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UFLEX LIMITED

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UFLEX/SEC/2022/

August 20, 2022

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
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Bandra-Kurla Complex
Bandra (E),
Mumbai – 400051

Scrip Code : UFLEX

The BSE Limited
Corporate Relationships Department
1st Floor, New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code : 500148

Subject: Transcript of the earnings conference call conducted on 16th August, 2022

Dear Sir(s),

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call conducted on 16th August, 2022. The same is also hosted on the website of the Company at https://www.uflexltd.com/pdf/EarningsConferenceCall/2022-23/UFlex_Q1FY23_Transcript.pdf

Request you to take on record.

Thanking you,

Yours faithfully,
For UFLEX LIMITED

(Ajay Krishna)
Sr. Vice President (Legal) &
Company Secretary

Encl : As above

“UFlex Limited
Q1 FY2023 Earnings Conference Call”

August 16, 2022

ANALYST: **MR. SANJESH JAIN – ICICI SECURITIES**

MANAGEMENT: **MR. RAJESH BHATIA - GROUP CHIEF FINANCIAL OFFICER - UFLEX LIMITED**

MR. ANANTSHREE CHATURVEDI - VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, FLEX FILM INTERNATIONAL

MR. APOORVSHREE CHATURVEDI - DIRECTOR EU OPERATIONS AND SUSTAINABILITY

MR. VINU SAINI - VICE PRESIDENT - CORPORATE FINANCE, M&A, INVESTOR RELATIONS - UFLEX LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the UFlex Limited Q1 FY2023 Earnings Conference Call hosted by ICICI Securities. 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 the conference is being recorded. I now hand over the conference over to Mr. Sanjesh Jain. Thank you and over to you, Sir.

Sanjesh Jain: Thank you Seema. Good afternoon everyone and on behalf of ICICI Securities Limited, I would like to thank you all for taking the time to join us on UFlex Limited Q1 Results Conference Call. From the company leadership team, we have with us Mr. Rajesh Bhatia - Group CFO UFlex Limited; Mr. Anantshree Chaturvedi - Vice Chairman and CEO Flex Film International; Mr. Apoorvshree Chaturvedi - Director EU Operations & Sustainability and Mr. Vinu Saini - Vice President Corporate Finance, M&A Investor Relationship. We will have the opening remarks done by the management post which we will have a Q&A session. I would like to hand over the proceedings of Mr. Rajesh Bhatia for his opening remarks. Thank you and over to you Sir.

Rajesh Bhatia: A warm good afternoon to all on the call. Ladies and gentlemen my name is Rajesh Bhatia and I am going to present the results for the Q1 ending June 30, 2022. For the quarter we have reasonably good quarter. Our topline view on a year-on-year basis 46.5% to a little over 4000 Crores and which was backed by 15.7% volume grow on a year-on-year basis and EBITDA was up by about 44.3% to 725 Crores on year-on-year basis and on Q-on-Q basis it is up by 4.1% and PAT is again up by close to about 42% to 375 Crores with the highest ever PAT by UFlex in any quarter so far and on a Q-on-Q basis also this is up by 6.9%, other notable contributions achievements in quarter was the first is aseptic packaging business where we achieved 91% capacity utilization and expanded capacity of 7 billion packs and we had almost 123%

volume growth in aseptic packaging business on year-on-year basis and even on quarter-to-quarter basis we had 61% volume growth in this quarter over the March quarter so that business has some phenomenally well and enhanced capacity utilization which was commissioned in April came very handy for this season and to the best of our ability we could achieve a very high level of the capacity utilization and we could have done a bit better, but initial teething troubles are there always and set up new things are always there but we have been able to overcome those subsequently and the endeavor is to bottleneck the plant and the purpose is that with the same facility instead of capacity of 7 million packs can we do 9 million pack our endeavor is do that so let us see next season as to how do we perform. The other notable achievement during this period we have achieved 71% plus capacity utilization as Nigeria facility and while we commissioned that Q2 FY2022 so the first two quarters we had logistics and other issues there but happy to say that now we are ramping up production and the sale from that particular business and the idea is to again take it to much higher capacity utilization as some of the other business so overall the quarter has been decent and we are now looking at the commissioning of our CPP facilities in Dubai and India & BOPET facility in India, later which will give us additional revenues as well as profitability. Generally a good quarter from overall perspective. Thank you.

