"Uflex Limited Q3 FY-20 Earnings Conference Call"

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MODERATORS: **MS. RUNJHUN JAIN – ANALYST, NIRMAL BANG SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY20 Earnings Conference Call of Uflex 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. Runjhun Jain from Nirmal Bang Securities. Thank you and over to you.

Runjhun Jain: Thank you Steven. On behalf of Nirmal Bang we welcome you all to Quarter 3 FY20 result con-call of Uflex Limited. The management is represented by Mr. Rajesh Bhatia – Group CFO and Mr. Rajesh Agrawal – Vice President, Investor Relations. I now hand over the call to Mr. Rajesh Agrawal. Over to you sir.

Rajesh Agrawal: Thank you Runjhun. Good evening everyone and welcome to the third quarter FY 20 earnings call of Uflex Limited. On the call today as Runjhun said we have our Group CFO, Mr. Rajesh Bhatia. Our discussions may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment 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 undue reliance on these forward-looking statements which reflects our opinion only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise the publicly released result of any revision to these forward-looking statements in light of the new information of future events. I would also like to emphasize that while this call is open to all invitees it may not be broadcasted or reproduced in any form or manner. I would now like to invite Mr. Bhatia to share some perspective with you with regard to the company's operations and results for the quarter under review. After that we will open the call to questions from analysts. Over to you sir.

Rajesh Bhatia: Thank you Rajesh for the introduction and welcome everybody on this call for Q3 results for Uflex; fairly decent quarter because the margins have expanded both the EBITDA and the PAT margins. The volume growth in packaging at 11% on a year-on-year basis is very-very encouraging and as we complete our shifting of the Dubai plant to Russia by the end of Q4 of this year, so we are all second recoup what the volumes we lost because of closer of that plant. Aseptic packaging also in the current quarter we are looking at a substantial volume is in so much as that we feel that about we will have a 70%-75% capacity utilization in the current quarter for the Aseptic packaging business, so all looking very great, positive. The energy in the company is very high given that the existing businesses are doing well and the new expansions are coming under way which will get completed in the year FY21.

So overall we are happy with the 15% margin after long-long time EBITDA margins on a consolidated basis and about 13.5% normalized EBITDA margins on a standalone basis. We had two one-time items which got reported in this quarter; one is our subsidiary Utech where we sold 82% and because we sold 82% so we had to revalue the balance 18% also. And our in about 3.9% shareholding of our Mauritius entity was transferred to Dubai and both these transactions resulted in a gain of about 67 crores at an EBITDA level at a consolidated level it generated because these are transactions with the subsidiaries. So at a consolidated level this resulted in

EBITDA gain of about 5.5 crores and the PAT gain is about 55 crores on a standalone basis and (-1.2) crores on a consolidated basis as the impact gets neutralized because of the entire company subsidiary or relationship. So even if we exclude all that on a normalized basis, the standalone PAT for the quarter is 32 crores region the same period last year was about 4 Cr. On a consolidated basis the PAT is 85 crores and the same period last year it was about 54 crores. So obviously a quantum jump driven by the higher earnings which is basically coming from the higher margins in all the businesses whether it is packaging, whether it is films and higher volumes in the packaging business in the current quarter.

So as we get into the FY21 we will see our Hungary, Nigeria facilities getting commissioned towards Q1 end or Q2 and that's where the volume expansions in these locations will kick-in. Russia we hope to start in Q4 and we are maintaining that deadline currently but let's see it could be a few days here and there but largely we are on route to recoup our lost volumes from our one plant in Dubai. The margins for the BOPET as well as for the BOPP, for the BOPET continues to be maintaining with a little bit of improvement over the Q3 of last year. But the BOPP margins clearly have improved substantially when weaken on a Y-on-Y basis which is testimony to the fact that the demand supply equilibrium is getting established and the prices are becoming better as the excess supplies get adjusted. So that's in brief the story of this quarter, I would say probably if we would not have lost to volumes and all that because of the shifting of the plant given that the margins in the packaging films continues to be good we could have done still better. But those are the kind of things which you have to plan well in advance and ultimately we shifting this plan to Russia will result in better synergies of operations because as we have been advising earlier that this plant was actually earmarked for supplies to CIS countries with a very large output to Russia and we were incurring lot of freight from Dubai, we were incurring customs when it was getting imported into Russia. And also in Russia we have an access to the cheaper energy cost and as we have been doing in our other locations where we are close to the customers, those benefits would surely kick in as we start producing and as we consolidate ourselves. So overall I think the margins from this plant itself would also expand as we go forward with this.

