



“MMP Industries Limited
Q1 FY2023 Earnings Conference Call”

July 19, 2022



ANALYST: MR. SIDDESH CHAWAN – ERNST & YOUNG LLP

**MANAGEMENT: MR. ARUN BHANDARI – CHAIRMAN & MANAGING
DIRECTOR – MMP INDUSTRIES LIMITED
MR. MAYANK BHANDARI - DIRECTOR - MMP
INDUSTRIES LIMITED
MR. SHARAD KHANDELWAL – CHIEF FINANCIAL
OFFICER - MMP INDUSTRIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the MMP Industries Limited Q1 FY2023 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddesh Chawan. Thank you and over to you Sir!

Siddesh Chawan: Thank you Rutuja. Good evening to all the participants on this call. Before we proceed to the call let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future result performance or achievements to differ significantly from what it is expressed or implied by such forward-looking statements. Please note that we have mailed the results and the same are available on the company's website. In case if you have not received the same you can write to us and we will be happy to send the same over to you. To take us through the results and answer your questions today we have the top management of MMP Industries Limited represented by Mr. Arun Bhandari, Chairman and Managing Director, Mr. Mayank Bhandari, Director, and Mr. Sharad Khandelwal, Chief Financial Officer. We will start the call with brief overview of the quarter gone past and then conduct the Q&A session. With that said I will now hand over the call to Mr. Arun Bhandari. Over to you Sir!

Arun Bhandari: Thank you Siddesh and good afternoon to all the participants, a warm welcome to you. This is our first earnings call, and I would like you to know a little bit more about this company. There will be many of you who are already aware of our activities but for the benefit of new participants I would like to give you this overview.

MMP Industries Limited was earlier called Maharashtra Metal Powders Limited when we were only in the manufacturing activity of aluminium powders. The brand was always MMP and when we diversified our operations into aluminium conductors, we changed the name of the company to MMP Industries Limited thereby retaining the brand and ensuring that any other activities would also be encompassed in this name. MMPIL was started in 1983 as an entrepreneurial effort by me. I had worked four years with Dunlop India and decided to branch out on my own and we purchased 20-acre private land 65 kilometers east of Nagpur in Bhandara district. We started with a small capacity of 300 tonnes per annum of aluminium powder, manufacturing began in 1983 and at that time we had borrowed or rather purchased technology from the Andre Van Lerberghe now known as AVL Metal Powders, they have been our associates all these years and we still retain good relationship with them. Aluminium powder is used in explosives and also in certain pesticides in AAC construction blocks, paints, leafing applications like printing inks, Thermit welding of railway tracks, in addition it has a



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variety of uses in the steel industry ferroalloys, refractories, etc. We also cater now to a small extent in the Indian defense sector and of course we are now looking to enter the space market also. Our plant in Bhandara was then expended over a period of time into aluminium powders. We then purchased a secondhand facility of the Indian Aluminium Company in Kalwa and shifted the aluminium paste making project to Bhandara. We then also set up three atomization units and all these are housed in that 20-acre facility which has now been extended by another 8 acres.

The second phase of our expansion was aluminium conductors, this was in the year 2011-2012 and last year we have added a value addition aluminium cable sector into that facility. In 2018 we had listed ourselves in the SME NSE sector and thereby January 2019 we upgraded ourselves into the main board. This IPO was to expand our aluminium powder facility into a new location which is 60 kilometers Southeast of Nagpur in a place called Umred it is an MIDC facility and there we expanded aluminium powder as well as a setup of oil rolling plant and oil converting plant. Because of COVID during 2020 and 2021 our foil facility was delayed but eventually last year we were completely done with the new project and have now been establishing ourselves in the foil sector primarily in the pharma focused areas. In addition to MMP we have a joint venture with a Japanese company the biggest manufacturer of aluminium paste in the world it is a 26% participation in a company called Toyal MMP India Limited. We were largely instrumental in working with Toyal to set up the project for them. This is 30 minutes South of Nagpur another MIDC area. We are also a 26% equity holder 26.06% to be precise in our sister company Star Circlips and Engineering Limited. This unit is manufacturing retaining rings, washers, Circlips, and precise engineering parts for the auto industry. We are brand leaders here also and probably in terms of reputation are among the first three or four companies in the world. The third facility is a small aluminium powder facility in MIDC Nagpur where we have small ball milling capacity. We do small amount of trading in manganese dioxide and other chemicals. So this is as far as our company background is concerned.

