



UFLEX LIMITED

Q4 FY24 EARNINGS CONFERENCE CALL MAY 30, 2024, 04:00 P.M. IST



Dolat Capital



MANAGEMENT: **MR. RAJESH BHATIA – GROUP PRESIDENT AND CHIEF FINANCIAL OFFICER, UFLEX LIMITED**
MR. SURAJIT PAL – VICE PRESIDENT, HEAD OF INVESTOR RELATIONS, UFLEX LIMITED

'A part of your daily life'

HOST: **MR. SACHIN BOBADE – DOLAT CAPITAL MARKETS**

Moderator: Ladies and gentlemen, good day, and welcome to the UFlex Limited Q4 FY '24 Results Conference Call hosted by Dolat Capital. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Sachin Bobade from Dolat Capital. Thank you, and over to you, sir.

Sachin Bobade: Thank you, Muskan. Good evening, everyone. On behalf of Dolat Capital, I welcome you all to the Q4 FY '24 Earnings Conference Call of UFlex Limited. Hope you all and your family members are staying safe and healthy. From the management side, we have with us Mr. Rajesh Bhatia, Group President of Finance and Accounts and Chief Financial Officer and Mr. Surajit Pal, Vice President, Investor Relations.

Now I hand the floor to the management for their opening remarks and then we would have question and answer session. Over to you, sir.

Surajit Pal: Thank you Sachin. Good afternoon, ladies and gentlemen. Thank you for joining us today for the Q4 and FY 2024 Earnings Conference Call of UFlex Limited. We will start with a brief statement from Mr. Rajesh Bhatia, Group President and CFO. Following which we will open the forum for the interactive question and answer session.

Before we begin this call, I would like to quickly remind everybody that anything that we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in the context of the risks that we face. With this, I would now request Mr. Rajesh Bhatia, Group CFO to make his opening remarks. Over to you, sir.

Rajesh Bhatia:

Thank you. Thank you Surajit. Good afternoon, everyone. Welcome all of you to the UFlex Q4 and Fiscal Year '24 Earnings Conference Call. I hope that you all had a chance to look at our earnings and the presentation we shared. I'll start by outlining some of the key highlights of the quarter.

In hindsight, I think this is quite a positive performance in this quarter. We've seen about 8% volume growth, led by higher volumes across all our business segments. We have seen improvement in revenue and EBITDA. I'll call it adjusted EBITDA because there is a lot of elements in Q4 as well as in FY '24 on account of the currency fluctuation and all. So I think we'll have to keep that aside and look at operational EBITDA.

So this quarter, revenue growth was driven by the strong sales performance, growth in sales as well as the margins and which is in both categories, films as well as packaging business. Our revenues for the quarter grew by about 4.5% on a Q-o-Q basis to close to about INR3,497 crores and 3% year-on-year basis. And the volumes grew by 10.5% year-on-year and 6.8% quarter-on-quarter to about 157,850 MTPA.

The film business grew by 13.7% year-on-year on volumes and 6.3% quarter-on-quarter. Our value-added packaging business, including flexible packaging, liquid packaging, holographic witnessed a volume growth of 8.7% quarter-on-quarter and 1.5% on a year-on-year basis. The profitability improved about 6.9% on a quarter-to-quarter basis and 6.3% on a year-on-year basis, and EBITDA margins also improved slightly.

For the quarter, we had an EBITDA margin of 13% and EBITDA -- normalized EBITDA of about INR455 crores. Last quarter, we had an EBITDA of INR426 crores.

The domestic packaging film market still remains subdued in terms of the pricing. The volumes are good, but the overcapacity has led to erosion of the selling prices as well as the margin.

And even internationally, because of the excess capacity in India, there is an impact because -- so while there was already an impact of the Europe reeling under the aftermath of the Ukraine war energy prices going up. But the increased competition from India is also added to the pressure on the realizations over there.

The businesses in terms of volumes are coming back, as I had said last time also, and Q4 be a testimony to that. But still, I would say that pressure on the realization and margins is still prevalent over there. And hopefully, with the rural demand now picking up as we saw at the fag end of Q4 '24. There will be a possibility of the volume growth, both in packaging film and flexible packaging and aseptic packaging as we enter into FY '25.

