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Conference Call Transcript

Uflex

Q3FY19 Results

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Corporate Participants

Mr Rajesh Bhatia
Group CFO

Mr Rajesh Agrawal
Vice President (Investor Relations)

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to Uflex Limited Q3 FY2019 earnings conference call hosted by Edelweiss Securities Limited. 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 Ms. Shradha Sheth from Edelweiss Securities. Thank you and over to you Madam!

Shradha Sheth: Thank you Amman. On behalf of Edelweiss let me welcome you all to the Q3 FY2019 earnings call of Uflex Limited. From the management today, we have Mr. Rajesh Bhatia, the Group CFO and Mr. Rajesh Agrawal, the VP Investor Relations. So without any further ado I will hand over the call to Mr. Agrawal and take the call from there. Thank you and over to you Rajesh!

Rajesh Agrawal: Thank you Shradha. Good evening everyone and welcome to the Q3 FY2019 earnings call of Uflex Limited. On the call today we have Group CFO, Mr. Rajesh Bhatia and other members of the senior management team. Our discussions may include predictions, estimates or other information that might be considered forward-looking while these forward-looking statements represent our current judgments on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place and your reliance on these forward-looking statements, which reflect our opinions only as on the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publically release the result of any revision to these forward looking statements in light of new information or future events. I would also like to emphasize that while this call is open to all invitees it might not be broadcasted or reproduced in any form or manner. I would now like to invite Mr. Mr. Bhatia to share some perspective with you with regard to the company's operations and result for the quarter under review. After that we will open the call to questions from analysts. Over to you Mr. Bhatia!

Rajesh Bhatia: Thank you and welcome everybody on this Q3 earnings call, it is a pleasure to be with all of you and I would like to sum up Q3 as a bit of a challenging quarter where we had a substantial fall in the crude price coming from the October beginning levels to about 84, 85 to about 50 levels going down all throughout December 31, 2018, which basically sort of results in each time the customers delaying their purchases because they do not want to be struggled with the inventory losses because every time you buy there is better opportunity available a week down the line, so the customers have been trying to buy as minimum as possible and in fact liquidate their existing stocks, but despite that we had a production increase of about 4.5% during this quarter and a sales volume increase of about 3% during this quarter, which very well speaks of the way this quarter was handled and so much so that in this quarter even with our supplier IOC and all. We moved away from a fortnightly pricing of PTA and MEG to 7 days sort of a pricing and with they also sort of giving incentive that even if you lift stock and there is a substantial fall in the price they will compensate or they will ensure that you do not suffer just because you are buying the raw material. So they have also been concerned that the constantly falling crude prices have resulted in to a constantly falling PTA and MEG prices, so we need to move from a quarterly pricing to weekly pricing and also give some sort of a comfort to the buyers that even if within the week there is a huge difference that comes in bay, we are there to address your concerns, so that has been the quarter from the point of view of the raw material volatility point of view and even normally also the Q3 is a sort of a quarter, which is rather subdued from a demand point of view because you are just coming off from the festive season Diwali and other festivals in India, the companies do sort of plan their things accordingly to serve things of the demand in a pre-festive era is obviously more and that is what our customers also build for and similarly even if we see the exports or the films overseas that is also coming from the Thanks Giving Day as well as the Christmas period for which the customers would have already done their part of the sourcing before in Q2, so that is the typical sort of behaviour in this quarter, which in this quarter got accentuated a bit because of a constant falling crude prices. While we had production and sales increase of about 3.1%, the value increase was close to about 18%, which clearly reflects the raw material pricing that the crude has been going up all throughout from the last one year and that does not necessarily mean that the margins are going to be higher, in fact the margins in the percentage terms would look a bit subdued because you have a topline, which is going up by 18%, but the volumes have only gone up by 3% or so, so you would always find that the percentage EBITDA on the topline looks a bit subdued, but I think as I have been saying that we need to look at more of a number, which is per tonne number and I think we have been largely able to maintain that despite being a difficult quarter.

