



UFLEX LIMITED

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UFLEX/SEC/2022/

June 4, 2022

The National Stock Exchange of India Limited
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Plot No.C/I, G-Block
Bandra-Kurla Complex
Bandra (E),
Mumbai – 400051

The BSE Limited
Corporate Relationships Department
1st Floor, New Trading Ring,
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Mumbai – 400 001

Scrip Code : UFLEX

Scrip Code : 500148

Subject: Transcript of the earnings conference call conducted on 31st May, 2022

Dear Sir(s),

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call conducted on 31st May, 2022. The same is also hosted on the website of the Company at https://www.uflexltd.com/pdf/EarningsConferenceCall/2021-22/UFlex_Earnings_Call_Transcript_Q4FY22_31May2022.pdf

Request you to take on record.

Thanking you,

Yours faithfully,
For UFLEX LIMITED

(Ajay Krishna)
Sr. Vice President (Legal) &
Company Secretary

Encl : As above



Q4FY22 Earnings Call of UFlex Ltd

Event Date / Time : 31st May 2022, 1600 Hrs

Event Duration : 1 hour 6 minutes and 30 seconds

CORPORATE PARTICIPANTS:

Mr. Rajesh Bhatia,

Group CFO and President Finance and Accounts

Mr. Vinu Saini,

Vice President Corporate Finance, M&A and Investor Relations

Mr. Nitin Agarwal,

Dam Capital

Q&A PARTICIPANTS:

- | | |
|--------------------|------------------------------|
| 1. Saurabh Sharma | - Individual Investor |
| 2. Subham Agarwal | - Aequitas |
| 3. Chirag Singhal | - First Water Fund |
| 4. Mann Ashar | - Individual Investor |
| 5. Kaushik Poddar | - KB Capital Markets Pvt Ltd |
| 6. Yash Dantewadia | - Dante Equity capital |
| 7. Shivam Saxena | - ICICI Bank |

Moderator

Good evening, ladies and gentlemen. I'm Honeyla moderator for UFlex Limited Q4 FY22. Post results conference call hosted by DAM Capital Advisors limited. As a reminder, all participants will be in the listen one 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 and operator by pressing * and then zero on your touch tone telephone. Please note this conference is recorded. I now like to hand over the floor to Mr. Nitin Agarwal from DAM capital. Thank you and over to yourself.

Nitin Agarwal

Thanks so Hi, good afternoon, everyone, and a very warm welcome to UFlex Limited to Q4 FY22 post earnings call hosted by DAM Capital Advisors limited on the call today we have representing UFlex Limited Management, Mr. Rajesh Bhatia, Group CFO and President Finance and Accounts, and Mr. Vinu Saini, Vice President Corporate Finance, M&A and Investor Relations. To start the call, I will hand over the call to Mr. Rajesh Bhatia for making the opening comments, and then we'll open the floor for Q&A. Please go ahead, sir.

Rajesh Bhatia

Thank you everybody on the call for taking the time out for this earnings call, we had a stupendous quarter and a very good FY22 as you would have seen the numbers you know we almost clocked the 4000 crores top line this quarter. And for the year as a whole it was 13,225 crores off the top line, you know, which is up by close by about 49% over last year. And this, you know, to 49% growth is backed by close to about 30% volume growth in both Packaging film as well as the packaging business. Our EBITDA for the year is 22804, which is the highest ever we've achieved. The quarterly EBITDA at 734 crore again is a quarterly highest number. And for the year as a whole EBITDA view by about close to about 25%. The EBITDA margin was 17.24% this year versus 20 and a half percent last year. But I think if we take out the impact of the raw material price increases and the consequent pricing fees in our finished products. I think we are we are very close to about 20%. You know EBITDA margin. So it's everything we bring it down to the same thing last year prices.

Moderator

Ladies and gentlemen, please stay connected while I connect the management team back on the call. Welcome back sir, please go ahead.

