing benefit and also some better supply situation.

Say for example, obviously, when volumes of HUL or Milky Mist or something is running, we would definitely give them priority over some small orders that may come in. So they would prefer a small player nearby who would give them both in terms of pricing and supply. So they move off. So that kind of competition is set up in ice creams packs now.

Ankit Kanodia: Got it. And Do we plan to move beyond ice cream packs in the…

Lakshmana Rao: Of course, this is the idea. We keep moving on with a new set of products for new applications. And that -- in this direction, we are -- Qpacks are growing rapidly now because that is where we are finding new adoption happening in various new product segments, so that is focus point now. Even in North, we are starting our Qpacks at least 2 sizes, 10- and 15-liter will be starting in October and necessary equipment is being installed out. Hopefully, by October, we'll start there.

Moderator: The next question is from the line of Harshil Shethia from Renaissance Invest.

Harshil Shethia: I'll start with 1 question. What is the current capacity last few months?

Lakshmana Rao: Current capacity of the total plants together is somewhere around -- how much is that, 53,000 tons. And with the pharma, it is only 1,600 in that -- in addition to that, so total INR55,000, you can say.

Moderator: The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher Private Limited.

Amnish Aggarwal: Sir, I have a couple of questions pertaining to the ABG Group and paints. So are we that exclusive suppliers of paint pails to them?

Lakshmana Rao: No. There are 3 more competitors in all the 3 locations. They always go with 2 suppliers at each plant. So we have been given supplier status for 3 plants where we have 1 competitor each.

Amnish Aggarwal: Okay. So we are at Ludhiana, Mahad and Cheyyur.

Lakshmana Rao: No, we are at Panipat, Cheyyur and coming in Mahad soon. But Ludhiana, we are supplying IML containers from Panipat. The utilization business, we are there.

Amnish Aggarwal: Okay. And at these 3 locations, what is our current capacity?

Lakshmana Rao: Current capacity at these 2 locations, which are operating now is about 4,000 tons. And Mahad will be another 1,500 tons, but we are in the process of enhancing the capacities at Panipat and Cheyyur.

Amnish Aggarwal: Okay. And what is the likely expansion there?

Lakshmana Rao: Yes. Each brand will become 3,000 to 3,500 tons. But Mahad is yet to start. So I cannot comment on that. That may be around 1,400 to 1,500 tons per annum. These 2 plants will now go up to 3,000 to 3,500 tons per annum.

Amnish Aggarwal: Okay. So from Panipat, we are supplying to the Ludhiana plant. And from Mahad, we will be supplying to which of their facilities?

Lakshmana Rao: No, Mahad is for Mahad, Panipat for Panipat and Cheyyur is for Cheyyur. But some quantities to Ludhiana also, we are supplying some Panipat as of now. Maybe in the future, it may not happen. Currently, because of various balancing acts, they are picking up some quantities from us in -- from Panipat.

Amnish Aggarwal: Okay. And what sort of utilization levels we are expecting in this?

Lakshmana Rao: The last 2 months has been good. It has improved to somewhere close to 40%, 45%. And the indications are going to be better now. So full year, I'll be more than happy if we achieve at least 50% to 60% of capacity utilization.

Amnish Aggarwal: Okay. And out of the 2 suppliers, which they have at these locations, are you the major supplier? Or your competitor is bigger?

Lakshmana Rao: No, there's nothing called major. I promise to keep the equal distribution of demand. One maybe little early, one maybe a little late. So initial period, things may look a little favorable otherwise. But more or less, we maintain 50-50 in the long run.

Moderator: If there are no further questions, I would now like to hand the conference over to the management for closing comments.

Lakshmana Rao: I wish to thank all the participants for their interest in our Q1 results and in our company. And I also thank Nirmal Bang for arranging this conference, and I say goodbye to all of you and have a nice day.

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