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The Manager (Listing) BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 **Scrip Code: 508814**	The Manager (Listing) National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra – Kurla Complex Mumbai-400 051 **Security ID: "COSMOFIRST"**

Sub: Transcript of Analyst/Investor Earnings Call

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of Analyst/Investor Earning Call held on May 16, 2024.

The same is also available on the website of the Company at the below mentioned link:

https://www.cosmofirst.com/investors/investors-presentation

You are requested to take the same on your records.

Thanking You

Yours faithfully

For **Cosmo First Limited**
(Formerly Cosmo Films Limited)

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Date: 2024.05.22 10:09:16 +05'30'

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Company Secretary & Compliance officer

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Cosmo First Limited
Q4 and FY'24 Earnings Conference Call
May 16, 2024

Moderator: Good day and welcome to the investor call of Cosmo First Limited to discuss the Q4 and FY'2024 Results. Today, we have with us the management Group CEO, Mr. Pankaj Poddar, and Group CFO, Mr. Neeraj Jain.

Starting off with the statutory declarations, certain statements in the conference call may be forward-looking. These statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. These statements are not guarantees of future results.

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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

Now, may I request Mr. Neeraj Jain to take us through his opening remarks. Subsequent to which, we can open the floor for Q&A. Thank you, and over to you, Neeraj ji.

Neeraj Jain: Thank you very much. Very good afternoon, ladies and gentlemen. I am Neeraj Jain, Group CFO at Cosmo First; along with my colleague, Mr. Pankaj Poddar, Group CEO at Cosmo First. Our financial results for the March 2024 quarter and investor presentation both are available on the company's website. We'll first discuss a brief on the performance of the company for the March-2024 quarter, which may be followed by questions.

First, talking about the financial results. Consolidated sales for the March 2024 quarter is Rs. 641 crore which is higher by 3% compared to December 2023 quarter which is backed mainly by the higher volumes.

The EBITDA for the quarter is Rs. 67 crores as against Rs. 56 crores during the previous quarter. During March 2024 quarter, the improvement in EBITA was primarily for two factors, higher specialty sales and improvement in domestic BOPP film margins effective March 2024. The specialty sales have increased to 66% of total volume in Quarter 4 compared to 64% for the full year FY24 and 61% in December 2023 quarter. It may be noted that even in such a challenging scenario, the company's specialty margin broadly remains intact in line with the last year, except for some mix change impact and uneven orders from a Speciality export customer which has high margins. We are glad to advise that these orders are now received by the company from Q1'FY25. BOPP film margin has been running at Rs. 12 per kg during March 2024 quarter versus Rs. 9 per kg in December 2023 quarter.

The margin for the BOPET film, which is close to 8% of our top line, continues to remain negative. For BOPET films what we are going to focus on now is to be selective in terms of the volume. So, we will rationalize the volume to reduce the loss-making sales and focus more and more on specialty films and high shrink films sales.

It may also be noted that if we separate out the new vertical's performance, which include the specialty chemicals, BOPET losses and petcare and digital packaging, the BOPP film EBITDA for Quarter 4 was 11.6% as against reported in the EBITDA of 10.5%.

Moving to the outlook, Q1' FY25 outlook for BOPP margins remain steady in line with the March 2024 month level. Further the company is expecting improved sales of Specialty BOPP film as well as some rationalization in cost. Cost rationalization on renewable power should add to the bottom line starting from April 2024. We expect annual impact to be close to Rs. 25 crores. Another cost rationalization related to shifting of North Korea plant to India is moving as per plan. Post relocation to India, this production line should rationalize the cost by close to U.S. $ 1 million with improved capacity utilization of the line. We expect this line to start commencement of operation in India from Q2'FY5.

Now I will move to specialty chemicals. During the March 2024 quarter, the specialty chemicals subsidies, EBITDA has improved for two primary reasons. One is better realization of specialty chemical i.e. coatings and second some refinement in coatings to provide better output. The Quarter 4, FY24 EBITDA for the specialty chemical was close to 15%. What we feel now is that speciality chemical subsidiary is all set to make double digit EBITDA next year i.e. in FY'25 with more than 20% ROCE.