We have been in operations since 1983. We have been largely growing with term loans prior to our IPO in 2018 and it has been a steady journey in niche sectors and we are in the aluminium powder industry largely a 60% plus market shareholder in all the applications in which we cater. I will now hand over to Mayank who will take you through the performance and operations as well as any questions that can follow. Thank you.

Mayank Bhandari:

Thank you. Good evening, everyone. I am Mayank Bhandari, Director of MMP Industries and I am first of all pleased to present our Q1 FY2023 results. So, despite all the challenges faced we have reported a satisfactory performance this quarter. Our total revenue was up by 72% year-on-year from Rs.86.3 Crores in Q1 of FY2022 to Rs.148.3 Crores for Q1 FY2023. The growth was mainly driven by number one the increase in the aluminium foil division



which is now running well last year it had just started so the growth in aluminium foil rose by 198%, the growth in revenue in the aluminium powder segment rose by 53% and in the aluminium cables and conductors segment rose by 86%. Aluminium powder reported a total turnover of Rs.108 Crores for Q1 FY2023 compared to Rs.70.6 Crores in Q1 FY2022, aluminium foil stood at Rs.31.3 Crores for Q1 FY2023 compared to Rs.10.5 Crores in Q1 FY2022 and aluminium conductors was Rs.8.2 Crores for Q1 FY2023 compared to Rs.4.4 Crores for Q1 FY2022 so overall we had a very healthy revenue growth, it was driven by both higher aluminium prices compared to Q1 of last year as well as very robust volume growth. EBITDA and PAT margins experienced some pressure mainly due to the falling metal prices compared to the previous quarter resulting in a 35% drop in aluminium prices which impacted our inventory valuation thus margins are very deeply impacted with that. Margins were further affected by the steel inflationary pressures along with higher fuel, power, chemical and freight cost. All these are known worldwide, and this has had a big impact on us. Our net profit consolidated for the quarter stood at Rs.4.7 Crores compared to Rs.5.7 Crores in the corresponding quarter last year. On a concluding note, I would like to say that the company had to withstand several external challenges through the quarter. We are confident of overcoming these with several encouraging developments that we have undertaken and opportunities that lie ahead of us and we will be able to explain that later in the Q&A session and with this I would like to open the segment for any questions that you may have and please do not hesitate to ask us any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin 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 Chirag Siroya an Individual Investor. Please go ahead.

Chirag Siroya: Congratulations first of all to the MMP Industries. Being an individual shareholder since IPO I am noticing the performance of the MMP Industries and all. Few questions are there with respect to one is in spite of increasing the topline the bottomline growth is not happening either because of as you have mentioned that is because of the raw material prices correction and all so how is the company is planning to manage this inventory locking that is happening and because of which the bottomline is getting affected, secondly I would like to know aluminium foil future the revenue has increased as compared to Y-o-Y but it has reduced as compared to March quarter FY2022 so how the company is competing with giant industry players like Hindalco and all in this segment and the third one is with reference to how the company is planning to expand in future so whether they have internal accruals or they are planning to avail any kind of borrowings from the external sourcing?

Mayank Bhandari: I am Mayank Bhandari, and I will be answering a few of your questions along with our CFO, Mr. Sharad Khandelwal. First question is why was the profitability impacted it is very obvious that the steep metal fall like the aluminium prices fell down by 35% within two months so



