"Uflex Limited Q4 and FY '20 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q4 and FY '20 Earnings Conference Call of Uflex Limited. As a reminder, all participant lines will be in 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 '*' and 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, Madam.

Runjhun Jain: Thank you, Vikram. Welcome everyone to the Q4 FY '20 Earnings Call of Uflex Limited. We thank the management for giving us the opportunity to host the call. Today, we have with us the Senior Management of the company represented by Mr. Rajesh Bhatia, Group CFO, and Mr. Yusuf Nasrulla from Investor Relations. I will now hand over the call to the company's management. Over to you, Sir.

Yusuf Nasrulla: Thank you, Runjhun. Good Evening everyone and Welcome to the fourth 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 defer 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 new information or 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 and a very Good Afternoon to all the participants on the call. Let me first give a perspective by saying that Uflex is perhaps one of the companies which is unscathed by the Corona virus and neither in terms of its production facilities nor in terms of its market, so the business has been as usual and rather because of the COVID and given that there is a lot of focus on the food and pharma, so there is actually a buoyancy in the packaging films as well as the packaging market, so Q4 you would have all seen that the standalone EBITDA for the quarter is up about 20% to about 150 crores and the consolidated EBITDA for the Q4 is also up by little over 6% to about 276 crores. For FY '20 whole year, the EBITDA though reported is 616 crores, but that includes one non-recurring income of 77 crores which was reflected in the Q3 results, so if we exclude that so the normalized EBITDA for the standalone EBITDA is up 12% for the whole year and while the Q4 EBITDA is up 20% on a standalone basis. The consolidated EBITDA is up 10% for the year and that is largely due to the better operating margins in BOPP films, BOPET films and we have seen this year in FY '20 that the value added which is largely a sales minus P major raw material is up by about 35% in India and value add in the BOPET is up about 12%, similarly across other BOPET facilities at our various plants, so we have seen that the value addition margins have been higher from about 7% to about 20% range, for the BOPET and for the BOPP overseas it is about 12%, so this all translates into though a lower net revenue for FY '20 which is down close to about 7%, but this is largely because of the crude price impact and not otherwise, two factors actually.

The crude price impact as well as the impact of the shifting of Dubai plant where approximately we lost about 300-350 crores of the top line because of that and the average crude prices in FY '20 fell by about almost 13% which means that given that about 60% of the key raw material cost of the selling price, so that explains actually how the crude prices have affected sort of the net revenue. Having said that because the EBITDA margins are better over a lower revenue also, so we have seen EBITDA margins for the year as a whole improved on a consolidated basis from about 12.6% in FY '19 to 14.9% in FY '20. Even the standalone EBITDA margins reflect a much better number, so overall for the year if we see FY '20, the consolidated PAT is up by 18% to 370 crores and the standalone PAT for FY '20 is up 175% to 143 crores, of course this includes a recurring one-time also for which still you will pay tax. The Q4 consolidated PAT is up almost 44% on a year-on-year basis and Q4 standalone PAT is up about 93% which is a normalized sort of a PAT, so it does not have any one-time recurrence along that, so overall reasonably good performance given the backdrop of the COVID and which particularly the way we did in India, we actually closed everything and then, but fortunately for us because we were part of the essentials, so we were given timely permissions to keep on operating our facilities and overseas of course because the lockdown was not as comprehensive as it was in India, so all the facilities continue to operate albeit some restrictions, but nevertheless the situation was very much manageable. Yes, we had some additional administrative and logistics challenges which we handle more so in India where everything was stopped and then you are told that you are essential, so you have the last mile problems because how does the truck driver will reach the truck, if he will drive he will be held up at the various barriers and then he might be hauled up, so there was a bit of a confusion to begin with, but all of this settled down well.