Rajesh Bhatia

Ok. Sorry, gentleman, the call got disconnected. So I'll repeat again. I think we were I was telling you about the EBITDA margin this year is 17.24% versus 20 and a half percent last year. But if we neutralize the impact of rising raw material costs, and consequent increase in finished goods prices, I think we pretty much around 20% EBITDA margin what we achieved last year, and the path close to 1098 crore is up 30% this year. The leverage ratio is pretty good at net debt to EBITDA is 1.74x. During the year, we've commissioned our Hungary facility which got commissioned at the beginning of the year. And then subsequently during the year the commissioned or Nigeria facility. We have also recently commissioned aseptic packaging extension as well. And that's the pace for FY23. As you know, we continue to do pretty well.

In terms of volumes from the aseptic packaging business. We told you earlier also that all our plants except Nigeria, were running at close to 100% or in certain cases even above installed capacity numbers and Nigeria was you know, compounded by various problems of the supply chain issues for the raw materials because, you know, all the raw material that has to be imported, and all the finished goods have to be part of the finished goods have to be exported. So, there are some supply chain bottlenecks in that infrastructure which are which are being sorted. And hopefully in the next one to two quarters, we'll see much better numbers from that particular business because all other businesses are at almost a full capacity levels. We, also you know, back this extremely strong growth this year, we also had our share of rating upgrade.

So, the recent the last one the latest in the list is CRISIL has upgraded short term as well as long term credit ratings, the short-term credit rating is the highest category now A1+ and the long term is AA minor, which speaks about credits and strong financial performance and very very conservatively, you know, the leverage profile of the company. In terms of liquid packaging business, I'll just give you an insight that you know, in this year, we achieved almost 86% capacity utilization while last year was about 55%. So, the expanded facility also which has come into play recently is also ramping up pretty well. So, you know, we good to see good numbers in that business in the current financial year. I think there is there is a presentation, which has already been shared with you is there on the website also, you can have detailed insight into the performance various parameters.

Just sharing your numbers. So, the net debt is now a little under 4000 crores, which includes both short term as well as the long term. The long term that stands at about 3500 odd crores and rest of about 1000 crores is the short term and we have about 600 crores cash on the balance sheet. And the net debt on that basis is about 3974 crores up by close to about 600 crores as compared to March 21 which is you know largely invested into our Dharwad and Dubai facilities, which were announced, I think a couple of years earlier, which are now getting commissioned in FY22 and will give us additional revenues as well as profitability. So, whether it is quarter or it is the year, I think this has been UFlex the best ever performance on all parameters, whether the production number or sales number revenue, profitability EBITDA as well as the PAT, we are at PAT level we are hit this year by devaluation of its currency by about 16% by Egypt, which happened on 21st of March which has impacted our bottom line by about 38 crores and has been shown as an exceptional item because this one was an official devaluation of the Egyptian pound by the by the Egyptian authority.

So that has been reported as an exceptional item. Rest, I think all the numbers are with you there is there's no other abnormalities in the financial dividend is slightly up this year to about 30%. We've also announced this along with the financial backward integration into making the polyesters chips for our facilities in Noida as well as the upcoming facility at Dharwad. So, this is to ensure protect our margins as, you would have seen that the raw material prices have gone up quite substantially in FY22. So that number one that helps us to insulate, in certain way from our raw material pricing. But I think a bigger advantage is that, you know, given the disruption what we have seen after the pandemic, I think that insulates us from a perspective of our raw material security, also as the, with the Dharwad, we are close to Dharwad implementation would be, you know, almost 80% of our existing capacity in India is added.

And that's one which was putting us on a substantial risk from a raw material perspective. So, this investment is to protect our margins as well as to ensure raw material security for the further back in nutshell about the financials for Q4 as well as for FY22. We are open to any questions that you may have. And if we have ready answers, it's always my pleasure to share that with you. But just

in case, you know, there are certain numbers or figures which we don't readily will surely get back to you as. Thank you.

Moderator

Thank you, sir, ladies and gentlemen, we will now begin the Q&A session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you'd like to withdraw your request, you may do so by pressing * and 1 again. Participants if you have any question, please press * and 1 on your telephone keypad. First question comes from Yash Dantewadia from Dante Equity Capital. Please go ahead.

Yash Dantewadia

I just have a couple of questions. I just want to bring something to your notice. Since you said the dividend payout has actually gone up actually, what I would like to bring to your notice is UFlex's dividend payout percentage has actually declined every year, since 2014, 15, 16, 17, 18, 20 and 22. Or your dividend payout, for example, was payout percentage I'm talking about here was 9%. In 14, and in 17, it was 7%. And in 2020, it was 4% and now in March 2022, will come down to 2%. To make question is, why has the dividend payout decrease substantially? And why is that decreasing continuously for the last decade? That's my first question.