Moderator: Ladies and gentlemen we will now begin with the question and answer session. The first question from the line of Mr. Subham Agarwal from Aequitas. Please go ahead Sir.

Subham Agarwal: Thank you for the opportunity and first of all congratulations to the entire team. Sir my first question is related to the aseptic packaging division. Sir I wanted to know with the commissioning of new line what would be our current market capacity and going forward what is the reasonable growth trajectory that we are looking for this division given that you have mentioned that we will expand our capacity to probably 9 billion packs over the next one year?

Rajesh Bhatia: So that the current rated capacity is 7 billion packs a year now we are seeing expansion, we not looking at any fresh investment per se but we are looking to debottleneck the facility to see if we can still optimize the production from the same plant to 9 billion packs.

Subham Agarwal: Sir what would be our current market share in this division with this commission?

Rajesh Bhatia: I think we will have close to anywhere between 22% to 25%.

Subham Agarwal: And what is the reasonable sustainable growth that we can achieve in this division Sir?

Rajesh Bhatia: Business as I understand the growth is about 18% to 20% at an industry level so there is no reason that why we should not be able to achieve that growth.

Subham Agarwal: Got it and Sir with the new capacity at 7 billion packs what is the total turnover that we can do and what is the sustainable margin that currently we are doing in this business?

Rajesh Bhatia: I think we can do on topline of anywhere between 1200 to 1400 Crores at 7 billion packs output from the pack size and all that so that is why I am giving the range and the margins could be about 20% and about.

Subham Agarwal: 20% EBITDA level. Sir my second question is related to our BOPET division so last quarter we have seen in India especially BOPET margin have started declining so I wanted to know what is the global trend because we have capacities around the world so Q-on-Q from Q2 onwards how do you see the spread moving?

Apoorvshree Chaturvedi: In terms of the pricing of the Indian market needed to be BOPET product, the global market, global market prices obviously very different directions compared to Indian prices especially on a gross margin posture and so far right now summer season has been offered normal nature of demand with expecting the demand recovery in the European market and demand recovery in the Middle Eastern and North African and African Markets for the last quarter of year for the balance months so I think gross margins side what you have been tracking and correlating in terms of India margin that is not going to have an extremely strong scenario on the global markets.

Subham Agarwal: Sir but globally also we are expecting a lot of lines to come up. Sir, do you feel that the demand would be adequate to meet the additional supply?

Apoorvshree Chaturvedi: If you look from the supply side the net capacity additions for BOPET factory portfolio is coming in India and China, the rest of the world net capacity addition is very, very limited and almost negligible if you look at the size of the markets so I think companies in position like ours where we have a complete understanding and representing Indian markets along with the global market leaders I think we will be able to manage the trade winds that developed out of the net capacity addition and we believe the picture that is come out of the pandemic of companies needing reliable suppliers that story is continuing to carry weight in the markets mind and customers will be sensitive to the value addition of that approach.

Subham Agarwal: Okay fair enough Sir. Sir I will come back in the queue. Thank you for answering my question.

Moderator: Thank you very much. We take the next question from the line of Chirag Singhal from First Water Capital. Please go ahead Sir.

Chirag Singhal: Thanks for the opportunity. Just to continue to the previous participant's question on the aseptic business so if you look at the next two to three years or let us say even further four to five years down the line, what kind of target we have in our mind from the current 7 billion packs just to get a broad picture on where we are headed in the aseptic business?

Rajesh Bhatia: I already answered that if you say, from a turnover point of view I think the current capacity can lead us to 1200 to 1400 Crore annualized revenue and the EBITDA margin guidance also I gave that anything else you want to know.

Chirag Singhal: No so that I understood so we are anyway running at 91% capacity utilization for the entire 7 billion packs and I also understood that with debottlenecking will have 1 to 2 billion packs by next year or so but beyond that by adding new lines so do you have any sort of a target that we can work with that this is a target for the next three to five years in the sector business from let us say to 9 billion packs that we can achieve from the existing setup.