On a production and sales number for FY '20, while I will say that the overall production growth is reflected as minus 3.7%, so films and the packaging, packaging for FY '20 overall there is more than 5% growth in the production level, but if we negate the impact of that plant shift to Dubai, actually the volume growth is not even negative in the films, overall it will be still plus by about 2.5%. Similarly, for Q4 also while the overall production growth on a year-on-year basis is minus 2.6%, but negating the impact of the plant shift is the overall growth will be about 5% or so. Packaging production growth of 10 point near about 11% in Q4 is highly encouraging, while the overall packaging volumes growth for FY '20 is about 5.5%. The packaging sales growth in Q4 is 6.4% and that is mainly because though the production growth is 10.8%, but the packaging sales growth is 6.4% because towards the end of March when everything stopped, so the supply chain became a bit of an issue, otherwise the packaging sales growth also for the year would have been a higher number than this. On the aseptic packaging, yes we had a Q4 volume growth of about 150% on a year-on-year basis and if we talk about FY '21 summer season, definitely we would have at the optimum capacity utilization from the plant given our order book, but unfortunately that was the only area which was impacted by COVID as the juices and the liquor sales got impacted because of the lockdown, but otherwise we were on course to achieve almost full capacity utilization sort of from this plant. That is on the financials as well as on the production and sales.

I can only say that during the current quarter also, the demand continues to be robust both for the packaging films as well as for the packaging, and this quarter definitely we will see a much better volumes both on the packaging film as well as in the packaging side and better improved margins also because what has happened is when India closed down, there was the other rest of the countries were still operating, so there was actually no exports were being made from India, so while all the overseas territories were operating, so there was an additional requirement what was otherwise being met from India, so that additional volumes came our way that also helped us to improve our prices to pass on the costs of the additional logistics and the transportation cost to the customers, but yes there was a margin expansion also which has been observed in the current quarter itself, so the effect of the BOPET on the demand for the packaging films and the packaging continues to be witness in the current fiscal in the Q1 and we are expecting a very good performance by Uflex for the Q1 both for India as well as our overseas business.

On the debt side, this year there has been a substantial reduction as well as addition, so during this year we repaid about almost about 400 crores of debt both for India and overseas, a large part of that the re-payment was done in India where we repaid more than about 260 crores of our debt and given that there is no new projects in India, so there was hardly any addition of any debts. Overall, because we are expanding in some of the foreign jurisdiction, so additional debts have been taken to fund those acquisitions. Happy to inform that our plant shift from Dubai to Russia will get commissioned in the current quarter. Yes, we have some trial runs going on in the previous quarter up to June quarter, but still we are stabilizing that facility, but definitely we will see the volumes coming from that plant in the current fiscal. A part of that will also come in the June quarter and then we expect that in next one month or so, we should finally be able to commission that plant fully and then whatever revenues and the quantitative numbers we lost out last year, I think we will make up for that.

All other facilities are also at an very advanced stage, so we advanced a few projects like in Poland and all and I think there will be some delays in finally the commissioning of these projects a couple of months, but overall within the current financial year we will have all the facilities sort of up and running and given that the markets are robust now and also because of this COVID, the customers are now looking at more of a localized solutions rather than depending on imports, so I think all these situations will help us to achieve better realization and better volumes in the local markets where we are whether in Egypt, Poland, Russia, Dubai, and there will be less and less people, all the businesses would like to lower their risk of importing, let us say US importing from India or Europe importing from India, so that way our markets where we are, we showed that we will see definite better volumes as well as the profitability in those markets in the coming year.