During the quarter, the board has recommended a dividend of Rs. 3 per share. During the quarter, the company's credit rating has been reaffirmed by CRISIL as AA-, with a stable outlook.

Moving to packaging growth projects. We started new business verticals related to packaging. In previous quarter i.e. December 2023 quarter. First, metallized capacitor films which will serve the electronic industry and Rigid Packaging, which will largely serve the FMCG industry. Both are working well as per plan. Even for metallizer we have reached close to 2/3 capacity utilization in Quarter 4. Work on our BOPP and CCP lines are progressing in line with the plan. Both the lines will be the world's largest production capacity lines and will increase the company's production capacity by close to 50% in a phased manner over next 12 to 15 months. With these high-speed lines, it should rationalize cost of production between 3% to 5% depending on the product.

Now I will move to our pet care division, Zigly. For Zigly, our focus for FY25 is going to be same store sales growth. The current monthly GMV from Zigly is Rs. 4.5 crore, largely on the back of the retail footprints of 23 crores and increased online sales. The EBITDA loss from Zigly for the full year is Rs (-)24 crores in FY24. Zigly is progressing now and developing the IT structure, making it future ready for harnessing the exponential growth of the pet care industry in India.

Now we will quickly move to growth and the net debt level of the company. We are looking for close to Rs. 300 to 350 crore CAPEX in next one year which will be largely on BOPP production line. The financial remains strong. The company's net debt stands at Rs. 561 crores, which is 2.2 times EBITDA and 0.4 times to Equities. We expect net debt reduction to start from FY26 onwards. With this, I will take a pause here and we would like to open the call for the questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Agarwal from Leeway Investments. Please go ahead.

Amit Agarwal: Good afternoon. What I'm asking about the rigid packaging. So, how much revenue did we generate out of rigid packaging in this quarter and what is the currently monthly run rate?

Management: Your question is about rigid packaging revenue number, is it?

Amit Agarwal: Yes. right packaging, how much turnover we achieved in the last quarter and how much what is the run rate of the in this quarter.

Management: So, you see, we just started in quarter 3 and in last Quarter 4 we were close to Rs. 15 crores of the sales.

Amit Agarwal: And how much are we expecting to achieve in this in this year? How much turnover we are expecting from this year?

Management: You see, as we indicated earlier at full capacity utilization, it should generate close to Rs. 125 crores of sales. The utilization of the capacity is increasing month to month. So, we expect from the second half of FY25 we should be close to 80% capacity utilization.

Amit Agarwal: And my last question is regarding our pet care business. So, what is the growth rate right now for store sales? This is regarding Zigly business. So, what is the growth rate of store sales in Zigly?

Management: So, during last year FY24, we have grown close to 40%.

Amit Agarwal: I am talking about the same store sales sir.

Management: So, yes, that is also growing in line with these broader numbers.

Amit Agarwal: And do we expect to close down some stores which are not doing well or are all the stores doing very well as per the expectations? I am asking do you think any of the stores is supposed to shut down because the sales are not as per the expectation, or all the stores are doing very well.

Management: You see, if you look broadly, we have opened 23 stores, there is a possibility that we might need to temporarily close one or two stores and reopen them at different locations. This is part of our overall plan, and despite this, sales continue to grow. You can see from the number as we indicated in the GMV, we have reached Rs. 4.5 crore monthly and we started the year with close to Rs. 2 crores GMV. So, that growth is coming.

Amit Agarwal: And my last question is regarding Zigly only, do you achieve good turnover from healthcare or just achievement from the productive? My question is regarding vet business. Are we getting vet business?

Management: Vet business is also growing, so with increased focus in the retail space where we are going to focus more on these services including that.

Moderator: Thank you. Thank you. The next question is from the line of Kevin Gandhi from CapGrow Capital Advisors. Please go ahead.