The consolidated EBTIDA for the quarter is about 228 Crores, which was last same period last year was about 200 Crores, so there is about a 13.5% increase in the EBITDA during this quarter. The PAT is marginally up given that now we had a higher tax as well as the higher depreciation from our Sanand plant. On the Sanand facility what we have currently is this quarter has been the best, so that is a huge plus. So we have aseptic packaging, which has done good in this quarter, we have now up from 32 customers in the last quarter, we have now 40 customers reaching out and making the top guys as our customers also has made some progress, but even without that we are currently looking at a rate of about 100 to 120 million packs a month and that is what I think we will be able to achieve and with that I think the operating losses at the Sanand facility we will not have them going forward in Q4 with that kinds of operations. So that really sums up sort of the working during this quarter, a difficult quarter from an environment point of view, but equally impressive growth from the industry either Uflex both in India and overseas markets and we are looking forward. The demand for BOPET continues to be quite strong in India as well as overseas and overseas our plants wherever we had some sort of lesser capacity utilization now inching towards 100% capacity utilization, so I think in FY2020 we will have all our films businesses going up to achieve 100% capacity utilization levels or maybe even more than that as we have seen this from demand growth in the BOPET industry.

Moderator: Should we open the floor for Q&A sir.

Rajesh Bhatia: Yes.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Dharmawat from Aurum Capital. Please go ahead.

Nitin Dharmawat: Sir my question is what are the current BOPET spreads?

Rajesh Bhatia: So current BOPET spreads, if you see today the BOPET is now last quarter what we had in the BOPET for us was about the basic 12 micron film was about Rs.26, Rs.27, but the value added films and all that takes our margins to about 47 or so.

Nitin Dharmawat: So I think last quarter it was around 50, so because BOPETs also decreased as we have been tracking the output prices by some Rs.30 or so, so is there a corresponding decrease in the raw material too?

Rajesh Bhatia: When I tell you this, this is the gross margin what I am telling you sales minus the raw material cost, so with the falling raw material prices obviously the customers do not want to order only what they have the immediate requirement so there is no stopping that they do and that puts a bit of a pressure on the prices, but currently so when I say average for the quarter has been about 47 a bit more than that, but I think we will have this corrected in January and we have already seen that already happened now.

Nitin Dharmawat: Now some colour on Asepto what is the status now?

Rajesh Bhatia: I have already said that this was probably the best ever quarter for the Asepto. I will say that even in this quarter we still had operating losses and going by the visibility our marketing team have about 100 to 120 billion packs in a month, so Q4 looks like the first quarter we will not have any operating losses on the aseptic. The customer base, the customers to whom we are actually supplying is now above 40, which was about 32 in the last quarter and when we are going into now the season, which is from January and then it becomes better in the month of March and subsequently as the summer sets in I think we will consolidate our position in this market.

Nitin Dharmawat: That will be all from my side right now if I have anything else I will come back with the question.

Moderator: Thank you. The next question is from the line of Aman Santhalia from AK Securities. Please go ahead.

Aman Santhalia: Sir my question is regarding the BOPP and BOPET, how is the outlook of BOPET right now and how is the margin currently in the BOPET?

Rajesh Bhatia: As I said that current margins are better than the last quarter margins. After Diwali immediately there was a kind of a setback on the margins because the crude prices keep on coming down and the demand also avails during that period, so it **will affect** the offtake and all that and that is where what you also do not want to keep stocks and that is what I think you did nicely that we did not allow any stocks to build up, so we were also selling constantly and when the prices are falling constantly you too also make your moves very, very fast because if you think that I am going to hold it now and not sell for the next 7 days you are settled not only with the stocks, but also with the stocks, which has a lower revisable value in the market. So we as a policy decision we said that whatever is the prices we are going to sell it back and as the raw material stock is going up now it is about 62 levels or so and the new demand came after the festive season got over, so things are much better in the month of January. So I think the margins on the BOPET side we will be able to maintain rather may go up from a Q3 level. BOPP we are seeing that the bottom has already been tested so we are seeing some growth in the margins in the current quarter about 5% or so increase in the margins in the current quarter.

Aman Santhalia: So sir how is the outlook for the next two years in the BOPET?

Rajesh Bhatia: So BOPET I think in India currency we will have one facility coming up somewhere in the month of June or so, so that capacity will get absorbed given that for the last year-and-a-half we do not have any capacity added, so I do not see much of a sort of impact on the BOPET and I strongly believe that the BOPP cycle, which is down for the last couple of years now will become better as we see go over FY2020 and beyond.