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that really had a big impact on our inventory valuation and that resulted in a very steep loss that aluminium loss so much value within such a short space of time so that was the primary reason why despite having a good topline we were not able to report better PAT and EBITDA margin so that was number one and further big impact on prices of electricity, prices of fuel, transportation costs. In general, the entire inflationary pressure was witnessed altogether in this quarter so what the ideal case scenario for us would be to have some stability in pricing of aluminium. These wild fluctuations of aluminium going up and then crashing suddenly that has definitely had a big impact this quarter and I hope that with stabilizing aluminium prices as you have seen for the last three weeks or so we will be able to shore up our performance in terms of PAT and EBITDA margins. Now coming to foils reduction in revenue in the foil segment. Number one there was again like I said steep correction in the price of foils the foil prices crashed again close to 40% in the Q1 itself so that was number one. Number two was we had some downtime issues in our plant in the first month that is April and that was due to some quality problem and that is why April as a month was not very nice in terms of the sale value had that been the case we would have reported better numbers and so that was the reason why in this quarter the foil revenue showed a little bit of a downtrend. We are hopeful in the coming months this will shore up significantly and we have identified foil as a great growth driver for our company number one because we have capacity number two we are increasing capacity which should be operational by Q1 of next year additional capacity and also we are at the various stages of approvals and validations at various large pharma companies like Alkem, Sun Pharma, Ajanta, and a whole lot of these pharma companies so our pharma business although that has ramped up very well but the potential is huge and we are on the cut for some big breakthroughs. Then answering your second question on the foils how are we planning to compete with Hindalco and other large players so just to give you a brief of the foil industry. The foil industry is extremely immense and there are various types of foils which different people cater to so Hindalco for example is not present in the pharma sector at all. Another big player like Shyam Metalics they are also not present in the pharma sector at all their main focus remains ultra light gauge foil the 7 microns and below which we are not manufacturing at all. Our primary focus remains the pharma industry where we want to serve them value added products not only plain foil but we are also coating, converting, and printing foils as well and our aim is to achieve 100% printing utilization as soon as possible. Our business segment compared to some of the large players like Shyam and Hindalco is totally different and with respect to the ongoing expansions and the future plan as of now we will only finance it through internal accruals and for example the second rolling mill that we are in the process of setting up and that should be commissioned by the Q4 of this year or maybe Q1 of next year it will give some revenue as well so it is all being done through internal accruals and as of now we have no plans of going for any borrowings from external sources.



Chirag Siroya: In terms of volume just I want to understand that what exactly the management's expectation in respect of the order book with respect to this Q2 as compared to the Q1?

Mayank Bhandari: We do not have an order book per se because these orders are coming regularly as and when the demand comes so we do not get orders like three months or five months in advance of that sort so let me start with the powder segment. Powder segment if you look historically Q2 is generally our slowest quarter and the reason is the monsoon season so the mining activities reduce during the monsoon season, The construction activities reduce during the monsoon season and also the phosphide activities also a little on the lower side. That said comparing it to last year of Q2 of last year we are definitely going to see a 10% to 15% volume growth and although traditionally this is a low quarter but this time we are going to see some business growth compared to Q2 of last year in terms of the powder segment. Foil definitely we will be seeing some very, very strong growth like I said we are on the cusp of approval of a major pharma company and we are also getting more and more orders in the value-added segments of printing so we are very confident of achieving good volume as well as better margin in the coming quarter especially in the foil division. The key remain to ramp up our printing section as soon as possible, which we are hoping to achieve with, we are just on the edge you can say that.

Chirag Siroya: What is the operating cycle of the company working capital cycle of the company?

Mayank Bhandari: I am handing over to Mr. Sharad Khandelwal. He will be able to accurately tell you about the working capital cycle of the company.

Sharad Khandelwal: Good evening. I am Sharad Khandelwal, CFO of the company. Working capital cycle ranges between 60 to 70 days.

Chirag Siroya: Is there any plan to bring it down or any kind to ensure better realization or kind of thing?

Sharad Khandelwal: We are continuously trying to reduce the working capital cycle and we have achieved that also so in our powder section we have achieved earlier it was 60 days average credit period and now it has been reduced to say 40 days and even below 40 days and in foil section there are two sections one is the bare foil section and another one is the conversion section so bare foil we are selling our products on cash and for conversion section some part like printing products we are selling to pharma companies so that they are taking some credit like 60 days and 90 days also.

Chirag Siroya: One last question from my side as earlier mentioned that there is a rapid decrease in the price of the aluminium and all so because of that there is a hit on the margins so may I know that



how much is the provision has been made for net realizable value in the inventory valuation as on June because of this reduction in the prices?

Mayank Bhandari: Like I said the margin pressure per se is not there because we are working on a metal plus a delta basis. The inventory loss was due to our inventory in house the WIP and the FG plus raw material inventory that we had this sudden crash resulted in a total decrease in valuation of our inventory and that impacted the bottomline so that was the reason and it has been shown on the actual basis, so I did not get the question that provisioning wise it is..

Chirag Siroya: I am asking in a way that the inventory which is required to be valued at cost or net realizable value whichever is lower so if the inventory is valued at NRV, net realizable value that is because of the reduction in the pricing then how much is the provision that has been made in this result or that has been considered?

Mayank Bhandari: You are saying that how much is the impact of the inventory loss right?

Chirag Siroya: Yes exactly.

Sharad Khandelwal: It was more than Rs.4 Crores.

Chirag Siroya: Understood. Thank you from my end.