Kevin Gandhi: Hello. So, basically, I had a few questions. The first question was on the pet care business. So, what is the current store economics of the business and how do we see our pet care business being profitable and so basically, so one more part of the question was by the year end of FY24, we were assessing around 30 crores of losses at EBITDA level and now we have almost achieved 24 cr. So, are we seeing any improvement in the EBITDA being positive for any of the stores or for the business as a whole. So, that's my question on the pet care business. Secondly, on the basic BOPP business, what is the trend of the spreads right now, in the base run business and how do we see getting back to the Rs. 40 per kg as we had achieved in March 2022. So, how do we see that? So sir, my first question was about the pet care business. So, basically, how do we see the store economics right now and what is the framework, what's the path ahead of the pet care business to turn profitable in the coming two years. That's my first question. Yes.

Management: The stores which are more than one year old are moving towards profitability. They are not profitable, but they are moving in that direction. What we can see is that their month-on-month sales are improving, and it is a matter of time before some of them, if not all of them, will become profitable. As far as the road to profitability for Zigly overall, unless we start touching 150 to 200 crores, profitability would not come. What we are certainly trying is that let's first some stores start becoming profitable. Online business is even more difficult to be profitable if we continue to sell brands of other companies. Therefore, our focus is on launching home brands where the gross margins are more. That is the process we have just started, and we expect that within the next 12 months, we will be able to launch a lot of home brands. So, to be profitable unless we achieve a decent scale, profitability will take some time.

Kevin Gandhi: Ok and sir how much is the proportion of the online sales and the stores? So, basically the online and the offline part.

Management: Roughly 70% sales is retail, and 30% sales is online, we do not want to push online sales too much, though it is not a very difficult task for us, but intentionally we are not pushing it, because till the time we do not have our own private labels or house brands, it may not be a great idea to scale it up. So, actually online business right now is more from data acquisition perspective and our analytics perspective in terms of pet care, so on and so forth. So, right now it's more of a data acquisition strategy and once you know we start launching our own house brand then is the time and we will start growing it up much more aggressively.

Kevin Gandhi: OK and sir two years down the line, are you seeing any private equity infusion for us to expand the business on a further scale?

Management: These are things which you know, nothing has been ascertained at this stage. Obviously, you know we are here for a long term so I don't think we can answer this question.

Kevin Gandhi: Ok. Understood, sir. My next question was on the films business. So, right now as you can see the spreads have increased from 9 to Rs. 12.00 per kg. How do we see this trend over one year or like more than one year? So, basically March 2022, we were at the top of the spreads around Rs 40 per kg. How do we see that traction coming and so what is the current scenario? Are there any factories being shut or are there any new capacities coming? So, any brief idea on this would be helpful. Thank you.

Management: On BOPP, the demand growth is quite good and there are no new players coming in the next two three quarters. So, by logic, ideally the margin should grow up. However, it's anybody's guess. Nobody can project that when it comes to polyester. Polyester margins are still in a very difficult terrain. Right now, even at a contribution level or a gross margin level, polyester film continues to make losses.

Moderator: Thank you. The next question is from the line of Jatin Damania from Swan Investments. Please go ahead.

Jatin Damania: Good afternoon, sir, and thank you for the opportunity. So, just wanted to understand on your Speciality business as in the last couple of calls, we have always been maintained that our margin or a contribution in a Speciality business remains steady state and do not see much volatility but when you compare with the FY23 number for the full year basis, the contribution margin for the specialty has declined substantially. So, what was the main reason behind that?

Management: Yes. See, as there are three categories, we have Speciality, Semi-Speciality and commodity. When you talk about Speciality, the margins are intact, there could be very minor plus or minus because of mix change within Speciality. Semi Specialties have always said that they are tied to the commodity margins. They are always on a delta of commodity, but you know their margins do go up and down with the market. So, right now the change that you see is largely because of Semi-Speciality in commodity margins.

Jatin Damania: But sir if you look in your presentation on the Slide 7 and if I look at the FY23 numbers, the Speciality margin contribution remained at Rs. 70 in FY23, however, same has come down to almost at Rs. 55. So, was unable to understand why such a steep fall when a mix and volume in Speciality is going up year on year.

Management: One category of films that we had explained earlier where business was not happening. But the good news is that it has started to happen from quarter 1 of this year. This is a minor change, and this will also get better in the coming quarters.

Jatin Damania: Sir what was the contribution of that particular film in FY 23 and how much it dropped in FY24?

Management: There was no volume for that last year or a very insignificant volume. It will go back to the original volume and the margins will go up because of that.