As we go into FY '25, one of the very important milestone for us is that we've also developed a machine in the liquid packaging, which can do about 25,000 packs per hour, Earlier, we had a machine which could do only 10,000 packs an hour, filled only about 10,000 cartons an hour. But now this machine we are also, Drupa which is currently going on in Germany, we've also demonstrated there.

So this will further lead to as we are going to have a higher capacity of our aseptic packaging division later this year. I think this machine will further augment our volumes much from 7 billion to 12 billion packs much faster given its speed. And because the competition already had a machine which could do a much higher number than 10,000 cartons per hour. So we've also now successfully launched our higher capacity machine for catering to the aseptic packaging customers.

Overall, if we see the businesses in U.S., that is North America as well as in Mexico market, I think the Q4 was very good in terms of the volume increase. Overall basis, I think we gained significantly in these two territories. It's not only that these territories could be self-sufficient with their own production capabilities, but they also had to import for -- to meet the increasing demand of packaging films in the North America market which was done by exporting the material from India, from Nigeria and occasionally from other facilities also.

So clearly, U.S. market size that we have captured is way beyond our manufacturing capability in that region. And so this is supporting our other investments made in India and Nigeria, which would have otherwise given the demand/supply mismatch in India that comes very handy in terms of keeping your plant operations at a much higher level.

Europe is also positive. In Europe, the production volumes in Poland and Hungary surged in Q4. Poland went up by close to about 17%. And Hungary was about 60% on a year-on-year basis. No doubt that the Red Sea crises has also helped us to get the volumes and the margins, some higher margins this quarter.

And again, because of the Red Sea you have the consumer worried about the higher freight costs, higher or longer time it takes for the consignment to reach from India or elsewhere into Europe and America. So, I think that all is helping the local product producers to gain volumes as well as to have higher prices.

As I had told earlier that in Europe, we had a new contract for power purchase in Hungary as well as in Poland from 1st of January. So Q4, we have been able to reduce our power costs in these 2 territories. And the impact could be as much as 40% versus what was prevailing before this new contract came into deal. And this will take care of us in FY '25 as well. And beyond that, whatever is the market conditions, we do further power purchase based on that.

In terms of Africa business, the Nigeria also expanded capacity utilization is about 67% in Q4. And we have captured a very large, more than 50% of market there. I think gradually, we have a higher -- much higher market share given that. As I had said that there was an additional duty imposed by virtue of which the imports had become costlier, and Nigeria has also seen a huge volatility in the currency.

So, the domestic buyers obviously are preferring to buy locally than to import because they can order just in time rather than at least a 90 days window for them to between ordering as well as receiving the material. And the way the currency is behaving over there, I think there is going to be a much higher market share that we will capture in that market in the quarters to come.

Again, in this quarter, we were again hit by the currency devaluation in Nigeria and Egypt. Egypt devalued currency from about 31 levels to about 48 levels, which led to about 49% of currency devaluation. And we had to have a currency devaluation impact of about INR177 crores this quarter. Egypt had also devalued its currency in March of 2023 also and which had led to a devaluation impact of INR150 crores. And this year, again, in this quarter, we're having a INR177 crores of impact.

Nigeria continues to devalue for the whole of FY '24, we have been devaluing. So last quarter, again, they devalue from something -- somewhere around 900 to about 1,300 levels, which led to overall in the financial year '24, their devaluation has been about 183%. And the overall devaluation on account of this is about INR871 crores what we had to take in the whole of the year.

During the year, we have set up new capacities. We've completed our PCR chips plant in Egypt, which has an installed capacity of 18,000 tons per annum. That was done in January. We have also, on 31st of March, commenced the Panipat PET Chips resin facility. And later in the year, we'll also commissioned our same plant in Egypt as well. I think by the end of Q3. And we will commission CPP plant in Russia which has an installed capacity of 18,000 tons. And later in the year we'll also commission our CPP facility in Mexico as well later in the year.

So in the current year, I think we're looking at completing our PET Chips resin facility in Egypt. Our CPP films plant in Mexico and our effective bottlenecking, which takes the production capability from 7 billion packs to about 12 billion packs a year. Notably, in the current year, we have -- our sales volume in the aseptic packaging have been about 7.4 billion packs a year which is more than our rated capacity of 7 billion packs.