That's basically a snapshot of what we did in this quarter. The numbers are there before you. I explained you some of the extraordinary things which are there in this quarter which boosted the EBITDA. More on a standalone basis and hardly anything at an EBITDA or PAT level on a consolidated basis as these transactions get neutralized on a consolidated basis. But on a standalone basis yes, that do appear in India balance sheet which is these numbers we have already published.

Notable part I think is that in the current quarter as I said that the Aseptic packaging looks at about 70%-75% capacity utilization levels which is going into the season with that kind of a capacity utilization is surely going to be a huge booster to the earnings in the subsequent quarters both the top line as well as the profitability. But let's look at this quarter because this industry has also the lean period as well as the prime period, so the next 6 months are really the prime period as summer season kicks in and the demand for the juices and other liquids go up substantially and then when the summer ends and we get into the winters or more wetty season so that's where the demand for the drinks and all these things also go down. So we will see at that point in time as to what we are doing. But I think as of now the positive is what we have to take it forward and you obviously base your capacities building on the seasonal aspects in this particular aseptic business and that's what is the normal across the country. So I think while currently we are into half of the Q4 also but looks like that we will maintain the margins and because of the uptick in the aseptic packaging there might be a better surprise in store for all of us which I will not in a position to quantify as yet. Thank you gentleman for being on the call and that's what I would like to summarize this from the management perspective and if they are any questions most welcome to them now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Bhakta from First Water Fund.

Kunal Bhakta: Could you guide as if there has been any major customer acquisition in Asepto in the previous quarter?

Rajesh Bhatia: So I think very difficult to name and all that because of some of the confidentiality clauses we may have. But definitely we have one or two big names in this quarter. But for me it is difficult to take them on the call because we had some bad experience earlier for this.

Kunal Bhakta: Then maybe the concentration you could guide top 5 customers in Asepto?

Rajesh Bhatia: The concentration is always the number one is the juice; number two is the milk and number three is the liquor. So I think for us the liquor business is sort of one which gave us initial things and all that and now it's more of juice and some of the other packaging including ghee and everything else we are doing also.

Kunal Bhakta: What is the current exit rate on Asepto?

Rajesh Bhatia: We are looking at doing about 200 million packs a month.

Kunal Bhakta: This is by which month?

Rajesh Bhatia: Current month

Kunal Bhakta: With regard to your Poland plant, what is the timeline for the financial closure?

Rajesh Bhatia: Financial closure is not at all a challenge there given that because this existing plant is already debt-free so there is no debt currently on that Poland plant, so the existing banks are more than willing falling over each other to sort of fund that. We have already close to that based on the in principle discussions and the approvals from the bank. So that is not an issue at all.

Kunal Bhakta: You have already ordered the equipments?

Rajesh Bhatia: Yes, we already ordered that equipment.

Kunal Bhakta: And you don't foresee… what is the timeline for delivery, is it faster?

Rajesh Bhatia: So we will try to do because the Poland plant as you see is already doing more than 100% capacity utilization for many years now. So we are trying to sort of expedite that including if there are some plants which somebody else ordered and they are being delayed and all that including moving with that. So we expect that in FY21 we will be able to start that plant.

Kunal Bhakta: In terms of your packaging division you mentioned 11% YOY growth, what is the QOQ growth?

Rajesh Bhatia: The Q-on-Q growth in the packaging is 4.5%.

Moderator: The next question is from the line of Mohit Agarwal from Karma Capital.

Mohit Agarwal: My first question is on the BOPET capacity and this whole issue Corona virus now going on in China, can you give us some kind of clarity on disrupting supply or demand of BOPET and how it is going to play out? If you can give us any data regarding the affected region of Wuhan, would that have any concentration on BOPET production capacity?

Rajesh Bhatia: Currently there is not because China has not been any significant player in the global BOPET or BOPP markets, so there is no disruption on that account and there are no imports into India from China, so there is hardly anything on that account. Rather some of the people are taking advantage of this that the supplies may get disrupted and all that and trying to raise the prices for the but I think that will be not, so while they may have a short-term gain because the margins in the industry are already quite reasonable at these levels and if we are able to maintain them I think that should be the overall objective.