Apoorvshree Chaturvedi: So I think consumer position to give you a more clear picture on the capacity additions for your subject by the end of the next quarter I think right now considering that Mr. Bhatia said that with debottlenecking getting about 20% more on the capacity that you have today and I think even if you assume the growth level in the market or at least 15% to 20% I think there is enough room to balance our existing onshore in their capacity with that growth both trajectory and then make a better decision down the line.

Chirag Singhal: Sure okay Sir my next question is on was there anyone off expenses in the P&L because of currency depreciation in Russia for Q1?

Rajesh Bhatia: Because of currency appreciation in Russia we had our loan book swelled by about 163 Crores. No profitability impact is also there in Russia this quarter because the currency fluctuated is went from 75 to 125, 125 it came down to 55 so there were impacts on the P&L in the normal course of the business as in the way we conduct our business day we collect our receivables, our benchmark to certain exchange rate and our benchmark to certain exchange rate, yes we had some underperformance there because of this fluctuation.

Chirag Singhal: Okay Sir could you please quantify the impact on the P&L during the quarter as what was one off component during the quarter in P&L?

Rajesh Bhatia: We will not be able to share that.

Chirag Singhal: Okay alright Sir the recycling part so we have been talking about lot of expansion that we have been doing in various different streams in the overall recycling just wanted to understand from a broad picture that what kind of total capex that we have already spent in the recycling what is the current capacity the payback period and also just wanted to understand when we look at let us say a business like aluminum wherein the recycle aluminum is generally purchased at a discount to the aluminum and giving a benefit could be aluminum producers, is there some similar advantage that we also get when we use Rpet instead of virgin pet and the cost of production goes down and eventually a sustainable profit per kg can be achieved over a period of time?

Anantshree Chaturvedi: Sure but Mr. Bhatia I think you can give the capex numbers and the payback numbers I would be happy to address the pricing and the payback cycle.

Rajesh Bhatia: Anantshree Ji if you can just give the business section I will add those input..

Anantshree Chaturvedi: Sure absolutely from our perspective of an input output ratio when we add in any kind of recycle from resin from our facilities it is not exactly the same as what you are deciding that the aluminum manufacturers do because for us cost of sourcing, cost of cleaning can vary from geography to geography however today they wanted that we all have as an industry is that we site for our pet materials sold at a premium as compared to virgin material so it is really today if we look at the market today it is that premium that output is sold at that makes up for basically these additional ancillary transition costs to our pet but once you hit a certain quantity and that is sort of quantity really being defined by the industry because that industry standard has not really been defined as of now then you will start seeing some of these benefits that you are seeing that the aluminum makers sort of get at scale but until that point it is really the premium that you get in the market which also varies by geography by geography but it is a consistent premium in any geography that you are selling in then allows a better payback period for this material.

Chirag Singhal: Right so when we talk about premium so could you also help me with the sales volume that we do for 90% or 100% of R-PET films as a percentage to the total sales volume just to understand it what kind of scale we have achieved and what prospects do we have over the next five to six years?

Anantshree Chaturvedi: We can get you back those numbers I would not have those numbers on the top of my head for every geography.

Chirag Singhal: Sure Sir no problem thanks. One more question….

Apoorvshree Chaturvedi: Just to give you a supplementary insight but you could carry back into your industry is that right now the adoption of the R-PET film product is heterogeneous globally so certain markets are leading in terms of customer demand whether it is shaped by the customers all directly by their end customer and in other markets either because of the lack of regulation or because of a lack of marketing on behalf of the end customers the demand for 100% hearted in list of film has still not crystallized point where start let us say capacity to that product so I think it will happen in time and that is one of the reason why these sort of formulization of the aluminum model is not applied one to one.

Chirag Singhal: Okay understood Sir and Mr. Bhatia could you help me with the numbers on the capex and capex period?

Rajesh Bhatia: Depending on the location and the cost of civil work at that location will cost between $10 to $12 million in the PCR and the payback should ideally be between say about four to five years.