So in that business, we continue to be impacted by the capacity constraints, so which in the next season, which begins from -- think we will be all up and running with a higher capacity and look to better throughput from that business, which will give us additional revenue as well as the profitability. On the debt basis, as we had said guided earlier that the net debt will remain around INR5,500 crores.

The net debt as on 31st of March is about INR5,569 crores. The projects that we have commissioned already in Q4 as well as the projects that we're commissioning in FY '25, I think we're very confident that these projects will give us an additional turnover, anything between INR2,000 to INR2,500 crores in the FY '25. And the margins also -- even if we take the margins in the current range for the various businesses. So obviously, they'll add to the margins as well.

In India, in the last few days, there has been a positive impact in the bottom film prices. And we've seen about a 9% to 10% price increase across the industry, which will not only help the domestic markets, but will also help the overseas markets as pressure of exports from India to Europe and America will go down to a certain extent. Because if your domestic prices are okay, the urge to export and the delays and the higher working capital involvement in exporting is taken care of.

So we're expecting better prices in the PET and in the BOPET industry in the FY '25. And I think that would have a significant impact on our profitability in FY '25. But coupled with the additional revenues and the profitability coming from some of the new projects that we've commissioned in FY '24 and commissioned in FY '25. I think we can then look at, at least, 15% top line growth and also EBITDA.

And at the PAT level, because of the additional impact of depreciation and interest, there will be -- we'll have to figure that out. But definitely at an EBITDA level in the contribution. And if you look at this quarter at an operational EBITDA of INR455 crores and last quarter, EBITDA of INR426 crores. So if we annualize these 2 numbers, so we are looking at about INR1,800 crores of EBITDA from these business from the existing setup plus the new investments, which came into being in Q4 and will be effective in next year.

The top line numbers going up by at least 15% and incremental EBITDA. So, I think we should look at overall EBITDA in the range of INR2,000 crores plus in the next financial year for sure. And anything which helps us get the better pricing on the packaging film side, I think, that will be an add on profitability that we at least hope that will come our way. So, I think Q4 sets a tone for FY '25, which is extremely, extremely positive note, both on the volume and the revenue side.

Yes, the margins will also sort of start getting improved with the improved volumes and improved revenues for sure. And as I said that in India, we've already seen about a 9% to 10% price hike for the BOPET sales in the recent past. And hopefully, that will get mirrored in the international markets as well. And with the better volumes with the cost coming down per unit because of the better volumes, I think we are sure that FY '25, the overall financial performance will improve substantially as compared to FY '24, what we have.

Thank you, gentlemen. That's what I had to say about the performance for this quarter. And I'm happy to answer any information requirements or any further clarifications you may want to seek. Thank you. Thank you, everybody.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: Sir just a couple of questions from my end. First, what is the peak sales volume that we can expect on full ramp up of our overseas plants because we have seen more than 100% capacity utilization in some of the plants in the past as well as right now, Hungary also has the PPT running at more than 100%. So peak sales volume, what should be for the overseas plants?

Rajesh Bhatia: I think what we can look at is the better volumes coming from our plants in Nigeria, there is definitely scope. Then we have scope in Mexico, India. I would say that. So Mexico, we did about 54,000 tons. We can do about 62,000 tons, so 8,000 tons can come from there. Egypt, PET side, I think we are fine.

In Poland, we can do about another 15,000-odd tons a year at the full -- taking the full capacity. U.S. and Russia are operating at full capacity. Hungary, we can do about another 10,000 tons a year. And Nigeria, we can do about another 15,000 tons a year. So 15,000 tons in Nigeria another 11,000 tons in Hungary. Russia is all booked. U.S. in all booked. Poland, we can do about another 15,000 tons. Egypt we can do about another 10,000 tons. Mexico, as I said, we can do about 8,000 tons more.

Dubai is fine. India is we can do about another 15,000 tons. So total 74,000 tons we can do more, which means that what we did in FY '24 was 4,668 which is about 15% more output from the existing capacity. Is that what we..

Chirag Singhal: Okay. And this does not include the CPP line of Russia? And you also mentioned...

Rajesh Bhatia: So they just come up. So those volumes will be on top of this.