Aman Santhalia: Because in most of the capacity the BOPET is outside India, so how is the outlook outside India Sir?

Rajesh Bhatia: Outlook outside India continues to be strong. There is no let up there and in the current year like while in USA, in Egypt and in Poland for the last couple of years we are operating at more than 100% capacity levels, but in the places like Dubai and places like Mexico now. So Mexico FY2018 we produce about 36000 tonnes and in FY2019 we are looking to close that year with about 54000 tonnes. Similarly we are seeing that Dubai is now operating close to about 90% capacity, whatever is a bit of margin going to 100% I think in FY2020 we will cover that, but even if we go by FY2019 we look at these two phases I think there has been a substantial increase in the productivity level at these two facilities. Other facilities including India were already operating at their sort of full capacity levels.

Aman Santhalia: And Sir one question regarding this pharma packaging, so when we can see some good turnover coming up from this division, which we recently have got the patent?

Rajesh Bhatia: See the patent thing will take some time because you formulated some new innovation you go and do that patent and then you start working on the development of that the small loss and testing, etc., and all that you keep on doing that constantly. So that part is on, but I think this will not be a immediate story, but it will take a couple of years before the whole plans everything else is formulated, we will also have to start small and look at as to what is the market response to solutions like this there could also be as of now we do not have, but there could also be a possibility of somebody else also coming out with some of the solutions so I think it will emerge it is a very great start and great beginning, but next couple of years will be crucial from the point of view of really getting in to a stage of how do we commercially produce it, how do we test it out in the market and then based on that response though the market for this is humongous, so based on that response only we will have to plan as to what are the capex we will need for this particular production.

Aman Santhalia: Sir one last question regarding this margin in packaging whether we can see some improvement in the packaging margin?

Rajesh Bhatia: So I think because if we have seen Q3 prices for the films were higher, so Q4 the Q3 prices will become applicable for quite a large number of customers, so I think we will get some benefit in the current quarter of that lag effect, which comes into play in this quarter because currently the price is about 60, 62 last quarter we have seen a high of 85 and coming down all the way to 50 level on December 31, 2018, so there will be some positive impact coming for the packaging in this quarter.

Aman Santhalia: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Runjhun Jain from Nirmal Bang Securities. Please go ahead.

Runjhun Jain: Sir just two, three questions. As we are seeing the reduction in the crude oil prices, so it impacts our raw material prices also, so why we are seeing there is no improvement in the gross margin, the gross margins have not shown any improvement.

Rajesh Bhatia: See that is what I have been explaining when the prices are falling constantly, I think the answer lies in the fact that while the volume increase is 3% the value increase is 18%, so if you say that whatever is the value, volume increase that only culminates into the value increase then you will find your answer that the margins are very stable about 13%, 13.5%, but because the raw material prices have gone higher that does not necessarily in our business translates into that you will keep on getting your 13%, 13.5% margin, what you will get is a fixed per tonne margin largely, so the higher raw material prices for us will not result into higher percentage margin. All that we need to do during this time is maintain our margins per tonne basis and not let us affected by a very sharp variation in the prices of a basic raw material crude which is PTA, MEG and polymers, so that is how the industry works.

Runjhun Jain: Sir is it right to assume that our margins per tonne would have maintained, but because of the higher raw material prices in the initial part of the quarter, the margins are not reflecting that kind of improvement?

Rajesh Bhatia: Absolutely you are right.

Runjhun Jain: Sir second you said that the tax rate has increased due to the commissioning of the aseptic facility I did not understand the logic why the tax rate would be higher?

Rajesh Bhatia: No I did not say that, I only said that in the current quarter there is a impact of some depreciation and then in some of our businesses now we have a higher taxation like as we are making more money in particularly in the business in Mexico, in our business in Egypt so there the amount of taxes, the kind of exemptions or the kind of the depreciation benefits or the exemption benefits we may have had so that has now probably being consumed fully, so there is a larger impact of taxation on our results now.

Runjhun Jain: Sir going forward we should take this as a base Sir?