Chirag Singhal: Okay alright so one last question and then maybe I can join back into queue, this is on the specialty sales volumes if you look at the peer set most of the companies are giving the breakup of how they are, what is the total component of the specialty sales volume as a percentage of the total sales volume at the moment and what are their ambitions over the next two to three years now the reason why they are giving and maybe putting it in front of the investors is what they are trying to imply is there is a sustainable EBITDA per kg or let us say sustainable profit margins in a specialty sales vis-à-vis will be commodity sales volumes so just wanted to understand where do we stand currently in terms of our specialty sales volume as a percentage to be total sales volume and is it fair to assume that there is a sustainable profit per kg because we are in a cyclical industry and the spreads clearly totally volatile in terms of the demand and supply so if we are able to ramp up our specialty sales volume portfolio maybe we can have some sort of a sustainable profit per kg going forward so this is the assumption that I am working with but just wanted to know where perspective where do we stand in terms of the specialty sales volume at the moment and whether it is fair to assume that the profits are sustainable in specialty sales.

Anantshree Chaturvedi: Can I ask you a question when you talk about sustainability terms from your definition and your benchmark how are you qualifying those from the sustainable as specialty films, are those specialty films based on whatever the company you are talking to is telling you is specialty or is it is that you have a benchmark that defines those films?

Chirag Singhal: No Sir so I do not have a benchmark personally but whatever I have heard I can put it in front of you so basically what the companies are stating is that specialties are no longer considered to be just metalized & coated films. It depends on the application the films are used into and which are much more specialized than a simple metalized or coated film so what we have known from the presentation with the capacity that we have for the metalized and quoting but obviously with whatever we have heard from different companies is that specialty is much more than that it is not just restricted to the metalized and coated films so personally I do not have any benchmark but this is what fair understanding?

Anantshree Chaturvedi: I am sorry to spin this on you but that is exactly the problem right, the problem is our internal benchmarks so what we define specialty is very, very different from what the industry defines the specialty and that is the reason why we do not sort of reduce these numbers because a lot of times what is being called a specialty is not necessarily specialty so I will tell you our internal benchmark for specialty is based purely on volume and margin, those are the two things that we look at when we see internal specialty films. Mr. Bhatia can give you more details at a later time but that is the reason why it is kind of futile to discuss specialty films because there is no benchmark right what you are calling and what the industry might be calling especially film might not be a specialty film as defined by the interest as by actually in actual reality but it is being touted especially film because it sounds nice on a presentation or it sounds nice on sort of news headline and that is where sort of different concerns so UFlex is definition of specialty is far higher standard than I would say the general industry definition and that is why we do not go into same details because we are looking for these products to find a home not necessarily for these products to boost other things.

Chirag Singhal: Sure Sir so when you say that you have some internal threshold, could you put some numbers to it that a constant Rs.15 – Rs.20 higher than the commodity spreads or Rs.30 to Rs.40 again what is the internal threshold that you have to distinguish specialty sales from our community?

Anantshree Chaturvedi: We can elaborate on the later but it is an internal threshold something I will let Mr. Bhatia will elaborate on that later.

Apoorvshree Chaturvedi: To give you a rough guidance as the benchmark there should be at least a 15% expansion in gross margin on specialty sales or on gross margins so it is obviously that keeps that there is different companies producing products differently you will respect the fact that many companies have different kinds of lines, different kinds of downstream equipment all of which are important because to producer specialty thing you still need access to the base quality product because we still need the base chemistry and the base reality of polymer product on which you can add value whether it sell it to the end customer so at a minimum you can say there should be at least a 15% expansion and gross margin on account especially since that will be at least a minimum threshold first put it to the economically attractive to us.

Chirag Singhal: Okay right Sir that was quite a elaborative and thanks a lot for all the answers and I hope that the promoters participate in the concall going ahead as well I will join back in the queue in case of any further questions. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Mr. Zain Banihali from Odyssey Capital Management. Please go ahead Sir.

Zain Banihali: Congratulations on good set of numbers so most of my questions almost all of them answered so I just want to ask, could you give some raw material prices are they going down? I am saying other raw material prices going down?

Rajesh Bhatia: July 15, 2022 to August 15, 2022 there is some softening of the raw material price.