Chirag Singhal: Right. So one CPP line in Russia, you also mentioned one more CPP line, right, which we're expecting in the -- So that is in which region?

Rajesh Bhatia: That will be end of Q2 somewhere.

- Chirag Singhal:** Q2 of FY '25. And that is expected in which region, like where are we setting up that line?
- Rajesh Bhatia:** Mexico, I said.
- Chirag Singhal:** Okay. So 36,000 will be incremental or is it over and above the 74,000 breakup that you just gave?
- Rajesh Bhatia:** Correct.
- Chirag Singhal:** Okay. Understood. And any timelines that you can give especially on the Nigeria ramp up
- Rajesh Bhatia:** Nigeria I think in about a quarter's time because U.S. market continues to give us additional volumes. So those volumes, given that they have a capacity bottleneck today of 60,000 tons of capacity in Mexico and another 26,000 tons capacity in -- sorry, 30,000 tons capacity in U.S. So total capacity in that region is about 90,000 tons. And if we are doing on a consistent basis, 120,000 tons in that market, could be more also, we are looking at retargeting about 140,000-odd tons over there. So that deficit will have to be supplemented by Nigeria, India and maybe Egypt.
- Chirag Singhal:** Okay. Understood. And any time lines that you can give? Nigeria you were saying in a quarter's time. So by end of quarter 2, are you suggestion by end of quarter 2 we should be at full utilization in Nigeria?
- Rajesh Bhatia:** About, we're targeting from 67% to about 85% because there are some constraints as well. So, looking at those constraints, about 85%-odd or so is what we targeted.
- Chirag Singhal:** Okay. And for the overall volumes, like 74,000 plus 36,000. So for this overall peak utilization like can you give some time lines, whether it is end of FY '25 or by when do you see this will ramp up?
- Rajesh Bhatia:** See, I think the only question which, to my mind, is today, one is the India prices where I see that from the peak, we are utilizing less capacity with the prices are not remunerated. So some of our old facilities where the costs are high, there is no point in operating that. And so we're running at a lower capacity than what we have.

So I think India will depend on the pricing. And Poland is dependent on the demand of the PET in the European markets, which has gone up in this quarter. So, if you see Q4 for Poland on a quarter-on-quarter basis is also up 27%. So versus the last quarter, the Poland production is up by about 27%. So it needs to go up again on the full year basis, we were down by about 20% in Poland vis-à-vis FY '23.

So there is still a substantial headroom there to take the numbers up. I think the pricing improvement in India and the European demand coming back are the 2 factors that will play out there. So I'll keep a tentative guess that we can probably achieve that by Q3 or Q4.

Chirag Singhal: Okay. Understood. Now coming to the even substantial power cost savings that you mentioned because of the renewable energy tie up in Dharwad. So can you quantify what was the savings in FY '24? And on an annual basis, how much overall power cost savings can you expect to achieve?

Rajesh Bhatia: I think we can expect to achieve above about 50% of the costs -- sorry, 40% of the savings we can expect over our power costs in Dharwad. So Dharwad on an overall basis, we can look at about INR 35-odd crores savings, maybe a little INR 35 crores, INR40 crores annual savings in the power cost.

Chirag Singhal: INR 35-40 crores annual savings. And they should start reflecting from the current fiscal?

Rajesh Bhatia: Yes. So the power supply hasn't started. We are expecting that somewhere in the month of June, it will start.

Chirag Singhal: Okay. Got it. Sir, my third question is on the capex guidance and estimated net debt. So what are you guiding in terms of capex and estimated net debt for the current fiscal?

Rajesh Bhatia: I think we'll take that in the next fiscal. Let's first complete some of these projects. I think we are at net-net of about INR5,500-odd crores. We have scheduled repayment aggregating to about INR1,000 crores in this year, plus the new debt coming from some of the investments which are under way. But on an overall basis, I think the net debt level should be about INR 6,000-odd crores. But I'd like to answer this more in a

much better way in the next quarter. But I think on a net debt basis, we'll be about INR6,000-odd crores.

Chirag Singhal: Okay. And capex guidance?

Rajesh Bhatia: Capex guidance, I'll give it to you in the next quarter.

Moderator: The next question is from the line of Kaushik Poddar from KB Capital Markets Private Limited.

Kaushik Poddar: Will this year see the end of all capex?