Aseptic packaging, yes, I said that you know the current financial year summer of 2021, we would have seen the optimum capacity utilization from the plant, so I think we will be trying to see as to what best we can do, but let us all be clear that there are two very good seasons, one is the summer where people drink a lot of drinks on the go while they are travelling or because of the heat and all that and then you have the liquor which generally goes throughout the year, but in the winter's time it is consumed more, so obviously the summer has now gone and we cannot recoup those volumes, but the idea of telling you all this is that in the aseptic business as there were always questions about as to what are we doing about that, how will we ramp up the numbers over there, so just wanted to give news that, yes, in aseptic packaging also we have achieved full capacity utilization for this summer, which unfortunately could not be achieved, so hopefully in the winters we will be much better and in the summer of 2021, I think we will sort of go ahead and even order our next line to double up our capacity over there. That basically sums up our performance for this quarter, extremely, extremely satisfying performance on every front whether it is the volumes, whether it is the cost reductions, or whether it is completion of some of our projects which we will see happening in the current financial year, so with that I sum up my narration to you in terms of how has been the Q4 and how we have performed in the Financial Year 2020 and I am open to any questions that the participants may have.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. We have our first question from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: First of all congrats on a good set of numbers, Sir. Just a couple of questions, first can you give separately the tentative start-up months for Hungary, Nigeria, and Poland?

Rajesh Bhatia: I think we will see Russia and Poland now happening in this quarter and others in the Q3.

Chirag Singhal: Is there any residue CAPEX left for these three projects?

Rajesh Bhatia: I think most of the residue projects, yes there will be something left only then we are talking about that, they getting completed in the Q3.

Chirag Singhal: How much will that be?

Rajesh Bhatia: I think it should be close to about $ 50 million.

Chirag Singhal: My next question is on the flexible packaging, we saw a good growth especially in the Q4 in this segment, so what kind of volume growth you are expecting in FY '21 and we also saw which you also highlighted in the opening commentary that the margins expansion which happened in the Indian business was quite good, so what kind of margins you are expecting for FY '21 as well?

Rajesh Bhatia: Overall if we see, you know what we have achieved in FY Q4, an EBITDA margin of about 15.5% on a standalone and about 15.6% at a consolidated level. I think Q1 of the current financial year for sure will have a margin expansion, how sustainable is that because of the COVID is that what we will have to see, but let us not forget that both the BOPET and as I said that if we see the BOPET margins increased actually by about 12% even in the FY '20 and BOPP margins by about 35% in the current financial year, so I think it is important that as to what we achieved in FY '20, we sort of somehow maintain those. Q1 definitely is going to be better than that, but Q2 onwards I think we will have to see. Overall blended for the year, if we can still achieve 16% margins, I think we will be good.

Chirag Singhal: On the volume front, Sir for the flexible packaging?

Rajesh Bhatia: We should expect about 7% to 8% growth in the current financial year on the flexible packaging.

Chirag Singhal: Sir, on the aseptics, you mentioned quite a growth in the Q4, is it possible to give the capacity utilization and revenues in Quarter-4 and for FY '19?

Rajesh Bhatia: I think we will have issues in sort of giving that because of the competition. All that I can say is that we are very close to achieving a full capacity utilization of that plant so that should give you enough this thing that, we were actually close to almost at more than 95% capacity utilization during the summer period.

Chirag Singhal: By the end of Q4?

Rajesh Bhatia: Yes, so starting from March, April, May, June, July, these are largely the summer months when the consumption is quite high.

Chirag Singhal: You mentioned that as we would have lost majority of our summer sales due to the lockdown and all, so liquor how much does that constitute to our overall aseptic order book or overall aseptic sales?

Rajesh Bhatia: Liquor as of now contributes a significant amount and then number two is juice. I would say liquor would be about 60% and juice would be about 40% and liquor definitely got affected because all the factories were closed and even after that there was kind of a situation where for a large period of time when the liquor shops did not open and all and normally the liquor goes more with when you are outside home, though those things will also change, but yes liquor sales does get affected because of the COVID hugely.

Chirag Singhal: As you said that we were almost near to our optimum capacity utilization, we would have made plans to start the second line as well?

Rajesh Bhatia: We were planning to order second line somewhere in Q3, so by the time we would have reached Q3 we would have pretty much known as to while you are doing a peaking out in the summer months as to how does the rains as well as the period after the rains, how do you perform in that and then depending on that, we should have really looked at ordering another line printing in Q3, so there will be some delay there in, we have not still yet decided as to how do we do that, what do we do that but surely that is on the cards to happen.