Zain Banihali: Okay and my second question is there were some issues with the Jammu government that you discussed in last or last concall, so could you throw some light on that has that been solved some problems?

Rajesh Bhatia: So that matter now we will have to litigate there to get our view right, benefits not been accounted. It is going to take along

Zain Banihali: Okay thank you so much Sir and all the best for the next quarter and coming years.

Moderator: Thank you Sir. We take the next question from the line of Mr. Yash from Dante Equity. Please go ahead Sir.

Yash: My first question is regarding Nigeria is that gross 70% capacity utilization but have become EBITDA positive in this quarter? Nigeria plant turn EBITDA positive this quarter?

Anantshree Chaturvedi: Yes EBITDA quarter is better positive this quarter.

Yash: Okay on the capacity on your Dharwad expansion what kind of topline would that expansion add on full capacity utilization?

Rajesh Bhatia: Expansion give you about if you produce 4000 tonnes, it will give you about 50 Crores per month.

Yash: 50 Crores per month on full capacity utilization?

Rajesh Bhatia: Not full may be about 400 to 500 tonnes.

Yash: Could you assume the topline figure?

Rajesh Bhatia: I said 50 Crores per month.

Yash: That is PAT right?

Rajesh Bhatia: That is the topline.

Yash: Right also raw material pricing, could you elaborate more on that or how much the prices come down by, would you be able to quantify?

Rajesh Bhatia: I think it is too premature. I think this trend has only been for a few days so let us not have had a guess on that when we have the next quarter I think we will give you that as to what happened to the prices.

Yash: Basically crude oil prices….

Rajesh Bhatia: But as of now there has been the fall in the raw material prices have been really marginal only. So I think anything to elaborate beyond that may not be possible for us today because the time period involved has been very short.

Yash: Sir crude oil has fallen from 115 to I think $90 approximately so the raw material pricing is not cooling at the same speed that at which it went up right so there is actually a very good demand base?

Rajesh Bhatia: We have already seen that vis-à-vis last quarter versus this quarter how the crude has also behaved so if it is in line with them there is nothing exceptional to those fall and all.

Yash: Also you are operating an Overall Operating Margin (OPM) expansion is there any visibility in the coming quarters?

Rajesh Bhatia: For Dharwad?

Yash: No overall operating margin, are you comfortable with 18%?

Rajesh Bhatia: I think 18% as I have been saying earlier range of 17% to 19% is quite a comfort zone for us but again it is the raw material prices fall in the margins are sustained so EBITDA margins would always look much higher introspect.

Yash: Also, Would you be able to elaborate about their demand right now in Europe and US?

Rajesh Bhatia: Demand right now in Europe is struggling its own energy issues and all that so the demand is bit soft but typically that has been phenomenon in this period generally over the years we have seen so I think nothing much to get bothered about. On an annual basis we will be able to outperform last year also.

Yash: Also again on the operating margins when you said that you are comfortable with 18% but would be able to give the guidance on coming quarters if any or would be able to maintain 18% margins?

Rajesh Bhatia: No we are not giving any guidance for the next quarter as of now. So year as a whole I think we earlier also said that 17% to 19% in that range.

Yash: Okay and Sir what is the update on the Dubai listing?

Rajesh Bhatia: I think the markets right now are not conducive and as and when they are back we will be back in business on that front.

Yash: Also my last question on the debt front by which quarter are we expecting debt start coming out?

Rajesh Bhatia: So the debt as we said that debt has not gone up in this quarter also it is the same what was there in the last quarter despite the fact that we have now CPP and the BOPET facilities under commissioning for western new that is being drawn so the current amortization structure versus the new debt added for those projects is almost keeping the debt at a static level so I think the debt will seek by March 31st, 2023 and thereafter it will start coming up.

Yash: Could you talk about the new capacity that you announced new plant right? Could you tell about that?

Rajesh Bhatia: The backward integration facility at Panipat where we going to make manufacturer that resins for the pet films so that is the project which we are undertaking and that project will come up in FY2026 so we will whatever is the debt added for that, the current amortization over the next two years will neutralize that new debt which is taken for that project.

Yash: Could you make me understand about how that project is going to help, is it going to help expand our OPM?