Rajesh Bhatia: I think largely you are right, yes. But as you reach towards the end of your capacities, you don't want to give away your market sort of share. And as we said that the films business as of now is there is no expansion plan. There's nothing big that is really planned. But once the markets come back, you always look to ensure that you are sort of dependent on those. You don't lose your market share in those markets.

Like I said, that today, what we are doing is we are transporting a lot of material from India and Africa into U.S. markets where we have a deficit position. Now this deficit position, of course, we don't have anything which is likely at any approval level and all that. But these being a business person, it's that production there is 90,000 and I can sell their 140,000 tons a year. I think on a long-term sustainable basis, it will be possible for us to keep on meeting that demand from a far-flung area.

So obviously, as and when those far-flung areas are able to sell in their preferred markets first, because we didn't make those plants in India or Nigeria to sell to U.S. markets. We made these plants there to sell to the local markets and the surrounding African countries as well. Now just because there is a sort of demand which is impacted elsewhere. We have this situation where U.S. is being fed from other sources.

But at some point in time, I can't say maybe a year later, maybe 2 years later, they will be definitely a case for the ramping up the capacity there so that you can meet that demand locally. And all these things again the freight plays a very major role in some of all these. Now all of a sudden -- the freight rate like we were taking a lot of

materials in Nigeria from China. Now in the last 1 month, the freight rates have tripled from China to Nigeria.

So end of the day while you can live with this small consumption here and there. But if they are on a consistent basis, then you look to ensure that you derisk your business to the extent possible. Now obviously, if Nigeria is getting its material at a much higher price. So it will have to sell to the U.S. at a higher cost as well. But the U.S. market may not be able to afford those costs just because the freight rates from China to Nigeria have sort of gone up.

So as I said that while these adjustments are possible with a player like us who is a global player, multi-country presence and all that, you can do all that optimization. But in the long run, the endeavour is to serve -- our motto has always been to serve the local market. Otherwise, like many others, we would have also set up capacities in India to serve European or American market from here and which many companies do, obviously they do.

But their risk to that business are much more than our risk in terms of the logistics challenges, in terms of the freight to those markets, in terms of the working capital deployment to those markets because it takes at least 90-day cycle to get the material over there and then you sell on the credit.

So the credit can go up to 140 days, 150 days in some of those markets. So our business model has been pretty stable, produce locally, sell locally and in the adjoining areas. So wherever these opportunities are there like it's there in the American market, North America markets now. As and when the situation will improve in India, in Nigeria and all that I think there is a merit in terms of considering an investment in that region. I hope I'm clear.

Kaushik Poddar: Yes that's clear.

Moderator: Thank you. The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: So on the Asepto what is your expected time line to commission and then after what is the time line that we're looking at to ramp up to 12 billion packs?

Rajesh Bhatia: So 12 billion ramp-up will happen somewhere in September or October at the latest. But by the time it happens, then it does not impact you much. You can stabilize because your season starts in January. So by January, if we are up and running at 12 billion packs a year, which we're going to ensure that, that happens. So for the next season also, in FY '25, we'll have one quarter where we'll get the higher number.

Now whether we our team is able to sell today, this year, they've sold 7.5 billion packs. Yes, they had a capacity bottleneck because of which they probably wouldn't have -- couldn't accept more orders than that. And next year, I think depending on the market, from our side, we'll love to -- in the first quarter itself, we'll have to go from 7.5 billion to 12 billion, but it might take the season more to reach that level. All depends on the market demand.

We developed substantial export markets. Even this year we exported about 40% of the output from India plant into the global markets. So it's about 60% is what we sell locally and about 40% is what we export.

Chirag Singhal: So is there any margin difference between the exports and domestic sales?

Rajesh Bhatia: Largely, it's the same. Sometimes because of the freight it may vary to an extent, but largely it evens out. 1% or 2% here and there some time export is better or sometimes local is better. I think it depends on the market dynamics at a point in time.

Chirag Singhal: And on the EBITDA margin like what were the margins for Asepto in FY '24? And what are you guiding for the current fiscal?

Rajesh Bhatia: Asepto will always remain 20% plus margin business. It's currently 20% plus and it will remain at 20% plus.