Jatin Damania: So, from first quarter of FY25 we will start seeing the contribution of that team to start kicking in, right?

Management: Yes. The specialty margins will go up.

Jatin Damania: OK. So, then again it will be back to the normal revenge of Rs. 65 to Rs. 70.

Management: Yes.

Jatin Damania: And so secondly, now for the project we will be spending about 300, 250 crores of the CAPEX in FY25. So, post this completion of the entire CAPEX. What will be our net debt figure?

Management: You are asking net debt.

Jatin Damania: Yes, post the expansion plan of 300-350 crores that will be completed in FY25, so at the end of FY25 what will be a peak deck?

Management: Currently we are at Rs. 550 crores of net debt. We do not expect much change in the net debt level except that there maybe it may increase by Rs. 20, 30, or 50 crores. That will be clear at the end of March 2025, from there on, as we indicated earlier on the call, you may expect some reduction coming in.

Jatin Damania: OK and last question, just wanted to understand, see on the BOPP we are doing, I mean definitely the scenario has improved from what it was last quarter Speciality, we will see an improvement starting from the first quarter because of the new films kicking in and we are also planning to launch sun control film and many other films but when you look at the our entire ROAs because of the our Pet care business, there is a substantial drag in our return ratios performance. So, as a company, what is your take on pet care? Are we looking for some sorts of demerger or some sorts of restructuring in the pet care business or the entire business model.

Management: You see, there are two parts to your question. One is on the ROAs. ROAs if you look at there is still a significant part of the CAPEX which is in the CWIP which means that part of the CAPEX is not earning anything. So, I am sure once that CAPEX commences the operation, the ROAs profile of the company will increase. With respect to the second part of your question which is Pet care. Pet care, the investment size is not that significant figure, so of course OPEX is more, CAPEX is lower in Pet care business, but as we announced today morning to stock exchanges, we have initiated the process of having a pet care venture as a separate subsidiary.

Jatin Damania: So, I mean, are we looking at funding the separate subsidiary, I mean additional funding for FY25 FY26 or probably we will be looking at the investment from the outside, I mean just wanted to understand whether the Cosmo First will continue to support the cash flow to the Pet care business because they will continue to make loss till the time the revenue of 150-200 crore does not reach.

Management: You see, as of now, the plan is not wound out. So, we have just initiated the process in the form of having a separate subsidiary in place which will have in future the Pet care business. So, with time definitely, we will announce further.

Moderator: The next question is from the line of Ketan Chheda, an individual investor. Please go ahead.

Ketan Chheda: Hi, thank you for the opportunity. My first question is with respect to the gross margins, if you compare the data of 2019 versus FY24, our volumes of the Speciality and semi-Speciality have increased significantly and even for individual categories you have shown our spreads are better in FY24 as compared to FY19. Now with this movement in the Speciality and semi-Speciality contribution increasing in the overall mix, we would expect the EBITDA margins to improve. The gross margins are better, but your EBITDA margins have not improved even on a standalone basis, that's the case when I look at the results. So, could you explain why this is happening? Why are our EBITDA margins not improving as compared to FY19 levels?

Management: It depends on many factors actually. First is what is going to be the raw material price because that primarily determines the sales in terms of the value. Very clearly the uptake margins in the Speciality, but you need to see if you compare for, the company as a whole you need to see what the performance of the commodity part of business is as well because of course, the EBITDA margin improve both the Speciality as well as the commodity. While I do not have a ready number compared to FY19 for you to discuss, but you need to look at the comprehensive and then we can always have a chat.

Ketan Chheda: OK. So, I will reach out to you all for this clarification. My second question is with respect to the Zigly business, in your presentation that you mentioned about the demerger of the business at two different slides, but in one side you mentioned it will be in short term and the other side it is mentioned in the medium term. So, there is confusion. What clarification I am seeking is, did you have some sort of a tentative time frame? Not a very-very definitive like maybe like 2 years down the line or 3 years down the line you will hide it off in a different, you will demerge the business.

Management: So, as we announced, the stock exchanges today, we have today initiated the process by incorporation of a separate subsidiary for which will have the Pet care venture in future. But that time frame is not yet finalized as and when it gets finalized definitely will be informed to Stock Exchange.