Mohit Agarwal: And the next one is on, you announced a new BOPET line, you have already announced the CAPEX before and correct me if I am wrong, my understanding is that in FY21 all these CAPEX announcements in the BOPP and BOPET will be on stream. Just wanted to understand that now you have EBITDA level of 275 crores, so a year would be something around 1000 crores of EBITDA and then you're obviously taking some debt to fund these expansions and what's the current debt right now and what do you see the debt level at the end of '21 considering all the cash flows from the company and the new debt that you will take to set up these facilities? If you can give us some kind of forecast.

Rajesh Bhatia: So the current debt of the company, term debt of the company is about 2300 crores odd as at the end of Q3, so the round of expansions me have announced are about total is about $240 million and if we take 70% debt on that so that would be about $170 million. A part of which has already come in on the balance sheet, so if you see QY19 we had a debt of about 1200 crores which is now 2300 crores.

Mohit Agarwal: So a substantial investment you have already done and that you have taken debt against that?

Rajesh Bhatia: Yeah.

Mohit Agarwal: Can you tell of the cost of debt which you are taking for the European expansion?

Rajesh Bhatia: I think that would be very-very minimal, LIBOR plus 2%-2.5% range.

Mohit Agarwal: And next one is on this whole effort Uflex is doing in terms of recycling, you are now putting up a project in consortium with the other industry players where you are basically recycling PET bottles, multilayered plastics and all that and you also now on the product side a few products like you I think last quarter or something you said you're working on the biodegradable films, so can you share some highlights on there?

Rajesh Bhatia: Actually I have nothing to add on that in this quarter as the things have got crystallized and whatever is the natural chronological order in terms of which the things should happen that is now on its way. This plant which we will put up along with the industry association through sort of a trust to which everybody will contribute towards improving the sanitation. So that will take about I think 6 to 8 months and to come, so this is basically putting up a sorter which will segregate the municipal ways that you receive and then for the plastic MLP whatever is the waste segregated, so that will be recycled to make the plastic granules which will then be used in the injection molding machines to make some of the articles of plastic to do a showcasing as to how the MLP is to be segregated, how it is to be processed to make chips and using those chips in the injection molding plants to make various items of plastic. So the same thing continues and on the biodegradable side also I can only say that some of the customers are on board to test this packaging because they obviously want to take pride in the consumer industry by announcing that they are using the packaging which is fully recyclable and fully biodegradable. But at our end there are still some work in progress to go on, so in the Q1 of the next year only we will be able to start with the few customers for their few of the SKUs which will be launched as recyclable and biodegradable.

Mohit Agarwal: Just last question on aseptic liquid packaging, so you said 200 million packs is your current run rate right now, so I'm assuming that the way you are growing you should be able to double your capacity like you mentioned earlier will just require one printing machine from 3.5 billion packs annually to 7 billion. I just want to understand what is the market size right now of this aseptic liquid packaging and if we had to assume that you will hit 3.5 billion packs full utilization of your current capacity how much would that be as a percentage of total market share in India?

Rajesh Bhatia: I would assume that today tetra pack sells about 12 billion packs a year and when we had conceived the project they were selling about 10, currently I think they are selling about 12 to 13 and this is giving them about 18% to 20% volume growth. At 3.5 billion packs and there were lot of imports earlier happening from China because the tetra pack, these customers were not in a league, didn't have those kind of a volumes that probably they could afford and go to tetra pack and all that. But when we came into these obviously we had to start somewhere, so a lot of these customers also we have converted them from imports to using local availability and all that and it helps them in a big way because they cannot order their monthly or fortnightly requirements and they can order, reorder and all that. So that is what is sort of playing out while we are working for the big customers. In the meanwhile it was important for us to also substitute some of the imports with the local supplies which we have done successfully. We would assume that at a 3.5 million capacity we would be about 23%-25% overall market size.

Mohit Agarwal: That's a good number.

Moderator: The next question is from the line of Aman Sonthalia from AK Securities.

Aman Sonthalia: What is the current turnover of Asepto in the last quarter?

Rajesh Bhatia: That's what I said, February we will do about 200 million packs, so normal each pack is about Rs. 1.75.

Aman Sonthalia: That means around Rs. 35 crores?

Rajesh Bhatia: 35 crores.

Aman Sonthalia: Per month?