Rajesh Bhatia: So two things important in that, one is, that will help us protect margins and we have seen in the last couple of years that both availability as well as the pricing on our even raw material side was getting a bit erratic just because we have overall global presence so we been able to sort of meet our raw material requirements from wherever we can for India as well as our overseas facilities but yes availability issues supply chain issues are have been the order of the day at least for the last year or so and that is why we have taken season to backward for this backward integration so that even today for some of our facilities in global markets we source from India, we source from Southeast Asia and we source from Middle East and that is where we have been supplying raw material to our offshore businesses. This will help us you know both quality wise, the consistent quality not moving from one quality, one supplier to another and that result in fluctuation in quality all those things are going to be plus on this plus the margins are definitely then there is today both in India as well as in the international markets, the markups on the Ind-As have shot up quite a bit in this space.

Yash: Last concall if you remember I had asked you if you had any plans of listening Aseptic packaging as a separate entity and you said it is a good idea and the management will think about it, has there been any consideration in that front?

Rajesh Bhatia: No, we have not given any sort of consideration as of now.

Yash: Also under existing Aseptic packaging plant are we able to expand in the brownfield expansion?

Rajesh Bhatia: At this plant we can duplicate the same capacity given the resources in terms of land and others what we have presently at this time but currently the endeavor is not to set up anything new, we are only trying to debottleneck and see whether at the same plant can we take the more output out.

Yash: Yes at this same plant if we choose to double the capacity you can?

Rajesh Bhatia: Right.

Moderator: Thank you. We take the next question from the line of Mr. Shivam Saxena from ICICI. Please go ahead.

Shivam Saxena: Thank you for taking my question. Congratulations for a good set of numbers and only one question is that what will be the impact of plastic ban from this quarter onwards Q2, what that would be reflected in this quarter, how much is the impact?

Rajesh Bhatia: There is no impact on UFlex for any of the plastic ban because none of the items in the plastic that affect UFlex as part of the septic packaging for certain segments we have been using the plastic straws so they will be replaced with the paper straws as we have already ordered those machines.

Shivam Saxena: So we can say it would be a positive impact on the company if there is a plastic ban can we say that?

Rajesh Bhatia: I think there is no impact I think let us remain on that as well how the substitutes for the items which have been banned and how do they impact of, what are the alternatives which emerge from there and how does it help flexible packaging films companies and all that I think let us wait and watch and see that has been impact of that.

Shivam Saxena: What about have you taken any price hikes recently after the June quarter any price hike was taken and will continue this quarter also?

Rajesh Bhatia: Price hikes earlier have also been taken based on the raw material price increases and even in this quarter if you see the topline grew by close to about 47% while the volume growth is close to about 16% so there is a substantive on a year-on-year basis, there is a substantive increase in the price. If you see the last quarter we had a 65% topline growth backed by 38% volume growth so this quarter again the impact of the price rise has been there but as we said that last one month or so three weeks to be precise the raw materials as the food has come down the raw materials have come down so to the extent the raw materials come down you can depending on the demand supply situation, you can either pass on the prices or you can keep some of the margins to yourself depending on that I think that is that the call business takes on a regular basis but last couple of years we have seen that whatever is the price increase that is being constantly passed on to the customer only in the flexible packaging business there may be certain lag in passing on that prices but generally in the larger business area for us we passing on the prices.

Shivam Saxena: Sir basically in commodity price, you reduce the pricing or you can reduce the customers come up to reduce the prices also the topline can reduce by that time right?

Rajesh Bhatia: Right.

Shivam Saxena: Got it thanks.

Moderator: Thank you. We take the next question from the line of Mr. Rushabh Shah from Anubhuti Advisors LLP. Please go ahead Sir.

Rushabh Shah: Thank you for the opportunity. Sir first question when do we expect the new facility that commission?

Rajesh Bhatia: Targeting Q3 later or Q4 beginning that is what.

Rushabh Shah: Okay Sir and on the aseptic debottlenecking will that also be concluded in this financial year itself?

Rajesh Bhatia: No having this year the season is now off so January next only now the season will start so hopefully by that time we should have shortened the things out.