Ketan Chheda: OK and my third question is with respect to the margins of the Speciality Chemicals, now your Speciality Chemical margins are very-very low currently, so any future outlook you could provide that like by when they we can expect to the margins to improve further like it will take how long and to what levels we expect the margins to reach?

Management: You see, as we said at the beginning of the call, there were Speciality orders which has not come in at FY24. That's why you see a change in the overall margin. Although if you look at the film wise, you know that change is not there, so at the beginning of FY25 i.e. from quarter 1 we have started getting those orders again, which will definitely have positive impact on the Speciality.

Ketan Chheda: No, sorry. My question was about the Speciality Chemicals you have shown in your results, Speciality Chemicals as a separate segment. So, my question was with respect to the chemicals and not with respect to the films. I am assuming the films would be covered in another category.

Management: In Speciality Chemical, two things have happened. One is better realization of coating chemicals and second is the company work out better recipes for some of the Speciality Chemicals which is working well in terms of the process. So, these two things taken together were having a positive impact on EBITDA. As we said in our commentary for FY25, we expect this enhanced level of EBITDA to continue for Speciality Chemicals.

Moderator: The next question is from the line of Vipul Kumar Anupchand Shah from Sumangal. Investments. Please go ahead.

Vipul Shah: Hi, thanks for the opportunity, Sir. So, could you breakdown your 64% sales of Speciality and semi-Speciality, how much is Speciality and how much is Semi-Speciality?

Management: Broadly 50-50%.

Vipul Shah: Roughly 50-50% and so regarding Zigly, how much more support we will have to give that venture till it is demerged and till it becomes self-sufficient any figure you can spell out so that it gives clarity to the investor.

Management: It's difficult to say at this stage as the demerger may happen soon, but as far as financial support is concerned, this business will require money for the next at least 2 to 3 years until it starts becoming profitable. How much, that is very difficult to say because we are continuously monitoring. The good thing is that you know there is a lot of focus that we are putting on same store sales growth as well as trying to be more frugal. So, we are hoping that some of our losses should start coming down from quarter one in this business. While we will see even more growth in the retail business, for online business, as I said earlier, we will take some more time to grow it because till the time we do not have enough private label, we would not like to grow online business to much larger extent.

Vipul Shah: So, CAPEX and OPEX at least for FY25 for Zigly business, can you give any indication what will be that figure, Sir?

Management: It should be close to investing 30-35 crores this year.

Vipul Shah: And plus EBITDA loss guidance should be same as last year of 24 crores or it should come down substantially?

Management: On a higher sale in FY25 we should be doing similar losses as in FY24. I think Rs. 30-35 crores of the proposed investment are not substantially high looking at capital employed in the business.

Moderator: Thank you. The next question is from the line of Kevin Gandhi from CapGrow Capital Advisors. Please go ahead.

Kevin Gandhi: Thanks for the follow up question. Sir, I just had this question that how much the gross margin or the gross profit is that we are generating for the Zigly business and how much change is expected in the coming two years, any rough guidance would be helpful.

Management: Zigly as far as retail is concerned, our margins are consciously getting better especially because our emphasis on services is very high. In recent months, we started clocking 50% plus, as far as the gross margins in retail are concerned, what we really need to continually work upon is to increase the retail sales and you know, take more wallets share from our customers. When it comes to online, our gross margins are hovering between 10 to 15% and as I said earlier till the time, we do not have our private label, thus margin is not expected to go up significantly but within 12 months we are planning to launch a lot of our home brands.

Kevin Gandhi: OK sir and like approx. sales estimate for the next two years FY25 and '26 supposedly.

Management: I feel that I mean, it's very difficult to project these numbers, but GMV basis in two years we should exceed 100 crores at least.

Kevin Gandhi: On a full year basis, ok.

Management: Yes.

Moderator: Thank you. The next question comes from the line of Deepak Malhotra from CapGrow Capital Advisors LLP. Please go ahead.