Rajesh Bhatia: Yes.

Aman Sonthalia: In the presentation of SRF they were mentioning that for the coming 3-4 quarters there will be pressure on the margin of BOPET, so how do you foresee that?

Rajesh Bhatia: The BOPET margins are very good at this point in time but in a cyclical industry whenever there margins are higher so sooner or later people plan new capacities and that's where then the margins are affected again given that the supplier side catches up. In India normally BOPET's production level is 40,000 tons, so from so many years the growth rate is 10%, so one plant every year can easily be accommodated. If two plants come then there will be some competition for some time that will bring down the margins. But I would assume that if we sustain our margins that would be good.

Aman Sonthalia: Our most of the capacity is internationally so how do we see the margins here?

Rajesh Bhatia: I think margins internationally currently are also better in India in the packaging films business. That is why if you see India we had a margin of 13.5% EBITDA margin and the consolidated we have 15% EBITDA margin. So from that perspective yes, overseas BOPET film margins are better and if you see other players like Polyplex and SRF also I have reasons to believe that also that their margins in the overseas plants are also higher.

Aman Sonthalia: Internationally our capacities are also coming and apart from that some of the other companies are setting up BOPET plants that are on the board. So will it reset the international margin also?

Rajesh Bhatia: If you see in Europe, Europe also as of now imports are about 14,000 to 15,000 tons of BOPET films.

Aman Sonthalia: Every month?

Rajesh Bhatia: Yes, every month. So everybody by bringing the plants into Europe, so everybody's looking to substitute that import markets with the local production. In Europe the growth rates will not be very high, maybe 2% or 3% range but there is a huge substitution available where you can sort of substitute imports with the local production and customer is always happy to take the local produce rather than imports because the crude prices are so volatile, sometime what happens is you take a position today and by the time you get your supplies there, so your whole pricing structure has changed. When you are there locally even if you are a bit expensive and people are ready to pay a premium for the local production, make in Europe or make in USA product, so that's how frankly it is working out in Europe. Nigeria is more because with such a hugely populated country, already consuming about 3000 tons per month of BOPET there is no plan to there and 100% is being imported into Nigeria. So I think there also the consumption is bound to grow as it becomes…we have typically seen that where the population support is there, the packaging industry gets a lot of momentum and then they need the packaging films, so better the available locally, now capture that market early before anybody else. Now some of the players went to Thailand, some of the players went to Indonesia but we couldn't move in there at those times because we were concentrating on the other regions. Today if we decide to get into these territories, so obviously there will be some bloodbath because if the market is of particular size and there are already capacities, so we will have to fight for them. But for Europe the strategy is to substitute the imports into Europe and we have done that successfully earlier also through our existing Poland facility also, so let's see…

Aman Sonthalia: Our Indian operations where this Asepto is doing well and also that Holography business is also picking up, so where do we see good margins or better profit in Indian operations?

Rajesh Bhatia: As I have been saying that existing business in India where we have capacities are only packaging business and aseptic packaging business. So as we do better over there like a 10% growth, 11% growth in the packaging on a year-on-year basis and 4.5 on the quarter to quarter basis is a very decent number to achieve. We are looking at more exports, so a couple of years if we are able to achieve this kind of a growth, so even our existing capacities and these two businesses would also get fully utilized. When you make a plant if you look at packaging if you achieve 85% capacity utilization levels or so you are happy to get into further investment mode because it takes time also for you to set up the plant. So I think couple of years, next two years we will see the market and probably improve our volumes and 10%-11% growth if we get it on a yearly basis in the packaging business is exceedingly augurs well for us.

Aman Sonthalia: What was the profit on a standalone basis without other income?

Rajesh Bhatia: Whatever the numbers you are seeing on the EBITDA level, 67 crores is the exceptional one-time items and at a PAT level 55 crores.

Aman Sonthalia: What about consol, I think it's negative Rs. 4 crores?

Rajesh Bhatia: No, consol if you see before tax is then it is 5.5 crores actually and if we see after tax it is (-) 1.2 crores, so there is a positive to this.

Aman Sonthalia: What we expect as the peak debt?

Rajesh Bhatia: I think the peak debt would be somewhere around, should be about 3000 crores.

Moderator: The next question is from the line of Kunal Bhakta from First Water Fund.

Kunal Bhakta: I have a follow-up question, are there any duty tariffs that are currently there in place in Nigeria as far as the imports are concerned?