Rushabh Shah: Understood I think we just wanted to confirm debt levels on a net basis have remained flat because our finance cost has actually gone up 7% sequentially so wanted to understand that?

Rajesh Bhatia: So the debt level on a constant currency basis has remained the same, overall if you see the net debt has gone up by 150 Crores and if everything else I want to keep aside that I want to see only in Russia so because of the currency appreciation there in rupee terms their debt has gone up by 156 Crores.

Rushabh Shah: Okay and I think while you were answering a previous participant you said that we have taken a new debt for commissioning of this new plan so has that debt been taken at a higher rate or is it still in line with the previous debt levels?

Rajesh Bhatia: It is only then when you will take the rupee loan it will always be sort of costlier than foreign currency loan in our global businesses so what right now we are adding to the debt level because the offshore projects were already commissioned last year itself and but yes on a quarter-on-quarter basis if you see because last year we did not have the Nigeria project it was commissioned in Q2 and towards Q2 and so this year in Q1 versus last year of Q1 we have the debt of the Nigeria project which is in P&L so that is where you see despite the debt almost remaining the same you see higher interest out.

Rushabh Shah: Okay understood that was all from my side. Thank you.

Moderator: Thank you. We take the next follow-up question from the line of Mr. Subham Agarwal from Equitas. Please go ahead Sir.

Subham Agarwal: Thank you for the opportunity again and Sir my question given the promoters is there on this call.

Moderator: I guess we lost the line from Mr. Subham I am promoting the next question from the line of Mr. Yash. Please go ahead Sir.

Yash: My question is regarding the dividend payout ratio from the last five to ten years has only come down, has that been any thought put to that when are you looking to increase the dividend payout ratio since you said by the end of this year, we will hit our peak debt level so is there any plans to increase the dividend payout ratio by then?

Rajesh Bhatia: See I think the dividend absolute payouts are being increased that is what I can say but yes in terms of the payout ratio you are right that may have gone down and the only reason for that is as we have spent a lot of capital in terms of our growth and that is where basically if you see in the last we had an EBITDA close to about 700 Crores in the last quarter we had 725 Crores now so today we are looking at an annual EBITDA of anywhere between 2800 Crores up from about 900 Crores what we had about four years ago so all this additional EBITDA generation has come against the backdrop of fresh investments being made into the businesses whether it was a aseptic or it was the new facilities or Brownfield or Greenfield being set up in the offshore locations and now the backward integration into so there has been a lot of capex and as part of the capex when you go to your lenders for the fresh warmings, I think there are kind of sort of guidance from them also as to how much you need to plow back from through equity into your businesses so all that has been done keeping in mind that there are enough equity resources from the business to fund those projects and that has been the primarily deciding section.

Yash: My question was based more about the future understand why you have spent money and why you have not paid out a lot of dividends in the last 10 years but as an investor when I look at other stocks in the same industry doing business after if you are expecting the peak level of debt to come down in this time by the end of this financial year then would not you look at rewarding the shareholders too?

Rajesh Bhatia: No I think the intention is to create the shareholders value and that has been done over the years it may not necessarily have been through dividends but it is also reflected in the stock prices which are again backed by the performance of the company so overall basis the value creation in the last three years has been good. I agree with you that your expectations on dividend payouts may have been not met to the extent some of the other players are doing but yes our endeavor is to keep the growth momentum on and because understand that some of the competitors you are talking about while we have three or four separate businesses or maybe more as some of the intermediaries like chemicals cylinders engineering they themselves are separate businesses and then on top of that the three mainstream businesses the aseptic packaging the flexible films and the flexible packaging so they have their capital requirements from time to time, very difficult for me to say that how will the future pan out in terms of the further growth plans today whatever we have we keep on announcing to the market but yes on the whole we are a progressive company and wherever we see that we can generate a much better returns rather than sort of giving it in the form of dividend if there are opportunities reasonable opportunities for growth I think we have been pursuing that and once we stop pursuing that then yes of course you do not keep the ideal cash with yourself so there will be distributions for sure.

Yash: Yes Sir I completely get that and the only reason I asked this question was because definitely in the near future we are looking at the point where the debt levels hit their peak and once the peak is over I was just wondering what the company plans on doing with the cash that is coming in if you have further growth plans that is well and good but if you do not have further growth plans you will also be looking at reducing your debt and deleveraging your balance sheet right?