Deepak Malhotra: You talk of basically these spreads are rising up in this particular quarter. I think if we look at the trends in the industry, I think already mentioned about a rise in the margins in the spreads and plus other positive development is also there in the Speciality itself, going up to 66% of total, which in the past you had mentioned at how even above 70% are going down to 57% on a monthly basis. But when you look at the overall perspective you had also earlier indicated about a poor capacity in the polyester film, but in less over capacity in the BOPP business. So, my question primarily is, I mean, this time trough has gone for really a little longer than what it has in the earlier cycles. So, do we really see any true green shoots really emerging or is it kind of just a false signal?

Management: See. Two things as far as the Speciality is concerned, only in one quarter we touched 70%, which was the peak for us and then what we realized is part more stock part bought by our customers and immediately next quarter the numbers fell down, but on a sustained basis, what we see is that though, FY22 is looking at 64%, but maybe because of stock, higher stock bought by our customers, the realistic number was more towards 60%. So, from 60 we grew to 62 because next year also we saw a lot of stock corrections and FY24 to 64% and this year, we are hoping that we will be somewhere close to 68 to 70%. Coming back to your second question, the BOPP situation is continuously getting better. Having said that there are a few lines, which will come up from middle of next year. We do hope that some better sense will prevail in some companies, either forcibly because of cash flow situations or even otherwise will defer their lines. As far as polyester is concerned, I feel that this difficult journey will continue for at least 18 months. Having said that, our focus on polyester is to run the line only with the products where we are at least break even at EBITDA level. So, we are focused to run and try and see how we can start making money even in the polyester field.

Deepak Malhotra: Yes, when you look at international players like Taghleef industries, super holdings or some other Chinese players, all this also today has an effect, on what's happening domestically. So, how do you read any capacity expansions or any plants getting closed on that front, please?

Management: Nobody can guess that. All I can tell you is when we monitor the situation, I mean we have seen a lot of consolidation in South America. We have seen a lot of consolidation in Europe. We have hardly seen any consolidation in India, though what we have seen is that there were some small stake sales to peel but that was when the going was good. We have to really see the sustenance power of some of the commodity players. But it's very difficult to comment on this. What we are more focused is our own business that how we can make our business more profitable by becoming more and more of Speciality films players.

Deepak Malhotra: Another related question to the packaging business is the CAPEX program which you have undertaken because you have talked of a CAPEX program. If you look in the last cycle of last 2-3 years is almost upwards of 900 crores out of which you have already completed the polyester film expansion and the CAPEX is done there while you are still in the midst of, as you mentioned, the CAPEX on the BOPP and the CPP plant plus you have planned the CAPEX also on the Zigly - pet care business and also on the rigid packaging or Speciality chemicals. So, is my number of 900 crore plus correct or the expenditure for rigid packaging and Speciality chemicals is outside of that's A.

Management: So, see, we have planned close to 1000 crore CAPEX and of which 650 to 700 crores has already happened. The fruit for which will come in the coming years, what is left is only 300 to 350 crores and after that we don't have CAPEX and even after this CAPEX, our balance sheet still remains very strong.

Deepak Malhotra: Okay and in terms of the debt repayment schedule, would you like to throw any light on the same? We have been paying our debt as per the schedule.

Management: So, next year we have close to 180 crore of debt repayment which we do not see any concern in repaying that debt.

Deepak Malhotra: **A**nd my other question is on the Zigly business. In the earlier few calls you had indicated about a larger capex going forward where you also indicated of increasing your number of centers to as much as 150 over the next 3 to 5 years. So, where are we really in the cycle on that?

Management: Zigly every year we are increasing stores. This year also we have communicated that we will increase our stores from 23 to 40. These are the initial years when we are making our business fundamentals really strong and once we do that and see all these 150 would not be company owned. Some of these would also be franchisee stores and this year if we talk about total investment in Zigly, it is expected to be 30-35 crore, which is not such a big number from the overall size of the company.

Moderator: Thank you. The next question is from the line of Nikhil Chandak from JM Family Office. Please go ahead.

Nikhil Chandak: My question on Zigly was that is the business ramp up slower than what you would have expected because we all know the size of the market is much, much larger and is also growing very fast. A lot of unorganized players like for example, in a place like Mumbai where I am from, you find a lot of smaller companies now actually opening three, four, five stores and almost becoming like an organized player. So, is our pace of expansion slower than what we would have anticipated earlier?