Rajesh Bhatia: Not this as a base because in this quarter there is about 8 Crore of a tax, which is relating to some sale, which happened in the previous years and etc., and all that so the money kept on flowing. So about -8 Crores in the current quarter if I see the tax at about 19.6 Crores so -8 Crores would be the normal kind of a tax, so you can see the PBT to tax ratio and all that and that is a normal tax rate.

Runjhun Jain: Sir in the past quarter in broad terms I know you do not share division wise volumes and all that, but you have given some indication about the volume growth in packaging versus the film division, it would be very helpful if you can give us some indication on that?

Rajesh Bhatia: I think we will address that offline.

Runjhun Jain: Okay. Sir is there any major capex plan you are planning because you have said that next year most of the facilities would be at capacity utilization of 100% so is there any capex plan in pipeline?

Rajesh Bhatia: I think there is one capex plan, which was already sort of communicated, which is like we are setting up a new facility in Hungary and this part we are still trying to see as to what we are doing because this facility is going to make about 40000 tonnes of films, absorb that kind of a capacity over the current capacity so it is going to take a while next couple of years, so two years it takes for the plant to come up and it will take about a couple of years for that capacity to get fully absorbed, so I think as we go down the line into our investment into these plants that is probably the time we will take a view as to whether we need to do something more or this is what we should look at currently.

Runjhun Jain: Sir what was the capex for this plant?

Rajesh Bhatia: This plant could be about €60 million.

Runjhun Jain: Is it right to say as of now for next two years this is the only big capex, which we have planned.

Rajesh Bhatia: Yes we can basically say so.

Runjhun Jain: And the work is going to start now on this plant so it would take another two years that you said to come up?

Rajesh Bhatia: Yes.

Runjhun Jain: And this would be sir basically BOPET or BOPP?

Rajesh Bhatia: This will be some kind of a special value added film BOPP base, but not the normal BOPP that we are currently making in our various facilities.

Runjhun Jain: Thank you so much Sir. I will be in the queue.

Moderator: Thank you. The next question is from the line of Mohit Agarwal from India Capital. Please go ahead.

Mohit Agarwal: My question is on the status, what is the status on the new holography capacity and how long you think will be the ramp up of this capacity once it is commissioned because considering you have already got a very robust order book on holography?

Rajesh Bhatia: So the current holography the expansion is still not complete I think we are delayed in that already, my take is that we will take another six months to probably complete this and then the ramp up for a capacity like this will take about a couple of years.

Mohit Agarwal: You think there was any inventory loss or inventory loss lag on the EBITDA in the Q3 considering the prices kept falling and you would obviously maintain some kind of stocks?

Rajesh Bhatia: I think that ultimately gets reflected in an EBITDA because if the prices are constantly falling so whatever raw material you have purchased in a basis the previous week or previous fortnight and you made now the final finishing when you actually go and sell in the market the prices are low so they get adjusted accordingly, but to assume that in a constantly steeply falling scenario of the raw material prices, which is in this quarter has been at about 40% variation from October 1, 2018 to December 31, 2018. I think it is reasonable to assume that you will have a higher cost of a raw material and if you are not taking a decision to sell it well in time then your losses will always keep on mounting, but as I said that we will be very proactive in that situation and have not held back any stocks so whatever will be the prices we will be liquidating the stocks, so we will not let the situation go out of the control somebody says that now it is from 85 it is back to 60 so you should hold on to this we will not be doing that and as we produce we are selling whatever is the market size, whatever is the market demand at that point in time we have been selling, but yes there could be a situation where you bought a raw material at a higher cost and by the time you converted that into finished goods the pricing and operating are difficult, which gets reflected in the EBITDA for sure.

Mohit Agarwal: So that cycle could reverse in this quarter right because the cycle of crude oil prices started moving up in the quarter?

Rajesh Bhatia: So I think because in the film business the prices increase or decrease does not happen with the lag so stable 60, 62 kind of a number or whatever will be the number if it is stable range bound, which is between 2%, 3% so that will always give you a better margin because each side you will not be affected either by higher raw material prices or lower raw material prices, but I do not say that, that gets reversed, I only say that, that gets normalized because you know that if the raw material is in a range bound, so neither your customers nor you, neither your customers are avoiding any purchases because the prices are falling so prices are constant so everybody the business impact to its normal cycle.