Moderator: Thank you. The next question is from the line of Dilip Sahu an Individual Investor. Please go ahead.

Dilip Sahu: Congratulations to the management team I think it is a good initiative. I am sure the investor community will learn and get value from this concall hope you will continue the tradition. My questions are into two buckets one is regarding the operational aspect in that we used to do around seven to eight times asset turn in our business in 2016, 2017 and 2018 and for the last two to three years the asset turn has drastically fallen for various reasons some of them are beyond our control and not only that the gross margins also has fallen that was double whammy and that obviously is reflecting in the return on the capital that we see in this quarter was the lowest possible but my question is that when do we see the asset turn to stabilize at the earlier level of 6% to 7% or what is the stable EBITDA we are driving at, the second is we need to have a defendable gross margin our gross margin fluctuates widely and I understand inflation I think that is true for everybody but the ability of the company to defend a reasonable gross margin depicts the quality and the competitiveness of the company right and I just want to know what are the initiatives the management is taking so that we do not go from 28%, 27% to 15% to 16% to 17% gross margin 27 itself is a low gross margin on that if we fluctuate 50% that is a little concern so that is about operational thing, but I must



tell that I am quite happy the way we have ramped up the foil business and the marquee customers that we have but another day the money is also key right growth and logos are of course great, the second question is regarding the business as a whole if one has to understand this business there is very little information outside the company brochures and website so since it is your first concall if you can tell something about the industry structure of aluminium powders particularly it is a very small niche segment we are a dominant player but is there any threat to the business from new players, why a 200 tonne guy cannot scale up to 2000 tonnes or more, why cannot they take our business away, those are the macro level which you do not find about this industry if you can give some more light on the competitive structure, the supply chain, the barrier to entry. My third question is hopefully we will get to the stable margin structure when our free cash flows will be Rs.150 Crores assuming that we grow at 10% to 12% for the next four to five years so since you are practically debt free or very little working capital debt if you can tell us what is the utility of this year 50 into five years Rs.250 Crores is there some new avenue you are looking at or it is just going to be more capacity in foil and powder or are you going into like the way you went to foil Rs.100 Crores kind of investment are you going to get into some big bang new related but different category of products so these are the three questions, one is operational, two are basically in terms of industry structure and our competitive strategy and the cash flow the capital allocation in terms of the next five years?

Sharad Khandelwal: Mr Dilip I will address your first question that is asset turn and when the asset turn be improved and the gross margins will improve so basically it is directly related to the metal price right?

Dilip Sahu: True, few capacity utilization right?

Sharad Khandelwal: Asset turn was lower earlier because the capitalization was done but the revenue was not reflected in earlier year. That revenue has started to come in this year Q4 of the last year and Q1 of current year. The asset turn will definitely improve because the full revenue will reflect in this year and so as far as the gross margins as I explained to you that it is directly related to the metal price and when the metal price will be lower our gross margins will be improved and when the metal price will be higher our gross margin will also decline so this is the reason because we are working on a metal plus our conversion charges basis so that is why the gross margin is also showing adversely.

Dilip Sahu: If you can just share a clarification because I used to believe that we have a pass through in seven days the metal prices gets passed on so does that help us reducing, my worry is not fluctuation in the gross margins my worry is the drop of gross margins by 30% to 40% you are getting my point that is where I have a concern because that completely negates the point that we have a pass through seven days or 10 days or whatever pass through?



Mayank Bhandari: So Mr Sahu if I get your question correctly we are still passing on the price increase or decrease may be in seven to 10 days but the problem is that the drop in prices of aluminium right or rather since we are working on a metal plus conversion basis so if the metal is on a higher side and our conversion remains the same so overall in percentage our margin goes down but in case the metal price comes down and the conversion remains the same then definitely the percentage wise the margin will improve. The real drastic drop this quarter has been primarily due to the inventory loss that we have taken.

Dilip Sahu: This quarter was, but if I compare with 2016 to 2018 when our metal prices went again to a wild ride our gross margins were not dramatic..

Mayank Bhandari: Of course the metal that time also had not touched such high and whatever the fluctuation was not very drastic like what happened was like 35% crash in a matter of 35 to 40 days we have personally never seen a cycle like this where it went up so quickly and came down even more quickly so that this entire period is an outlier I would say and that we are hoping now for some stable level of the LME. Ideally if the LME now stabilizes at that this level you will definitely keep on seeing improved performance from the company in terms of the margin percentages.