Chirag Singhal: One last question from my side Sir, the equipments supplier credit is that included in the borrowings or is it separately shown, if yes, then how much will it be?

Rajesh Bhatia: There is no equipment supplier credit, it is all that whatever are the loans we have drawn and whatever is all included in the borrowing, there is nothing else which is part of outside of this.

Chirag Singhal: You said the incremental CAPEX will be around $ 50 million for the upcoming expansion, so we will see a further surge in borrowings or?

Rajesh Bhatia: Yes, there will be some additional borrowings during the current fiscal, I think we still remain to draw about 50-60 million of existing facilities which we got approved for our projects in the current fiscal.

Moderator: Thank you. We have next question from the line of Om Agarwal from Balaji Investments. Please go ahead.

Om Agarwal: Sir, just looking at the financial results why there is borrowing cost, interest cost, financing cost is not getting reduced in spite of good cash flow?

Rajesh Bhatia: It is getting reduced as the loans are getting paid.

Om Agarwal: Last year's finance cost is 218 crores roughly and this year is around 225 crores and the turnover, revenue has also reduced?

Rajesh Bhatia: Last year while the loans were drawn because the projects were underway, some of the interest cost would have got capitalized also, but now everything comes to hit the P&L only, so that effect will always be there. Last year would have got capitalized, so you would not see that in P&L, but the total interest outgo last year versus total interest would be more than the current year.

Om Agarwal: Sir, the rate of interest is also going down, so the finance cost must get reduced?

Rajesh Bhatia: There is certain project cost which does not hit the profit and loss account.

Om Agarwal: So is it the expansion new projects which are getting commissioned like that?

Rajesh Bhatia: Last year we had some projects which were getting still commissioned and that is why cost of those borrowings would have got capitalized while they come in the profit and loss account in the current year.

Om Agarwal: This cash flow, this interest cost should go substantially?

Rajesh Bhatia: While you are seeing that the GSec is going down and all that, but please appreciate that we are borrowing from the banks and while RBI has been reducing the interest rates, but those being passed on by the banks to the clients is not that seamless and the banks have been passing on very trikle.

Om Agarwal: But the company has around 700 to 800 cash flow is there, so with this cash flow the dividend payout is not much high, so with this retained cash flow, finance cost must go substantially down?

Rajesh Bhatia: As I said that last year approximately about 400 crores is what we have prepaid, so we had an EBITDA of 1100 crores and we had taxes, 400 crores of this plus some additional normal CAPEX which we keep on doing the year, so the entire cash flow is definitely there but you understand the concept of MCLR…

Om Agarwal: Fresh investment is there?

Rajesh Bhatia: No, one-year MCLR when your bank has fixed that let us say in the month of November so till the next November month that will continue, so any change in the MCLR will come to hit you only after the end of one year, but while we see in the news that it is happening instantly.

Moderator: Thank you. We have next question from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: You have indicated that there will be a bit of a margin tailwinds that is there in the current quarter, which is June ending quarter, so is it more coming from BOPP or BOPET, from which segment you are seeing there is a high?

Rajesh Bhatia: We are a very large BOPET player, but we are very small in the BOPP segment category. While there will be expansion in both the things, but the more impactful for us is BOPET and as I said that the Russia trial runs have started and we are seeing that in the current quarter we will have Russia as well as Poland getting commissioned, so from that perspective the volumes will be much higher both in the current quarter as well as in the Q2 of the current financial year, but as the volumes on the BOPET side are higher, so obviously that makes more impact to us.

Vaibhav Badjatya: If you leave the mix aside, are you seeing that improvement in BOPET margin in much more then BOPP margin or is it either way?

Rajesh Bhatia: It is not like that, BOPET as I said that FY '19 was the time when BOPET hit almost very low and that is where when I said in FY '20 in the BOPET margins we have seen 35% kind of a growth while in the BOPET we had seen a 12% growth in FY '20, so I think now more or less the BOPET which was lagging behind because of some of the excess capacities which got installed is now finding its feet back to be at a normal curve.