Chirag Singhal: Understood. Coming to the forex loss. So whatever forex loss we have reported in FY '24. So how much of that was cash loss and how much of it was notional loss?

Rajesh Bhatia: So I think I would say a very large part of it -- see, in Nigeria, if you may -- in India, if you make your balance sheet, you make it in rupees. So in Nigeria, like if you make your balance sheet in local currency in Naira, it's a healthy balance sheet. But the moment you convert from Naira to dollar and then from dollar to INR.

So between these two currencies whatever is the translation is said that is what it is, it is showing here. I think a very small part is what can be attributed to be as the -- because when you are converting, you are not only converting the year-end assets and liabilities, you are also converting your average sales for the year, your average purchases for the year and all that. So all that is only notional because the transactions have happened in the local currencies. So I think very insignificant portion is a cash one. And most of it is in the nature of the translation loss.

Chirag Singhal: Got it. And a couple of clarifications. So you mentioned additional revenues of INR 2,000 crores to INR 2,500 crores from the existing facilities as well as the new commissioning in FY '25. So this is at the consol. level or you're just talking about overseas?

Rajesh Bhatia: Sorry it is at a consol. level.

Chirag Singhal: This is consol. level. Okay. And you also mentioned about some power contracts that have gotten renewed with the effect of 1st of Jan in Poland and Hungary. So based on that you are saying that the power cost has reduced by roughly 40%. Did I get that correctly?

Rajesh Bhatia: Yes you're right.

Chirag Singhal: So what is the tenure of these agreements and how does it work? Are these like fixed power cost contracts or how does it work?

Rajesh Bhatia: So it's a mixture of both. There are certain things which are on spot basis and there are certain things if we hedge on a quarter basis or two quarters. So I think FY '25 we'll be through with this contract. And then next year we'll have to again look at these. But if we see the trend in Europe now, I think the power prices are now stable. So whatever we saw huge fluctuations immediately after the Russia, Ukraine war, but thereafter now everything is stable. And in respect of that period also we got some help sort of from the government in the current financial year already.

Chirag Singhal: Okay. Thanks a lot. That would be it from my end.

Moderator: Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets Private Limited. Please go ahead.

Kaushik Poddar: Do you see any opportunity opening up on the EPR that is extended producer responsibility part of it?

Rajesh Bhatia: I think while EPR is now mandatory, the effectiveness of this and how the seriousness comes into play and how it is implemented I think remains to be seen. There was a speculation earlier also that you have to burn -- the burning of all this in the cement plant boiler was allowed and everybody misuse that and it was only happening on the paper and nothing actually was moving to those locations and all that.

I hope that the sector norms in terms of recyclability are put into place and they are sort of monitored also accordingly. Only then obviously the policy has all the right intentions in terms of creating more circularity. It is possible to do that. We have demonstrated by putting up our own recycling facilities. The purpose is to sort of not actually look at that as a business, but more as a showcasing to the world that this mechanical recycling is possible.

And that's what the EPR -- new EPR policy of the government also promotes the recycling. The biodegradability is also provided in that policy, but that might take slightly more time, but as I said that the intent about the policy -- behind the policy is good. The implementation is the key, and it starts with a certain percentage to begin this and going up much higher in the later years. So let's hope that how this pans out.

In anticipation of that and in anticipation of the fact that there is a demand around the world that the recycled material has to be used, that is where we have set up the PCR plants in Mexico. India, we had set up a small plant a few years ago, which had a capacity of about 9,600-odd tons. And in Mexico and Egypt now we have plants which have capacity of 15,000 tons and 18,000 tons. So we are all expecting that with the regulations coming in and with the conscious level and the consumer asking for recycled materials. These investments will give us the substantial inroad into the recycled PET markets.

Of course, the BOPP recycling is still not on the end mill. But through MLP recycling is only that is possible, which we are today doing in our Jammu plant, in our Noida plant

and globally in our Poland plant as well as in the Mexican plant. So we're trying to do this on our part by investing in those capacities and with the anticipation that self-regulation and government-driven regulation will help drive sort of these businesses.

End of the day if you ask us do we have the intention to be big in this business? The answer is no. The answer for us is we want to be a leader in the biodegradable films business. Recycling whether MLP or PCR, it's just a way for us to take being a global leader in the BOPET film industry. It's that we want to lead the market in that particular way.