Rajesh Bhatia: I think the balance sheet is not leveraged if I see my net debt to EBITDA bases if I analyze my net debt, net debt and the earning numbers we are talking about less than 1.5x of a net debt to EBITDA so I think we are in a comfortable zone over there but taken your point that I think once we come back to that situation where there are no further opportunities to grow I think the management will consider probably higher dividend payout ratio at that point in time but very difficult to commit anything on this call at this point in time.

Yash: Okay Sir and also I just have one more thing on the investor front, would you what all the steps of management is taking to make in more investor attractive opportunity I am not talking in terms of growth during in terms of growth I think you guys are firing on all cylinders but you recently hired a new PR agency too right if I am not mistaken so in that front can I understand what steps the PR agency is taking or what step the company is taking in that front to expand or invest or analyst?

Rajesh Bhatia: I think that is an agenda which is currently under discussion with that and as part of that agenda only this is the first time you see the promoter core group on the call this time I think we are in constant discussion with our consultant and the next couple of quarters we will give you more guidance on or you will see for yourself as to what we have done to improve our investors.

Yash: Yes sir and also from next quarter onwards would be very helpful if you could give some sort of guidance in terms of at least the coming quarter that would be really helpful as an investor for me to understand why the business is heading so thank you so much for the opportunity. Have a nice day thank you.

Moderator: Thank you Sir. We take the next follow-up question from the line of Mr. Subham Agarwal from Aequitas. Please go ahead Sir.

Subham Agarwal: Thank you for the opportunity. Given that the promoters are there on the call. I would like to take this opportunity to understand from them what is the vision that they have in place for the company over the next three to five years, what are the areas that they are focusing on any new specific areas that they would like to talk about and given that Mr. Bhatia said there are multiple growth levels that we would be investing in so broadly just if you could help us understand what you are thinking that would be very helpful Sir?

Apoorvshree Chaturvedi: Sure. So, obviously we want to grow more on the retail business, the film business will continue to grow and along with that is as Mr. Bhatia explained earlier in the call there will be certain capital exposed also to improving the availability and security of raw material because obviously it will be geographically diverse so we will continue to commit to that strategy of geographical diversification on the expansion of the net flow capacity a certain amount of capital will also go for the polyester raw material and along with that the aseptic business is something that as we have earlier said in the call that after debottlenecking you can take a longer term perspective on the aseptic business to also make it grow along with that then obviously as the capacity goes up there will be room to further penetrate the available value additions available in films sector so that is also review under management along with that obviously because since diverse we are seeing what is happening in energy and we are seeing what market has transitioned to a different energy base and if there is any room to grow in those sectors we can look at that as well but as of now there will be more growth in the film business with certain amount of capital exposed for the defensibility of the raw material and along with growth in the aseptic business.

Subham Agarwal: Got it Sir and secondly, see we understand over the last few years we have gone through a significant capex cycle and we have delivered when it comes to number but on the same time it is not reflective on the share price so I think it is a good opportunity for the promoter itself to buy shares from market obviously you bought some share last quarter but what are your thoughts on that?

Rajesh Bhatia: That is the very small percentage that was bought by the promoters that was only 0.4% now since the capital requirements are today elsewhere so there is no such plan to sort of look at any large-scale sort of buy-back kind of structure I think but still give more value to the shareholders, wealth creation for the shareholders we thought of other routes as to how we can do it and listing in Dubai was one such route which we are pursuing just because the markets will come back once the interest rate cycle is sort of settles so that would be one huge lift to the way the company is valued because whatever discussions we having the road map that our investment bankers are showing us for that listing I think this will include the company UFlex parent valuation also in a completely different perspective.

Subham Agarwal: Sir how much are we looking to dilute in the Dubai business?

Rajesh Bhatia: I would not divulge any details of that.

Subham Agarwal: No problem I understand Sir. Thank you again for the opportunity.

Moderator: Thank you very much. Ladies and Gentlemen that was the last question for the day. Thank you everybody on behalf of ICICI Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.