Vaibhav Badjatya: Sir, that is for the upcoming quarter, but from a relatively longer term perspective, I am sure it is very hard to project demand in this environment, but on the supply side are you seeing any significant disruption due to COVID either in Indian plants or global plants due to COVID which can significantly derail the supply side of either BOPP or BOPET?

Rajesh Bhatia: Not at all, see again what depends is that how much initiative you have, like because of the COVID people closed their plants and while you know we kept on working, so everybody in the country closed their plants because people could not travel to plant, people could not travel to offices because the person on the local check point does not know as to what does it means, but I think we worked overtime, our team worked overtime to get the necessary permissions, to get the passes issued and all that so with the result that I think our overall facilities were only closed for a couple of days only and that also because of the fact that there was no transportation movement happening, so even if we produce and even if the local customers are not buying because they are closed, so we had a huge opportunity to export that stuff also if we are operating. While we did all that, but there was some movement that which simply you keep on producing and it is not getting dispatched, so the dispatch situation took a few days to settle, but largely during all this period expect for a couple of days in the month of March when we stopped the thing otherwise we have been producing at the maximum capacity at all our plans and you will see those numbers in the current quarter when we will present those numbers. I will try to see that to the stock exchanges we can announce up to June quarter production and the dispatch volumes as soon as possible, so that will give more sort of into the investors as to what are the kind of growth we are talking about.

Vaibhav Badjatya: Actually, I was coming from a relatively longer term perspective on the installation of new capacities which can probably allow us to have higher margin for a longer term, so are you seeing any disruption in new capacities coming up due to COVID that is what I wanted to understand?

Rajesh Bhatia: New capacities coming due to COVID, no.

Vaibhav Badjatya: Any disruption in the new capacities like if somebody is not able to commission his plant in a timely manner then that can create a supply-side disruption which can last for six months or a year or something like that?

Rajesh Bhatia: From that perspective you are saying, so that obviously will happen that whosoever is setting up new facilities and if the movement of the people is impacted like you know some of our plants also got bit delayed only because of the fact that the technicians who have to come and install those machines, they could not travel, so those kind of situations will keep on happening and in certain situations we even did the commissioning on the video phones also, so we installed cameras and all that and some of their technical staff were guiding from there and that is where we could commission especially in Russia where we were really the team did a great job in ensuring that they start with the trial runs and all that.

Moderator: Thank you. We have next question from the line of Dirk Scamer from OLB Bank. Please go ahead.

Dux Kema: A very great performance, I just have one question is you were elaborating on the supply chain so that you had outlined that some of your customers seems to now buying more locally then depending on imports. As Uflex is a global company and is exporting on a global scale, could this kind of behavior saying that some of your customers looking more for purchasing locally to avoid imports could that be a long run maybe lead also to a decision that Uflex might expand in some other regions of the world where you are not present at the moment?

Rajesh Bhatia: I think the localization is a definite play now given the COVID situation and associated supply chain disruptions which have happened, the customers are preferring to buy local even if it is a bit expensive because they do not want to be out of stocks and normally for a country like US if you want to import from India, you have to plan three months in advance, for Europe it will be lesser than that but that is the kind of sort of timeframe you have to set so the customer also needs to stock more but if you are present locally, you are buying locally then you can just keep a days or two days stock and you can keep on buying locally which is not possible in case of a distant imports, so yes that will give us a huge benefit, but are we planning any additional capacity setup because of that, I think it is too early to say at this moment. I think the endeavour as of now will be to commission the existing plants which we have already under execution, run them and then plan depending on the situation not to hurry up into anything just like because of the COVID now we if we set up a line in other jurisdiction where we are and the localization is the game, I do not think so we are going to do that anytime soon.

Moderator: Thank you. We have next question from the line of Mohit Agarwal from India B Capital. Please go ahead.

