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Analysis

Poonawalla Fincorp Ltd.

Cover Story

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## “We Have Been Sailing On The Tide Of Expansion,”

In this exclusive interaction, **Rajesh Bhatia**, Group CFO, UFlex, outlines the company's strategy in terms of sustainability while also sharing information about how the company has been on an expansion spree in recent times both in India and outside



**Rajesh Bhatia**, Group CFO, UFlex

### What is flexible packaging? What is your take on global flexible packaging markets and business outlook of UFlex?

Flexible packaging is a light-weight packaging made out of polymer structures. While it is used for a variety of applications, its most common use is in primary food packaging to protect food from degrading and extending its shelf life. Flexible packaging delivers several other virtues and values such as barrier properties, aesthetics, convenience of transportation, storage and use, security and easy recyclability to all its stakeholders that includes manufacturers, brands and consumers and finally for the environment as well. Common examples of flexible packaging include bags, pouches, shrink films, tubes, blister packs, etc.

As per a report by Allied Market Research, the global flexible packaging market has been valued at USD 182.3 billion in 2020 and owing to its CAGR of 6.2 per cent is projected to reach USD 325.6 billion by the year 2030. This growth is witnessed on account of higher per capita income, increased focus on hygiene and packaged foods since the outbreak of the pandemic and innovation-driven focus of packaging converters and brands. Also, the ease of recycling flexible packaging has seen an increased shift from rigid to flexible packaging.

As the biggest flexible packaging company in India, UFlex has been sailing on the tides of expansion, robust order book and volume growth. Since the last fiscal, with the commissioning of greenfield and brownfield projects for packaging film manufacturing facilities at strategic locations across the globe, UFlex has achieved almost 40 per cent YoY jump in its H1 sales volume in FY22 for packaging films. In FY22, H1 revenues were up by 37 per cent YoY and for the entire fiscal year 2021-22 as a whole, we are confident of maintaining the momentum.

### What steps are being taken by UFlex to grow its market share?

UFlex' strategy to grow its market share has been to identify potential markets which have large population base but are currently being fed largely through imports and just about ripe to justify local production facility, which gives us the first mover advantage. It is with this approach of manufacturing locally and being close to customers that we planned our recent spate of expansions in packaging films. In FY2020-21, we moved our Dubai 30,000 TPA capacity BOPET line to Russia through greenfield expansion to leverage on the already existing markets we had created for our packaging materials.

Then, we commissioned a new BOPP line with capacity of 42,000 TPA in Hungary, which is the first BOPP facility in that country. Likewise, our most recent expansion was in Nigeria where we have installed a first-of-its kind 10.6 m wide BOPET



packaging film line to manufacture 45,000 TPA, which again is the first BOPET facility in Nigeria. As all our existing packaging films plants were running at almost full capacities owing to greater demand, we commissioned an additional BOPET line in Poland with 45,000 TPA and 42,000 TPA BOPP line in our Egypt plant.

With these expansions, we are today the largest thin BOPET film producers in the European Union. We are also the second-largest in the world and well on our way to become world leaders in BOPET film manufacturing after the commissioning of our new plant in Dharwad in South India. We are also coming up with a CPP film line in our Dubai plant. On the packaging front, our aseptic liquid packaging facility at Sanand is also set to double its production capacity in the short-run and will pack an additional 3.5 billion packs for Asepto clients. Moreover, the portfolio of sustainability-led products that we are offering is also helping us acquire more clients in each business vertical, especially in packaging, and thus helping us gain a larger market share as well.

### **What is the impact of the rising raw material prices on the profit margins of UFlex?**

Rising raw material prices in our industry are normally passed on to the customers either instantly or with a bit of a lag, depending on the customers' contract. Our raw material prices are linked to crude prices and well-established indices. Since the onset of the pandemic last year, raw material prices have been quite volatile. While initially the raw material prices declined substantially in Q1FY21, these have been steadily increasing thereafter and there has been a lot of volatility because of supply chain as well as raw material availability issues due to local lockdowns. In the last two quarters, the raw material prices have been continually increasing, which impacted our margins in Q2FY22. However, we believe that once the raw material prices stabilise, the margins will also stabilise.

### **What are the new growth opportunities facing UFlex at this juncture?**

While flexible packaging is one of the best solutions to minimise food waste due to its unmatched barrier properties, conversations around the menace of plastic waste have opened doors to the dire need for sustainable formats of packaging. It is interesting to take note of green packaging ruling the game and combined with other critical aspects, desired by Gen Z, to drive major changes in consumer packaging. This is further propelled by regulators who are designing guidelines that prompt CPG and other FMCG brands to make bold commitments to improve both, the sustainability of their packaging and fundamentally re-think their packaging ecosystem.

UFlex was able to identify, many decades ago, that sustainability holds the key to a prosperous tomorrow for people and the planet and this will also drive our business growth. Our developments in products and technology has always held this purpose at its core and is now gaining recognition and acceptance due to regulatory reforms and brands' interest. Some of our flagship developments that helped brands move closer to their sustainability goals includes our up to 100 per cent PCR-based green packaging film 'Asclepius', paper-based tubes 'Kraftika', and water-based inks and adhesives along with easily recyclable mono-material packaging structures.

We are also coming up with our ground-breaking enzyme-based biodegradable development in flexible packaging that quickly breaks down packaging waste into biomass, if left uncollected for recycling. In a nutshell, the decade will witness performance-based packaging where it will be judged not only on the basis of its barrier structure and convenience but also by its ability to define a life beyond its original use. In short, the call of the moment is that all products manufactured across the world must adhere to the norms of sustainability since it is our responsibility and commitment to turn this world into a better place. And this is where the opportunity lies ahead for us. ■