Management: Not really. What we want is that our pilots are very strong, to be honest, until now, what we are seeing is that stores which are older than one year, they are moving towards profitability while the stores which are within one year are a bit far off from achieving profitability. The other thing is, when we started this business in vet care, our main focus was largely OPD services. However, what we have started doing is getting much deeper into vet services, which is helping the fundamentals of the business. So, what we are trying to do is to make sure that the so-called pilot is very strong before we start scaling up in a bigger way and also, I think what we have projected, we are largely in line. We want to make sure fundamentals are strong, and then once we are strong, we need to make sure that our own stores are profitable before we start giving franchisee. We do not want to hasten up the process of giving franchisees and let franchisee make losses. So, what we are trying to make sure of is that we have a model where profitability is relatively faster to achieve.

Nikhil Chandak: And when do you set up in West India, like in some of the larger metros in western part?

Management: Right now our focus is on the north and south. Once we complete our expansion in the north and south, then only we will come to west. But I am happy to hear that our investors are excited to wait and see Zigly coming there. We are very happy to see that. We had done an acquisition of Petsy in the west region that is more online than offline. Online presence is still reasonably good.

Nikhil Chandak: Understood. And when you say wet services, would it mean like a clinic where you can take pets, which is branded under the Zigly brand name and there will be doctors and staff out there?

Management: Yes, absolutely. So, as I mentioned earlier, it was initially just a primary OPD, but now we have even taken, started taking slightly more difficult cases of vets. So, we are trying to build a complete ecosystem where we are able to provide veterinary with all kinds of diagnostic services. We also have grooming services, which are really world class and then we have a lot of products. Initially, all the products were from other suppliers, but gradually we are now building up our own private label. So, we have started, we have already built up Zigly lifestyle where we have come out with bedding, clothing, leashes, collars, harnesses, Zigly bowls, so on and so forth. Now the next in line is the biscuit, which is about to get launched. In between, we also launched shampoos. So, we are in a stage where we are launching a lot of product lines and making them bigger. Because if this business has to really become profitable, then there is a lot of emphasis has to be there on services as well as private labels.

Nikhil Chandak: Understood. My other question was in your opening remarks, you spoke about, I think, capacitor films. I just wanted to understand, you know, what purpose does it serve and is it something similar to what, for example, Xpro India does is that the category?

Management: Yes. So, we will be more like a customer of Xpro because Expo is making film while we are adding value on the film.

Nikhil Chandak: Okay, so you will buy the film from Xpro, for example.

Management: **C**ompanies like Xpro, that's right.

Nikhil Chandak: Okay, understood and the end use, etc., for this would be what like in what segments?

Management: Capacitor.

Nikhil Chandak: Okay, so this could be a fairly high growth segment, right. Given what is happening in the, in the broader space of electronic leaking and so on, so forth. Already established as a very good brand name within the industry because the kind of quality we have brought to the market is quite superior. So, customers are really liking it and we are hoping that within the next quarter we should be fully utilizing our capacity and making a decent margin on the business.

Nikhil Chandak: Understood. What would be the top line for this business, for example, approximately on an annual basis?

Management: **R**ight now we have not done, you know, very significant CAPEX. So, at peak we would be touching close to 60-70 crores annual revenue, but we would be scaling this business in the times to come.

Moderator: Thank you. The next question is from the line of Tushar Raghatate from Kamayaka Wealth Management.

Tushar Raghatate: Just building out the earlier participant question. So, there is a clear disconnect in terms of margin. If we consider the FY19 margin where the commodity share was currently is totally the other way around. Just want to understand why that is so and as you are seeing the green shoot in the BOPP segment. So, are you foreseeing the FY20 margins coming in FY25, maybe FY26?

Management: As we said, I think it's little difficult to pinpoint what will be the exact margin in FY25 with respect to the commodity part of business, but from all logic, since we do not expect any new line to commence operation in FY25 in BOPP. So, from logic, March month margin should prevail or may get better off since there is no new capacity getting added. But that is something with logic, you can say. But in practice, if tomorrow some specific competitor comes with a very aggressive pricing, it may dent the overall pricing, so that's little difficult to be more specific about.