Mohit Agarwal: Sir, the first question on Asepto, you said that summer season you were hoping for 100% utilization never happened because of COVID and obviously you are trying to say that there is a seasonality factor which will be there in Asepto and the winter sales will not be that much as summer, so can you give like some kind of indication if you were expecting 100% utilization in summer, what would be the utilization level let us say in?

Rajesh Bhatia: About 70%-80%.

Mohit Agarwal: You also stressed that, you 60% is alcohol, correct?

Rajesh Bhatia: That might change actually because as of now yes to begin with we had more of liquor customers and less of juice and the daily customers, but those profiles will keep on changing, so that is the current profile, but definitely the summertime the juice will always be a bigger market than the liquor.

Mohit Agarwal: Russia and Poland is coming on stream hopefully this quarter and then you also have Nigeria and then we also have Asepto which was obviously unfortunately underutilized , so together all your plant CAPEX which are coming on stream this fiscal plus Asepto, how much revenue addition you see like I know it is a dynamic number, it has a relation to the crude oil price also, but let us say crude oil at $ 50-$ 60 how much revenue you think all these facilities I mean the new ones together they should contribute?

Rajesh Bhatia: Difficult question, so each plant should actually produce about 4000 tons a month and if the price is $ 2 then about $ 8 million a month, so about $ 100 million which should give you let us say 15% EBITDA margin and on a relatively reasonable capacity utilization level each plant.

Mohit Agarwal: The exactly I was asking this question, I just wanted to understand what is the EBITDA contribution we can expect, obviously when these facilities…?

Rajesh Bhatia: Each plant between $ 15 and $ 20 million.

Mohit Agarwal: I know some questions have been asked and you gave some clarifications on the debt as of now, but can you give us exactly what is the long-term debt right now in India and outside India and you said about $ 50-$ 60 million is the CAPEX till remaining so what is the peak long-term debt level we were talking about?

Rajesh Bhatia: So currently, we have debt of last year we had about 960 crores of long-term debt in India, so we cleared about 260 crores last year. We added about 29 crores and the net is about 725 crores in India now. Offshore we paid about $ 18 million last year and we have added about $ 220 million we added for these projects.

Mohit Agarwal: I know the previous participant he asked you this question on the free cash flow how the company is utilizing the free cash flow, you said at the starting when you were addressing us that it has been a very satisfying quarter for you, actually Uflex has been doing pretty well in the last four or eight quarters, it has been a decent performance. Company is making a decent amount of free cash flows, but it has not been a very satisfying journey for the investor side, I mean people who have put the money where the mouth is, they have not **been rewarded.** my question to you Sir is that can the company utilize part of this cash flow to buyback because, I mean at this valuation even pure play commoditized film companies like Jindal, Cosmo; even they are at a premium valuation, so I am not saying you go out in the market and you buyback like 400-500 crores worth of stock, but the market cap of Uflex is like 1500-1600 crores right now, you do more CAPEX than the market cap of the company in a year, so all I am saying is that can we go out and do like a 100-200 crores kind of a buyback because that is really the company can fund with its yearly cash flows and if people want to participate, they can participate, promoters can keep their share, whoever want to be with the company can keep their shares and that itself will be a very good way of rewarding the shareholders, I mean that is one way of company indicating that their interest is also aligned with the investors?

Rajesh Bhatia: Currently as we have the expansions going on so it is difficult to say but I think once we complete those, definitely it is a thought worth considering that you should look at some kind of a buyback to give a much better return to the shareholders, definitely an idea which I think I can take to the Board and say that this is what the investors on the call wanted us to explore.

Mohit Agarwal: Just to add to your point Sir as I mentioned earlier also, we see Uflex more like a packaging company now and correct me if I am wrong, we have 50% moving at least towards a future where 50% of the revenue coming from packaging and not just packaging film, so the packaging companies are definitely having a much higher valuation multiples compared to just commoditized film making, but rather it is the other way right now, we are cheaper than just a commoditized film making companies because the dichotomy is just increasing so it just made more sense?