Mohit Agarwal: Sir could you put a number of the most idealistic absolute margin or a per tonne or per kg basis like you said it is in the specialty films it is about 46, 47, in the last quarter?

Rajesh Bhatia: That is a blended margin.

Mohit Agarwal: My question is let me put this way, is it the best thing you can see or you think the best is yet to come or what is the most idealistic margin you think you can get in a good cycle like this or you can expect?

Rajesh Bhatia: I think the cycle in the BOPET industry is currently only on a up base after 2014, 2015 kind of a low margin and it is currently we are seeing that FY2019 have better margins than FY2018 and going into FY2019 also we expect better margins than the current thing I think if we are able to achieve a 5% to 6% extra margin in FY2020 I think we are happy with that sort of a situation.

Mohit Agarwal: Sir one last question, but just before I ask this question, first I would like to congratulate you, just starting this process of doing earnings calls and being more open to the investor forums and I think it is a great process and making it a habit, so congratulations on that and therefore I will ask this question that if someone had invested in Uflex let us say in 2010 he would still not be making money and I understand that you have joined the company about one, one-and-a-half, two years back, but if we see this time from 2010 to now the company has grown leaps and bounds not only in terms of value add product mix like Asepto and holography and then maybe added value in the coming years. Company has grown the business cycle of the traditional film business has improved, so where you think we are lagging because if we still see the valuation multiple of the company both in terms of earnings in book, we are still very, very safe with any standard of metrics for any sector, so is it ever come to the management level that we can do something about it like you announced a promoter preferential allotment last year, which got canceled and there are no updates on that, could it be a promoter buyback or a company buyback or in summary let me put it this way Sir, if you were a investor in my place what would be your expectation and what would be your advice be to the management?

Rajesh Bhatia: I think largely the spot market is back for a slightly longer period, so the first thing is that you said that 2014 onwards people have not made money. Yes if we look at today's level yes they would not have made money, but the stock was also hovering around 500 till about a year ago and it was there at about 450 level to 500 level for a considerable point of time. We all know as to why the markets are a bit down and then maybe there are some certain efforts because our stock particularly the trading volumes are extremely thin and frankly as of now it has not caught on to the fancy of the big investors who think that clearly there is an undervaluation, so I think all our efforts in starting the concall or we think the investors separately will ultimately help us to get a better position vis-à-vis we being understood well in the investor community and that has been our endeavor, so if business is performing consistently, if the business is a market leader in its category is generating decent enough returns I know that we cannot be a startup company with a multi packer valuation, but in our industry also there are kind of valuations, which we are currently not commanding and maybe there is some history to that, but we need to forget that considering that the company's performance continues to grow on a year-on-year basis so I think with more effort from the management, with more effort from our side and being more communicating to the markets meeting about large fund houses and giving them presentations or telling them about the company I think it will make an impact and clearly today I see that the stocks that there is a clear market is today direction less we are only seeing the large cap stocks and very few going up and others are only sideways. So I think today market we cannot compare with a normal situational market. So I think let the things settle down after elections and our effort on the investors communication and meeting the investors continues, so we will achieve that, nobody can ignore underperformance for a long time and when there is a market is devoid of ideas as to where do you make money. I think we will reach where our deserving position and we have no doubts on that thing.

Moderator: Thank you. The next question is from the line of Kunal Bhakta from First Water. Please go ahead.

Kunal Bhakta: Again coming to the inventory issue, which we have addressed in some of the earlier Q&A, what I want to understand is as you said there was obviously some kind of a hit because the prices moved up in the last quarter, but you said that the reverse does not hold through and since the prices are decided on a daily basis, so are you essentially saying that as an industry the customer set, which tends to be pretty standardized vis-à-vis your peers they do not allow you any leeway to recover some of your inventory losses, which you incur in previous quarters because in most of the industries there is a certain lag effect in terms of adjustment, so that is typically not seeing by your industry in the past?