Dilip Sahu: My question is six to seven times asset turn and 25% to 27% gross margins is something that we can reasonably deliver assuming that the metal prices remain within a band of 20%?

Sharad Khandelwal: Six times and seven times asset turn look to be difficult presently.

Dilip Sahu: I am asking fixed asset turn.

Sharad Khandelwal: I am saying you that you are saying that when we will achieve the fixed asset turn of six to seven times right?

Dilip Sahu: Yes.

Sharad Khandelwal: At present it is difficult. What we are projecting that we can achieve a five times of asset turn in two years time.

Dilip Sahu: This 35% is gross margin we will maintain right?

Sharad Khandelwal: At that time, the gross margin may be around 27% or above that.

Dilip Sahu: Thank you. Can you just answer the other two questions which are more broad in terms of the industry and what is your cash flow?



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- Mayank Bhandari:** Please write down to us so we will give a detail reply on that.
- Dilip Sahu:** Sure I will do that and about the capital allocation are you going to give some dividend or is there some thought on the capital allocation for the next two to three years?
- Sharad Khandelwal:** That we can also reply on mail.
- Dilip Sahu:** Sure I will do that. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vijay Sarda from VL Finance. Please go ahead.
- Vijay Sarda:** Mayank just two to three questions basically one just to understand these kind of wild moment that what we see in aluminium prices so at any given point of time we do carry two month or two-and-a-half months of inventory mix 50 to 80 days kind of inventory in our books so are we not hedge for this kind of risk because it is an ongoing thing and we are commodity plus so are we not hedging this or there is some open position always there so this is the first question?
- Mayank Bhandari:** As a company we have never hedged and we have never taken any open positions or any speculative positions and everything is spot buying and everything is on actual, so from a company perspective we have never done any hedging or any speculation of that sort in terms of the metal itself. In terms of the inventory I would like to state that our raw material inventory in the powder segment is about say seven days or eight days. Our semi finished and FG inventory in the powder segment is about 35 to 45 days, our inventory in the aluminium conductor segment for raw material is about seven to 10 days rather, in semi finished and FG for aluminium conductors is 15 days. For foil definitely we carry a lot more raw material because we have to import also, we have imported certain aluminium foil stock where we have to order four months in advance and so that way we have to keep a 30-day inventory of raw materials in the foil division. Also due to the fact that there were some delays in supply from Hindalco so that is why we are sitting on an inventory of 30 days for the raw material in foil and the semi finished and finished goods inventory is about 20 to 25 days.
- Vijay Sarda:** Also continuing in month of July so do we have an impact in this quarter also on account of the same, now it is stabilized from the last 18 days so this quarter we have taken the entire impact or this quarter also we will see some hit on account of this?
- Mayank Bhandari:** We have taken the full impact as on actual as on June 30, 2022, for our Q1 account. In July of course prices have gone down but not that drastically that is something that we have



experienced in the normal course of our working for so many years. There will be a little impact but nothing close to what happened in the Q1 if the prices now remain at this level.

Vijay Sarda: So I just wanted to understand so same happened on the up-move side also when the prices are moving up we were getting the benefit of the same right?

Mayank Bhandari: Yes we did get benefit but the up move did not happen so drastically.

Vijay Sarda: I am just giving an example of Titan basically they are dealing in gold so what they do is basically their entire quantity is hedged because their business is very thin margin business and they cannot take a risk of this raw material so in aluminium definitely we can reach our inventory or at least to some extent our position on aluminium basically aluminium exchange so is not that the prudent thing to do because eventually at any point of time we will be sitting on 60 days or 30 to 40 days of inventory combining on the raw material as well as finished goods because as you rightly said we never seen this kind of volatile moment in the past of such a drastic kind of quantum like percentage move but eventually for business like us where we are only a converter or conversion plus margin is our aim then why should we take a risk of this metal because it makes us more like a commodity business at the end of the day because here we are not a commodity player we are not mining anything from the mines and all and that is why we do not have to age and all that we are buying and we are open to the risks so that is what I am saying because most of the people they do hedge their position if they are in the conversion business so is that thought process that you feel has to be implemented over a period of time in order to avoid this kind of consequences going forward, are you thinking on this line or this is kind of one off kind of move and you do not feel that is going to help?

Sharad Khandelwal: Looking to the level of volatility in the past quarter now it is a time to think again on our quality of hedging. Too much volatility we have never seen in the past. We will definitely think about this hedging policy.