Rajesh Bhatia: No, so we may also consider at an appropriate time segregating the two businesses and giving shareholders the share of both the companies, so I think that would be another way to increase the shareholders wealth that you have a separate company who is doing packaging films and a separate company whose is doing packaging.

Moderator: Thank you. We have next question from the line of Sunny Gosar from MK Ventures. Please go ahead.

Sunny Gosar: Sir, I just want to taking forward the last participant's question in terms of peak debt, what could we see the peak levels at say from 3700 crores of gross debt currently?

Rajesh Bhatia: I think what we can easily do is March '21 would be sort of the peak debt, so to the current debt we can add say about $ 40 million or so more because there will be some repayments also which will happen in the current financial year, so we can add about $ 40 million.

Sunny Gosar: Sir, just I was calculating this broadly, assuming that we see even about 15% to 20% growth on the EBITDA considering some growth in the underlying business plus the new expansions, so the company as a whole can easily do a 1200 to 1250 crores of EBITDA and say we have interest payout of about 300 to 350 crores and some tax…?

Rajesh Bhatia: We are adding overseas that so there the interest costs are sort of much, much less, even if you see our financials, so if you see the Indian balance sheet I think while we have debt interest of about 170 crores, the overall is 225 crores, so the overseas debt interest portions are really very small, because you are borrowing at a very competitive sort of terms over there.

Sunny Gosar: Assuming some working capital and say about 350 crores of CAPEX, do not you think that we will be basically free cash flow positive and rather than debt going up, we can see some kind of debt repayment as well because CAPEX you said was only pending, CAPEX is only say about $ 15 million which is say about 350 crores, so can we see the debt number actually say coming down from that 3700 crores?

Rajesh Bhatia: If you have more cash flow, so there are only three ways, either you return to the shareholders, you reduce, prepay your debt or the third is that you plan for your next round of expansion and all that, so I think very difficult to say at this stage what will happen, but what I am suggesting is let us look at as to how these facilities what we currently set up come up, stabilize and what numbers they contribute and that is a better time to sort of look at this. We are aware of that in this corporate world there are only three ways that you can use excess cash what you earnings, you can either reinvest into the business or you can reduce the debt what you have, but actually speaking reducing the debt will not help much because a very large, you said India total debt is only about 700 odd crores the term debt, so that gets repaid each year is about 150-160 crores so that is a steady thing which keeps on happening. The overseas debt is actually at a very competitive cost and that is why even though the EBITDA margins in the overseas business maybe lesser, but the financial risk is much less because the debt cost is very, very less, so even if let us say you make a 2% or 3% lower EBITDA margins, but your interest savings after that, so we all used to look at only the EBITDA margins as a reflective of sort of a profitability, but the interest is also a cost to the business, so if I do something in India and that has a much higher risk element because of the higher rate of interest when the businesses undergo their periodical cycle and all that, so yes, all the three options we will consider at an appropriate, Sunny.

Sunny Gosar: Sir, one last question in terms of as and when the new facilities get capitalized, how much do you see the depreciation for the full year going up from 400 crores level, what should we take as FY '21?

Rajesh Bhatia: Normal facility will cost you about more or less about $ 80 million, so 5% of that is about 4 million from each facility.

Sunny Gosar: So approximately 100 million?

Rajesh Bhatia: Yes, about 100 million.

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

Runjhun Jain: Sir, what is the CAPEX we have guided for FY '21, you said the 50 million is the remaining for those remaining CAPEX and another is we are maintaining CAPEX around 150 crores or so if I am not wrong?

Rajesh Bhatia: 100 crores.

Runjhun Jain: One last thing Sir, you are saying that we are likely to see volumes better than this last year, can you provide any guidance or any direction for that?

Rajesh Bhatia: For what?

Runjhun Jain: For volumes, Sir.