Rajesh Bhatia: Because there is no plant in Nigeria currently, so there is no antidumping duty there in Nigeria on the BOPET films. But on the BOPP films where there already some manufacturing happening in Nigeria apart from the normal duty there is an antidumping also about 20%, antidumping on the BOPP.

Kunal Bhakta: What was the normal duty?

Rajesh Bhatia: I will not know that. So once this capacity comes up there, so obviously we will try to because each country wants to protect its local markets and that is where BOPP there has got protection that's how it is happening.

Kunal Bhakta: With regard to Asepto when are you guys looking to order a next line for the expansion?

Rajesh Bhatia: Let's look at this season, give it couple of more quarters and then we will be more sure about this.

Kunal Bhakta: With regard to Poland you said FY21, any quarter you would like to guide towards for the expansions in Poland?

Rajesh Bhatia: Not as of now.

Kunal Bhakta: And in the packaging division what is the kind of operating leverage that you think is there given the existing capacity achievable numbers?

Rajesh Bhatia: So packaging currently also we are at about 60%-65% range, so there we need to do better.

Kunal Bhakta: So you can go to 75 or something for that product?

Rajesh Bhatia: Yeah. Ideally we would go to about 85%, have more thrust on exports as well as on some of the local volume growth. But we all know that currently the domestic consumption has taken a bit of challenge. But 10% growth in a quarter which is December quarter generally will get reflected in FMCG sector growth in the next one quarter because they will order you before their sales actually come into play. So this could be an indicator for probably the things becoming better for the FMCG sector in general that if our growth in the volume is about 11% on a year-on-year basis and 4.5% on quarter to quarter basis are the silver shoots for the FMCG sector.

Moderator: The next question is from the line of Dnyanada Vaidya from Nirmal Bang.

Dnyanada Vaidya: I had a few questions, so first was for the volume growth we have seen a degrowth that is primarily due to the closure of the Dubai line, so excluding the Dubai line what would be the volume growth in the business?

Rajesh Bhatia: If we take in the films business, if we leave out the Dubai plant, Dubai plant would have done about 5500 to 6000 tons in a quarter. So if we normalize that number so because what we have been saying is that the film's capacities are already at a very high level of utilization, so not much swing is now possible in the existing capacities to increase your throughput. So Dubai plant would have done about 6000 tons more in this quarter and that would be same as almost the Q3 of last year.

Dnyanada Vaidya: The line which is shifted to Russia, it will start in Q4, so Q4 volumes will also be impacted, will they be lower than…?

Rajesh Bhatia: It will happen towards the end of March only.

Dnyanada Vaidya: Can you quantify the BOPET margins?

Rajesh Bhatia: I will not guide you to the BOPET margins but I can only tell you that the BOPP margins in this Q3 versus the last Q3 are higher by about 35% to 40% range. And the BOPET margins Q3 last year versus this year are about 20% higher.

Dnyanada Vaidya: In the aseptic, could you quantify the number of customers that you serve?

Rajesh Bhatia: I will not name them but now it's a regular affair, so the guidance was that the current capacity how much we are selling each month that should give you enough…

Dnyanada Vaidya: Any export opportunity in that?

Rajesh Bhatia: We have done some exports; we have done to coke and some of the other exports. But still we keep on participating in the various trade fairs but currently that opportunity seems to be limited but we continue to work on that.

Dnyanada Vaidya: I think you had earlier guided for a breakeven on EBITDA level by Q4, has that broken even?

Rajesh Bhatia: Q3 we haven't broken even. There is negative EBITDA in the aseptic packaging business. But again this is the leanest period in the aseptic packaging business.

Dnyanada Vaidya: So Q4 should break even probably?

Rajesh Bhatia: Yes, Q4 will not only breakeven at these levels but will also have plus numbers to it.

Dnyanada Vaidya: We have seen a continuous increase in the gross margins on a consol basis, so any view on how our raw material prices will be shaping up and how do you see the margins, are these current margins sustainable?