Vijay Sarda: Because what happens is it is not the entire value of the business because then we do not get treated as a converter or basically a high margin business then people say any fall in deep in commodity will impact us?

Sharad Khandelwal: If you carry inventory of sale like 1000 tonne you are carrying every month so I do not think it will impact but it will impact if you increase the inventory from 1000 to 2000 tonne...

Vijay Sarda: That is speculation but we are not into but what I am trying to say.

Sharad Khandelwal: Same level of inventory and volatility will impact in the long run.



- Vijay Sarda:** As you rightly said this kind of fall does not happen every kind of fortnight or every year it is one off but still I am saying as a prudent business I just wanted to understand if you want to hedge also what is the cost of hedge if you roughly do so?
- Mayank Bhandari:** That is something we will definitely think about. Like I said as a company we have never done that before and it is something that is on the table and we will take a call looking at the trends and getting various quotes on the cost of hedging and the other aspects.
- Vijay Sarda:** Secondly just coming to this foil capacity how much operating capacity there we are utilizing basically what is the capacity utilization in the foil facility and when is the second expansion going to kick in so we already got the second expansion already kicked in of 3600 or still under the process?
- Mayank Bhandari:** The second expansion the process has already started, the machine has been ordered and we are expecting delivery to commence somewhere around the Q4 of this financial year. That will hopefully give us revenue from the Q1 of the next financial year.
- Vijay Sarda:** How much capacity utilization we are currently in foil?
- Mayank Bhandari:** Like I said in the bare foil rolling section you can say our capacity utilization is in excess of 80% but in the conversion section we are somewhere around 45% to 50% right now.
- Vijay Sarda:** Conversion means which one conversion is basically product side?
- Mayank Bhandari:** Basically what happens is we purchase the foil stock from Hindalco we roll it and convert it. Conversion is of two types number one is the pharma laminate and number two is the blister coating and after that it is the printing so the entire conversion section is the pharma, blister, and the printing.
- Vijay Sarda:** So the value added basically this rolling is a normal rolling where the margin is low, but once you get on higher on this conversion then the margin will also expand because this is a specialized business rolling is a commodity, and there as you rightly said you are adding customers and getting good traction so once you get from 45% to incremental share there the margin will expand in the overall foil business is this right thing to understand?
- Mayank Bhandari:** Absolutely correct and that is what we are aiming for and that is what we are very confident about.
- Vijay Sarda:** Thank you.
- Moderator:** The next question is from the line of Amey from Banyan Capital. Please go ahead.



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- Amey:** Thank you for the opportunity. Just a couple of questions from my side. Sir what was the volume growth sequentially in the foils segment?
- Mayank Bhandari:** Volume growth in the foil segment compared to the Q1 of last financial year you are saying?
- Amey:** No Q4 sequentially.
- Mayank Bhandari:** You can say it is close to flat.
- Amey:** So basically the prices of the metal fell in this quarter right and that is why the foils revenue also fell sequentially is that understanding right?
- Mayank Bhandari:** Yes, so the foil revenue fell due to two reasons number one was the downfall in price and number two was because of our own internal quality issue in the first month of April if that would not have happened definitely the results would have been slightly better in this Q1. There were some technical issues in our plant.
- Amey:** So how much volume was impacted due to the technical issue?
- Mayank Bhandari:** I do not have the exact number right now and I will be able to give you that exact figure on e-mail separately if you can just drop me an e-mail that how much volume was impacted because of that issue.
- Amey:** Sure Sir. In the aluminium powder segment we have more than 60% market share in almost all the sub segments so where do you think the revenue growth will come from going forward next two, three years?
- Mayank Bhandari:** Where do we think the revenue growth will come for in the powder segment right?
- Amey:** Yes.
- Mayank Bhandari:** Revenue driver in the powder segment is obvious will be the AAC construction segment we expect that to be a very fast-growing segment and where we command a good premium as well as a good name in terms of quality so I think revenue wise that will be the fastest growing segment for us.
- Amey:** Okay, got it. Just one question so basically in the press release that in the first quarter's press release you had mentioned that the foil industry is likely to witness increase in competition so now seven-micron market obviously has more competition so are we also talking about the above seven-micron segment which we cater to basically?



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Mayank Bhandari: Yes, if you see apart from the ultra light gauge there will be people coming into our segment as well, our existing competitors are expanding as well so it is likely to see competition, how it impacts price it remains to be seen but we have to be aware to the reality that there will be people trying to break into this segment it is a fast growing segment no doubt about it with good potential so we have to always look at it from a very keen manner.