Rajesh Bhatia: So as I said that in the packaging business we expect a 7% to 8% volume growth in the current fiscal. On the packaging films, the number will actually depend on because the existing capacities as I have been saying always are more or less sort of fully utilized, so there the deviation possible is only 1% or 2%. Normally, because of the Dubai facility closing down, we have been the average volume per annum what we would have lost is about 30,000 tons, so one is that will come back and then other facilities getting commissioned let us say even if a part of the year would also see, but at this point in time difficult to sort of put real number to that, so the Russia will definitely make up for what we lost in Dubai in FY '20 is about 2500 tons is the peak that we can achieve in that plant and I think we can also achieve about 4000 tons, that is 3000 tons to begin with in Poland in Q2.

Runjhun Jain: So overall for the year, we can expect how much incremental in volumes, Sir?

Rajesh Bhatia: I think that will depend on other projects being commissioned. As of now, I have visibility of these two and the others when they come in Q3, we will really have to look at that point in time as to whether we get a part of Q3 or we also only get a part of Q4 only.

Runjhun Jain: What would be our idea on the sustainability of the current BOPET margin or the BOPP margins though BOPP is a very small part of ours, but BOPET you find it sustainable or you think that with the new facilities coming up overseas, you can expect some moderation in those margins?

Rajesh Bhatia: No, there can be some impact on the margins and ultimately whatever we do has to be sort of sustainable and when we set up those facilities, we had this thing in the mind that yes over the many years we had sort of, so if you ask me about my existing business, overseas what is the debt we have currently, we hardly have any debt over there, the only long-term debt outstanding in our offshore business maybe under $ 20 million only or so, but I think margins now with the COVID and now with a lot of businesses want local supplies probably will not get affected to that extent and also what is happening is that now unlike in 2010-11 when the prices went through roof, it is still not that kind of a euphoria in the business, so let us say if there is $ 80 million of investment and the annualized EBITDA that you make is about $ 15 million, so payback is five-and-a-half years or so which is a kind of very normal, there is nothing to feel the payback is three years or so, so I do not really think so that there will be a huge impact given that now people want to buy locally and whenever we do this as I said 2011 when the prices of the films jumped to a level where the payback was two years and then a lot of capacity came together at a point in time which resulted in the much lower prices, so those things are not happening, so now whatever is the addition because the payback is always between five to six years, it is a well thought out decision rather than a decision where people say that there are super normal profits to be made, so let us get as early as possible to the production and get the things going, so really yes there might be some impact but will not be to the extent and even if it is there I think it will be short lived only may be about a year or so by the time the things really get settled with the additional volumes.

Runjhun Jain: Sir, one last suggestion if I can make as earlier one of the participants said that we are a better blended or backward integrated company having films of our own and supply packaging on film, we have seen many companies on the frontend getting higher multiples and probably we are not getting there in those levels in terms of valuation, it would be really helpful if we can start looking or differentiating and giving separately the volumes of both the businesses, I think that would give you much more clarity for the investors also to value the company on both different parameters?

Rajesh Bhatia: The moment you start doing that people want separate profitability, people want separate numbers and all that and if you say today also, I would say that if we do annualized volumes of about 400,000 tons, so largely it is the films only, packaging we do sort of about 20% of this is packaging and about 80% of this is still in the films category our businesses, so I think numbers when you start giving them separately and all that it only adds to more sort of some of the information which at some point in time you just want to be a bit because of the competition you just want to be a bit cautious also as to how much you should part with and how much you should not. I think generally we have been extremely, extremely transparent in terms of giving, I have not seen any company in the packaging space giving their volume numbers etc. and all that even though when they are a pure packaging film play company, I have frankly not seen but we are giving sales numbers, we are giving production numbers, we are giving all other information whatever we can give over the call and all that, so let us see I will keep this in mind and see if we can share the separate numbers.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to Mr. Yusuf Nasrulla, Investor Relations, Uflex Limited, for closing comments. Over to you, Sir

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

Rajesh Bhatia: Thank you.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, on behalf of Uflex Limited, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.