Rajesh Bhatia: No, so I think you got it probably understood it wrongly, what I said that whatever is sold on a spot price is sold in the film business everything is decided on the spot. Now if we are seeing that the current crude price is 62 and next 15 days if you go and you find that it is there at 55 so my customer will shy where you said that I can see that the 55 levels in about a week's time or 10 days time or 15 days time so what I will do is as a business I will say that I will not maintain I will just remain hand to mouth on the inventory and would not like to buy now therefore my buying whatever inventory I have I will hold on to that because I do not want to be settled with the unnecessarily inventory loss in that I buy the inventory today and by the time in next 15 days my output is the crude price is down so I will not do that, so that dependency that has been when there is a sharp sort of a movement in the prices. Similarly when the prices of the crude will move up let us say very sharply also that is the time the customer want to buy more always because now they see that fortnight henceforth the crude is going to be 70 so if I lock in my orders today, so I will have some gain on the inventory.

Kunal Bhakta: That is thinking effect of the customer so that should affect your volume not necessarily the pricing?

Rajesh Bhatia: No, why not pricing if constantly prices are coming down and you have to sell so what will you do if you see that the crude while crude the people are not buying so either you do one thing either you hold on to your prices and you hold on to your stocks and buy another week then the price of the raw material will be down by $5, so in any case you will have to look at selling with the new price of the raw material, so we will sell at that point in time itself, so in the film business you do not recover what you have sold on the spot, but in the packaging business because the prices are linked to certain indices and they work with a lag effect. Now when the average prices for the current quarter are less than the average price for the last quarter and while you still bill them on the last quarter prices so there will be recoup a part of your losses, which you suffered earlier when the raw material prices were going up. So let us say from September 2017 to September 2018 if the prices moved up from $50 to $85 and it kept on happening each quarter-and-quarter so you kept on losing those margins because your prices while your spot prices were higher your applicable prices for billing to the customer were based on the last quarter prices, which were lower than the current spot prices. So in the current quarter the price is around 60 and with my average price for the last quarter is 70, so I will get that advantage in the current quarter in the packaging business per se, but in the film business whatever is sold is sold and there is no further recoupment unless you have a situation where the prices are going up very, very sharply and you are able to price those sharp increases into the spot prices, which also happens, but those windows are really very small windows and all that maybe generally last only a quarter as we feel last quarter from 85 to 50 within 90 days period and thereafter now it is quite settled. So the business is back to the normal.

Moderator: Thank you. The next question is from the line of Vihang Subramanian from Ambit Capital. Please go ahead.

Ritesh: Ritesh here from Ambit. Sir just wanted to take your views on the new capacities, which are coming up in the country on BOPET and BOPP and you said that BOPP the worst is over, so could you just give us a sense that what makes you think so I mean we already had incurred there are already some new capacities globally they are coming in, so could you just give us a sense on demand supply for BOPET and BOPP and specially we are seeing some bit of slowdown on countries like China and countries like US for example and do you think that, that probably let us say shocker could come in from BOPET and BOPP side from slowing demand globally could that be the case as well?

Rajesh Bhatia: As I said that currently the international prices for the BOPET are good. BOPP we have already seen that the capacity, which came up and there was not one capacity, which came up there is a couple of capacities, which came up and they are all trying to sort of recover. Generally I would say that as we are seeing one plant coming in this 2019 for BOPET in India and BOPP right now to my knowledge frankly I think there are low capacity additions happening and the last capacity additions in the BOPP, which happened they happened they got all bundled and that is why the prices are only falling and so much so that people were only recovering their cost at a point in time. There has been some increase in the prices in the BOPP in the last fortnight or so and typically in India if we have seen that we are producing say about 40000 tonnes per month I am saying and there is a growth rate of 8% to 9%, so one plant absorption does not take you more than three to five months kind of a situation, but if you have the couple of capacities, which come on stream at a point in time or every three months and all that, so that really worsened the situation and that is what happened in BOPP, so BOPP currently we are not seeing any line happening. Internationally also we are not seeing any BOPET facility sort of happening internationally again you know that we are only BOPET player be it just one facility in Egypt where we make the BOPP so I think it is relevant to talk more about the BOPET rather than the BOPP utilization markets. BOPET we are confident that we will be able to get good demand and currently also the demand is strong and as I said that if in Mexico from 36000 tonnes production in FY2018 to about 54000 tonnes in the current FY2019 we are on course to achieve that and in Dubai also from about 3000 tonnes per month to about 4200 tonnes per month currently, so these are sharp increases and the only point towards good demand in the industry.