Amey: So for overall revenue growth of the company foils is a major driver right and we are catering to the niche segment in that also the above seven-micron segment which is basically catering to pharma so if players like PG Foils and all they start getting aggressive in this segment so is not that a threat to our revenues going forward or how do we see it Sir?

Mayank Bhandari: I do not see that as a threat because we are already at a lower base we are a new player so we can only grow in this so I would not call it a threat but there is competition and we are confident that with our quality, with our consistency and with our approvals in various big pharma companies we will see good growth in this segment no doubt about it, absolutely no doubt about it.

Amey: So are we expecting those three pharma companies to give approvals this year Ajanta Pharma and Sun Pharma and all?

Mayank Bhandari: We are already a approved supplier to a variety of large companies, some of the very large companies are also in the pipeline where we are expecting orders very soon, audits have been complete, we have passed the audit, the general vendor port creation process is also complete just final some documentations are remaining and definitely again I am very confident that this will be the main driver of growth in the coming quarters.

Amey: Just last two questions from my side when are we expecting to turn free cash flow positive?

Mayank Bhandari: I think that should be sometime in the next financial year.

Amey: Just a data related question. Our tax rate was quite low this quarter what was the reason for it?

Sharad Khandelwal: We had some provision made for our doubtful debts so that was reflected in this quarter.

Amey: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Chirag Siroya an individual investor. Please go ahead.



Chirag Siroya: The last question which was just asked related to the tax question, tax rate so I was also about to ask this question only that as you have mentioned that this is because of the bad debt provision so I think this should have a corresponding offsetting impact of in the current tax as well as the deferred tax so accordingly there should not be any much impact on this tax aspect so I would request you to please give us the detailed answer of this and the second one is as earlier asked that with respect to this inventory hedge this was again with respect to since we are procuring on a spot basis so how do we or how the company is planning to implement the hedge policy so that they can capitalize on this rate fluctuation and all these things or to avoid this drastic reduction or drastic increase in the prices of aluminium, these are the two questions from my end?

Mayank Bhandari: For your question number two hedging is something that we are discussing it is on the table we have never done it before so number one we need to first understand how this will work for our business and take a call with respect to whether we want to go ahead with it or not but it is definitely something under discussion. I will not be able to give you a timeline that by when we will be able to do it or will not be able to do it, but it is definitely under active discussion amongst us and for the tax provision already it was a bad debt provision and hence the tax rate applied was on the lower side.

Chirag Siroya: But generally I come from a tech background so generally it does not have impact on the tax rate if there is any kind of provisioning for a bad debt or kind of things...

Sharad Khandelwal: This was already provided in the book but for computation purpose we have written off that particular debt and taken a tax provision on that.

Chirag Siroya: Understood but in that case also there is a corresponding impact, if either there is a bad debt or either there is a provision so in both the cases there is corresponding increase or decrease in the current tax as well as the deferred tax so I think there should be two impact of this as far as I know, so apart from that I see some other would request if you can just study further and you can reply on the mail also it will work for me.

Sharad Khandelwal: We will give detail reply on mail.

Moderator: Thank you. The next question is from the line of Dharma Venkateshan an individual investor. Please go ahead.

Dharma Venkateshan: Hope you are doing well and good and congratulations on a great set of numbers. Sir if you look at other industries which work us under cost plus model they give out a number such as EBITDA per ton which helps us our investors to understand the companies working so is



there are any numbers in our case which you could share with us so that we could understand how the company's margins are moving?

Mayank Bhandari: So basically you want a comparison to one of our peers who is in the public segment so to understand and compare what the company's performance in terms of margins is am I correct?

Dharma Venkateshan: Not compared to the peers like if we look for example I am taking structural steel tubes and they are also work on cost plus model like companies like APL Apollo or Hi-Tech pipes so they give you the number called as EBITDA per ton per quarter?

Mayank Bhandari: The thing is I can specify in the powder segment our EBITDA per ton ranges from Rs.30000 to Rs.35000 per ton. In terms of the foil division our business is still getting established, we are not at full capacity in the conversion segment, we are not at full capacity in the printing segment, so as and when that achieves a full capacity and we have a full understanding of the product mix as well as the customer mix it is only then that will be able to give the total indication of EBITDA per ton in the foil division so that is why in terms of EBITDA per ton in the foil division we are not yet discussing on that as we feel that the business is still evolving for us.