So let's see for the next couple of years as to how the regulation sell as well as the government-driven regulations comes into place. And definitely, we are totally updated on the situation talking to our customers and all that. And you will be surprised to know that even very large companies, given the costs arbitrage between the recycled material as well as the virgin material, in the absence of regulation, they still try to save on. They try to save on some costs. While you may see that when the media announcements, they have next 5 years, we have this, we have this. But still, there is a hesitation to start even in a small way, given the costs, additional costs that it involves.

Kaushik Poddar: Sir, do I get you correctly when you say that it's not a big opportunity for you, this recycling part only the biodegradable part is a big opportunity. Did I...

Rajesh Bhatia: Biodegradable is a big opportunity for us.

Kaushik Poddar: Recyclability is not a big opportunity for you?

Rajesh Bhatia: Yes.

Kaushik Poddar: Okay. But why do you say that? I mean, because so much of the plastic waste are getting generated, so why do you said it's not a big opportunity ?

Rajesh Bhatia: I think the opportunity is through the small and medium enterprises who will collect get all these garbage. You can't set up a big plant in Gujarat where the waste comes from all of India and then it is processed there. It's not going to happen like that. So it's always recycling will have to be a very localized affair. And the local municipalities

will bring all the garbage to the site. And then these sites will be -- these local sites will do that. Now we don't want to do that -- into that.

Kaushik Poddar: How does the biodegradability part give you a big opportunity? Even that is local also, isn't it, collection and all those things?

Rajesh Bhatia: So the biodegradability theory is once the capability is different. So biodegradability is what. Today like Coke has an enzyme which is sent to all the bottling plants whether they are owned by Coke or not. So it's like that. So you make these biodegradable enzymes in 1 or 2 markets in India and globally and then from there you supply to the rest of the world.

Now biodegradable like the way India has done it's both recycling or biodegradability depending on the customers choice today because end of the day, if you ask the large companies also, they are also not wanting to set up the recycling plant. So, somebody else will have to do the recycling plant for them. so that they could be compliant with the new EPR rules.

So if there are not recycling capabilities that are coming up, then the only way for them to be compliant with the EPR rules is to have the biodegradable film is which even if they are not selected, there is no obligation to collect them and process them and give your presentations before the authorities that you actually recycle this much and is -- so while recycling is a localized opportunity, the biodegradable is a centralized opportunity here by adding the enzymes and you're makings of packaging skills. You were done with that stage and companies, the brands do not have any further liability beyond that.

Kaushik Poddar: Okay. But this biodegradable thing will be part of the packaging itself or once the packages get collected, it will put biodegradable enzyme or something?

Rajesh Bhatia: When the films are manufactured, I think film is special. At that time, only the enzyme is added. And -- so this film when you will actually throw after eating Lays chips packet on the road, on the ground and all that, it will start biodegrading.

Kaushik Poddar: In terms of packaging cost?

Rajesh Bhatia: I think the difference should be between 20% to 25%.

Moderator: Ladies and gentlemen, that was the last question. We now hand the conference over to the management for closing comments. Over to you, sir.

Rajesh Bhatia: Thank you. Thanks, everybody, for being on this call. And I think we are getting into FY '25, as I said earlier, on the positivity created by the performance in FY '24, Q4 and projects that have got commissioned and those are likely to get completed in FY '25, adding to the additional revenues and profitability in FY '25 and beyond. And a single cost on margin improvement in the packaging films industry. The demand plan mismatches have to be taken care of with all. Without that, there is much possibility of hikes.

In the COVID period, during the COVID period, people have spent INR250 per kg on the packaging films. And today, then the price is INR100 only. Of course, the raw materials have also corrected. But then that's the kind of delta that this world has been post COVID and during the COVID period, in the packaging films and their raw material side.

Sachin Bobade: Thank you, Mr. Bhatia. So thank you all to the participants once again. Ladies and gentlemen, for the engaging questions, we will soon have the transcript of this call on our website, www.uflexltd.com. We look forward to speak to you again in the coming quarters. Thank you, and have a great day.

Rajesh Bhatia: Thank you.

Moderator: Thank you. We thank the management for this call. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you

(This document has been edited for readability purpose)

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