Rajesh Bhatia: The crude prices are stable, in fact after the Corona they went down a bit but again at about 57 to 64 levels, they are the normalized thing. So that sort of a range is quite normalized. If there is not much of an impact of the crude variation you tend to get the stable margins. But given that the margins in the BOPP have improved drastically, the margins in BOPET have also become better because BOPET was already operating at higher margins. So I think the sustainability to these margins is the key. So the only thing that is likely to affect the margins is the additional supplies coming with some of the new plants getting underway. But for us looks like at next 6 months look to be still okay with us so far as any capacity additions are concerned. So we feel that next 6 months because this is also a time when the requirements for the packaging is probably the highest, first is your summer season starting and then is getting into the Diwali where you get into Q4 and Q1 of the next fiscal year and by the time you would have done your bit so then the products are made and then your packaging is used, so Q4 of any year and Q1 of the year is always probably the best period and during these times the prices are generally robust as compared to when you go to the Q3 of the year where after the Diwali and the Christmas, the demand as well as the prices too take a hit normally.

Dnyanada Vaidya: Any CAPEX guidance for FY21?

Rajesh Bhatia: No, it's all what we have already guided, so there is no other CAPEX other than this.

Dnyanada Vaidya: Maintenance CAPEX number?

Rajesh Bhatia: Maintenance CAPEX is mostly at the India packaging and other facilities, which is about every year is about 150 crores odd or so. There are some small CAPEX that we are doing to make some of the PCR films because today we buy that raw material, so we are spending small amounts to create, set up the PCR projects whereby we will buy bottles and convert that bottles into the chips and use those chips to make the BOPET films which will substantially reduce the raw material cost.

Moderator: The next question is from the line of Aman Sonthalia from AK Securities.

Aman Sonthalia: My question is that there is no major CAPEX in India, so can we see lot of debts coming down from the current level in the next 2-3 years?

Rajesh Bhatia: India debt at the beginning of this year was something about 950 crores and by the end of March I think we can safely assume that we have reduced—our debt by about—we will come down to a level of about less than 800 crores.

Aman Sonthalia: And this includes the working capital and short-term and long-term both?

Rajesh Bhatia: No, this is the long-term debt only because working capital is a perpetual to the business, so that does not go off.

Aman Sonthalia: How much is our working capital debt?

Rajesh Bhatia: Working capital limits are about 400 crores, utilization is normally between 60% to 70%.

Aman Sonthalia: So that comes to around 1100 crores by the end of the year?

Rajesh Bhatia: Yes.

Aman Sonthalia: Recently the government in the budget, this duty has been removed from the PTA, 10% duty, so how it will help the company?

Rajesh Bhatia: It will help reduce the prices of the raw material which has already been done, so the impact of that is about $25 per ton. I think given that as of now more nor less I think it will be passed on to the consumer.

Aman Sonthalia: Will it improve the export margin?

Rajesh Bhatia: Not much because exports more use BOPP. BOPP films are used more in exports which use PP.

Moderator: The next question is from the line of Runjhun Jain from Nirmal Bang Securities.

Runjhun Jain: Just one clarification on the sales; we are seeing on the packaging we have grown 11% and there is not much spoke on films and Dubai has not much impacted the volumes.

Rajesh Bhatia: Dubai has impacted the volumes.

Runjhun Jain: But it's not very much and we are seeing also the realizations probably have increased because we are seeing the YOY, BOPET and BOPP both our margins have improved. I'm just trying to understand in terms of why sales is coming down.

Rajesh Bhatia: Because the raw material has got cheaper.

Runjhun Jain: You think that it is now bottoming out; you are still saying that the trend is to continue for decline for the raw material?

Rajesh Bhatia: No I think raw material is now more or less stabilized. So if we could see last year probably, we saw the prices in Q3 were higher at about $80-85 to the crude, now we are seeing 55-57 levels, maybe best around 60 levels, so the prices have come down.

Runjhun Jain: Any volume guidance, growth guidance for the next year?

Rajesh Bhatia: There is no guidance as such but the volume in the films business will only come from the new facilities. The packaging volumes we are only hoping that the Indian markets, the silver shoots actually take off and we are able to achieve volume growth between 8% to 12% on a year-on-year basis, so that is what we are expecting.

Runjhun Jain: In terms of margins, these are like sustainable margins and we are not seeing anything…

Rajesh Bhatia: I already answered that.

Runjhun Jain: In terms of ETR, the tax rate what is the tax rate we should consider for the full-year?

Rajesh Bhatia: I will get you off-line on that

Runjhun Jain: Thank you sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Rajesh Agrawal for closing comments.

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

Moderator: Thank you. Ladies and gentleman, on behalf of Uflex Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.