Tushar Raghatate: Okay, sir, now you've given the target of increasing it to 80% the Speciality and the Semi-Speciality. So, if I consider the delta, so it is the percentage contribution of the delta, is it from the Speciality or the Semi-Speciality, the major one.

Management: See what we are looking at is a high expansion of Speciality films and within Speciality also we are trying to look at more aggressively for the high-end kind of this Speciality. So, that overall margin profile improves not only in the Speciality, but even in the Semi-Speciality also. Commodity is partially in your hand. So, next year FY25 focus, first going to be more and more sale of the Speciality, particularly high-end specialties. Second, a lot more focus on the cost rationalization for which we took action during FY24. Now the results will start stealing, as we said, close to 25 crore rupee of the annual positive impact we see in the power cost in FY25 and then beside this, other cost rationalization in terms of the thermal line shifting from the Korea to India and better utilization of the same. Rationalization of the waste aging so all those actions are in pipeline. So, more you can expect from us in FY25 in terms of the cost rationalization.

Tushar Raghatate: Last question post this CWIP commercialization. So, what sort of peak revenue are you seeing considering the mid cycle realization?

Management: You're talking about the BOPP revolution.

Tushar Raghatate: I am talking about CWIP or the CAPEX which is undergoing. So, post this CAPEX getting commercialized, what sort of peak revenue are you foreseeing considering the mid cycle realization in BOPP.

Management: You see very broadly, you can say close to 1000 crore rupee of extra revenue may get generated from the proposed BOPP line and CPP line taken together and on the top of it, the new verticals like the capacitor, metallizer, rigid packaging, etc., may add close to 200 crore additionally.

Moderator: ` The next question is from the line of Rohan Patel from Turtle. Please go ahead.

Rohan Patel: I have questions regarding the sun control film which you are going to release in 25. Can you give me an idea of the capacity of the sun control film that you have installed in lakh square feet?

Management: You see, it's a little difficult to say in terms of capacity because it depends on the product. One ply, two ply means the one side coating or the two-side coating. It all depends on the order. But very broadly, I can indicate to you the current capacity may have potential to generate between 100 crores to 125 crore top line.

Rohan Patel: Okay. So, who are you going to catering to, are you going to sell it directly to customer or with some are you having partnership with businesses? Is it a B2B or B2C model?

Management: So, to begin with, it will be largely B2B model, but parallel we are looking at B2C also. So, we are selling more to the dealer distribution channel to begin with and then once we have the complete product portfolio, we will launch a couple of stores also for the direct sales.

Rohan Patel: And can I get a rough idea about the margins that will be generated because now our focus would be more on Speciality side, and this is as part of Speciality programs.

Management: This is going to very high margin product, difficult at this stage to comment on specific number with respect to the margin profile, but this is going to be a very high-end Speciality in terms of the margins.

Rohan Patel: With my preliminary research I understood that this segment needs a specific dying. So, it is a very rare technology. So, how are you going to get this film dyed by with whom are you going to have any technology? If you can elaborate on your dying technology.

Management: Our R&D has already got hold of the technology. It's just that we need to commercialize that technology with respect to the dyed film. For the glue films that is already in process.

Rohan Patel: You are saying that you have in house developed the dying technology.

Management: Yes.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today's conference. I now hand the conference over to the management for closing comments.

Management: So, if I could summarize, I think very clearly the quarter 1 FY 25 outlook for the BOPP margins remain steady, broadly in line with the March 24 month level. Further, as I said, we will be focusing more on the cost rationalization in FY25 as well as high end sale of these Speciality films. The near-term outlook for the BOPET film is expected to remain challenging. However, we are going to focus more and more on the sale of these Speciality, including high shrink firm. Among the new business verticals, Cosmo Speciality Chemical, capacitor metallizer, rigid packaging, all should earn decent EBITDA in FY25. While Zigly may take some time to become profitable, it should be a significant wealth creator. So, with this note, I will repeat the statutory declaration. Certain statements in this concall may be forward-looking statements. These statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. These statements are no guarantees of future results. Thank you for joining.

Moderator: Thank you. On behalf of Cosmo First Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.