Dharma Venkateshan: If you take us to the foil segment we are applying to the pharma industry and it is a value-added product so is there a cost lag with which we have to pass on the price hike or price down whenever that happens what is the time period in that?

Mayank Bhandari: To pass on the price hike and price decrease like we have seen over the last quarter our experience so far has been that this gets settled within one week to ten days where they are also not oblivious to the LME definitely there will be some up and down of Rs.1 or Rs.2 when the price goes up or goes down but generally by and large right now our experience has said that any price hike or price decrease is settled within seven to ten days.

Dharma Venkateshan: Okay Sir thank you for the opportunity. I am looking forward to great set of numbers.

Moderator: Thank you. The next question is from the line of Dilip Sahu an individual investor. Please go ahead.

Dilip Sahu: I just wanted to know since we have been with top two, three pharma customers eight to nine months how has been the ramp up of revenue with the top three customers in the foil business with pharma?



- Mayank Bhandari:** I do not have that data of the ramp up of the top three customers with me right now in terms of the pharma clients, but that being said our pharma business per se started only around the month of November and December with the large pharma companies and it is in the process of ramping up now. I think we will be able to give a more accurate picture after this quarter where we will be enrolled with a lot of other big clients apart from our regular clients that we are already catering to. Also second fact is that a lot of pharma companies they start business in a small way but for their non-regulatory plants and they only start business for the regulatory plants once the audit is complete so that way also we are catering to some companies in a very small way but waiting for their audit so that we can do much larger business with them.
- Dilip Sahu:** So the guys like say Torrent or Hester they are large players right so as of now we would not be a significant player in their total foil uses, is that a fair assumption?
- Mayank Bhandari:** I would not say IPCA but in Torrent we are a significant player we are a significant player in Torrent.
- Dilip Sahu:** Second and last question is once we do this rolling mill installation which is by end of this financial year what would be our peak capacity assuming the aluminium foil prices remain at the current level?
- Mayank Bhandari:** Our peak aluminium rolling capacity would be 700 metric tons per month after the installation of the second rolling mill.
- Dilip Sahu:** So we can annualize around 170, 160 kind of revenue assuming that everything runs at a peak level from next year onward right assuming that the rolling is installed by Q3 and Q4?
- Mayank Bhandari:** Rolling will be installed only by Q4 and annualized we can achieve 150 Crores with the current capacity.
- Dilip Sahu:** That will be around 50% full value added and 50% pure rolling their foils?
- Mayank Bhandari:** Absolutely and that is with the current capacity with the new rolling mill we can target a total topline of about 240 to 250 Crores with the new rolling mill.
- Dilip Sahu:** That will be the next year and kind of Q4 next year?
- Mayank Bhandari:** You can consider it Q1 of the next financial year where the revenue will start coming in.
- Dilip Sahu:** We decide not to sell raw foil at all and do 100% conversion what is the additional investment?



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Mayank Bhandari: That we want to maintain a balance we also do not want to be totally reliant on the pharma industry because this converted foil there is another very lucrative segment is the house foil segment the house foil and anything up to 9 microns see pharma stops at basically 20 microns the other foils that we can make are about 18, 12, 9, 10 so that is one segment where we do not want to exit because there is a growing demand in India for that which is referred to as house foil and also used in food packaging to some extent. We want to be present there and although theoretically we can do 100% conversion but we want to keep a balance as of now.

Dilip Sahu: Yes and in terms of export if you can give us some light about how is our export shaping up?

Mayank Bhandari: So exports have already started in a small way we have had consignment going to Bangladesh, we have had consignments going to Nepal, we are also pursuing the Nigerian market very aggressively and some of the Nigerian companies again might come and audit us and we are hopeful of some good sales to Nigeria, particularly this financial year.

Dilip Sahu: Thank you very much MayankJi.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Arun Bhandari: Thank you so much everyone who participated in the interesting questions. Anyone who would like to address more questions and more details required from us please feel free to e-mail our CFO and we will revert with the specific answers to your queries. We hope that our journey together goes well and we will be very, very happy if any of you choose to visit our facilities we will take you around all our joint ventures as well and that will give you a more real perspective of the amount of development that has been done and that is likely to be done in the future. So welcome any of you who would like to come over to Nagpur ideally it should be for two days but depending on time you can make your own program we are at your disposal to answer your queries. Thank you so much once again and we look forward to further interactions in the coming weeks and months. Thank you so much for the cooperation.

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