Ritesh: And Sir just could you just take me through what was let us say YTD FY2019 realizations have been for BOPET, you told us that, but would it be lower than the FY2019 average right now or would it be better than FY2019 average?

Rajesh Bhatia: Where in the current quarter?

Ritesh: Yes let us say currently as we speak BOPET realization would be similar to what we have achieved.

Rajesh Bhatia: So currently BOPET and BOPP are both better than the last quarter.

Moderator: Thank you. The next question is from the line of Mohit Agarwal from India Capital. Please go ahead.

Mohit Agarwal: I think I just missed asking the last question just continue from the conversation already had, you had done a fresh allotment last year to the promoters, which we subsequently cancelled, so is there any update on that?

Rajesh Bhatia: No I think there is currently no update on that.

Moderator: Thank you. The next question is from the line of Ojaswi Agarwal as an Individual Investor. Please go ahead.

Ojaswi Agarwal: Sir this is regarding the better share that some of the companies have done in last one quarter, so if you can tell me is there some loan that you have taken for Uflex would be of a personal purpose or what is that?

Rajesh Bhatia: No it is not for Uflex.

Ojaswi Agarwal: Okay Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Sidharth Mohta from Principal India. Please go ahead.

Sidharth Mohta: Sir company will be making strong updating free cash flow in FY2019 and FY2020, so how are we planning to utilize it, I do understand that there will be some capex that you have?

Rajesh Bhatia: FY2020 we also have large repayments also all across put together I think we have about close to about I think 500 Crores of payments also. So I think if I have understood your question you are saying that while there will be a buyback or other, so I think the endeavor is now to bring down the debt, so we are looking at in the overseas business we will actually be debt free except for the Mexico plant in the next two years, so there will be only working capital debt. There is some debt at Poland, which we repaid during the last quarter and the Poland plant was actually be in a position where it could repay all its debt as well as not avail working capital facilities from the banks and brought them down to zero levels, so we are constantly looking at reducing the debt, but next FY2020 I think we have been take care of about 450 Crores of a term debt repayment.

Sidharth Mohta: And Sir currently what could be our total debt including short-term and long-term?

Rajesh Bhatia: 2100 Crores.

Sidharth Mohta: So then it means that might be at the end of FY2020 it will reduce to around 1700 to 1800 Crores?

Rajesh Bhatia: Yes but I also said that there is a capex in Hungary, which is planned so there could be some addition because of that also.

Sidharth Mohta: I am assuming like 100 to 150 Crores of further increase in the debt so technically then I can assume from 2100 Crores it might decrease to around like 1800 to 1900 Crores, so net-net there should be some decrease actually that is my point?

Rajesh Bhatia: Yes there some decrease on it.

Sidharth Mohta: And Sir secondly has there been any improvement in packaging per tonne margin because our focus has shifted towards specialty segment so where we are on that front?

Rajesh Bhatia: No as we have been saying that the packaging margins are a bit under cloud for the whole of FY2019 because the lag effect has been remaining on each quarter and Q4 this year will be the first quarter we will see as to how the lag effect place to our advantage in this quarter assuming that the spot prices remain at these levels 60, 62, so I think that is where we will see that how the margins really shape up. Secondly there is a consolidation already happening in this industry you would have seen some recent packaging small businesses selling out and all that the things getting consolidated into bigger hand. So I think with that also the margins will definitely improve. Currently in India if I see and overseas markets if I see whether I take films or I take packaging the margins in the overseas businesses not from India as such, but for all the other industry leaders are much better than as compared to the margins in India whether we take films or whether we take the packaging business. In the packaging business you will find that the global players are able to work at about 13% to 15% kind of a margin and in India we see that the margins are about for the large players are about currently would be at about 10% so there is a consolidation, which will result in better margins and all that.

Moderator: Thank you. Ladies and gentlemen that would be the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you.

Rajesh Agrawal: Thank you everyone for joining us today and we look forward to staying in touch in future quarters. Have a nice day. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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