Rajesh Bhatia

Broadly, if you see, we had a very major Capex. You know, In the last few years, the results from the financial performance for FY21 going strongly into FY22. And all these extensions were also funded largely by the debt numbers also. So in terms of, you know, making the resources, equity resources available from our side, to invest in these as well as certain restrictions that come from the bank as to you know, how much you should be distributing. I think so it's been a balance of the two years. I agree that you know, if you look at as payout ratio lesser, but, you know, in terms of the fact that, you know, the money was required in terms of plowing it back into the business for the expansion, expansion that we done in the previous years, that current ongoing Dharwad and Dubai extension and now the extension of doubling our capacity of aseptic packaging from 3.5 to 7 billion packs.

And now the backward integration into making the polyesters chips. So, I think this is helping us to make our business stronger by, you know, being a substantial capacity player across the globe and aseptic packaging where the markets have responded very well to our products. And as I shared already with you that, you know, even the new capacity that we are seeing a very good traction on the numbers there. So, it's basically what we have done is a large CAPEX program in the last 4 to 5 years, driven largely by debt funding that arrange. And yet that has helped us to boost the revenue boost the profitability, and overall numbers look great, but, you know, in terms of the absolute amounts of the payout, they've gone up in the last two years, but on a payout ratio I agree. And the reason which I just shared with you.

Yash Dantewadia

Hello, Yeah. So, the reason I brought this to your notice is that it is my humble opinion that targeting giants like UFlex can definitely afford dividend payout of, let's assume 5 to 10% while sustaining of Capex and that is why I brought it to your notice. And coming to my next question, sir, my next question is regarding the demand for crude oil is at one \$120 per barrel as of today, what do you see the demand outlook from your chill share our numbers of adding to the attention

of global recession? Possibly and let's assume crude oil goes up by another 10 points to 130 or one \$140 per barrel. How will that impact our raw material? And how will it impact the demand that we are seeing?

Rajesh Bhatia

I think, demand issue you're right, that, you know, we the world is talking about the US and the Europe going into the recession that is harsh reality which is facing us. You know, and actually, if you see, prior to pandemic, also there was a talk about US going into the recession, but you know, the pandemic changed that totally. And now that, you know, we think the US inflation at record high. We talking about interest rates in incremental scenario which will, you know, sort of impact the demand side. That's mostly true for a lot of commodities, as well as the, you know, the other consumer purchases habits, but when I look at what I do, or UFlex does. So, 95% of my business is packaging foods, which is the basic necessity for life.

So, you know, given that the food and you know, we don't do any fancy food stuffs and all that, we are just the primary packing of the food is our core business. So there, you know, frankly, we don't see any impacts of you know, recession coming and affecting us on a food price is, we seen in the past that, you know that frequent changes in the crude prices or frequent changes in prices because of the supply chain disruptions affected our margins in Q2, and we were quickly to realize that and we start changed our policy from a longer order book to just seven days order book. So that's what we'll be doing currently as well. So, the raw material price increased or passed on as soon as possible to the customers in the packaging films business. In the packaging though, still there is a lag there from a months or going maximum up to three months basis. So that lag is going to affect your margins as the raw material prices go up.

We there also be trying to, you know, if the adjustments are too large, we discuss with our buyers and you know, sort of rediscover the prices with them. And they also understand the dynamics. But yes, there is a there's definitely a lack there and I have no qualms about not admitting that. But in a larger business now, which is the packaging films business, which is about, I will say about more 60 to 65% of our top line, they are pretty safe, pretty fragile, in terms of the raw material price changes and the consequent selling prices changes.

Yash Dantewadia

So, can I conclude that even with crude at 130, or \$140, we won't see a very good impact on the demand?

Rajesh Bhatia

I don't, but that's what I said that, you know, given that there's a basic necessity of life that we do, I don't see demand side issue

Yash Dantewadia

Also, are we you made a recent disclosure about FZE listing in global market? Can you can you put some light on it?

Rajesh Bhatia

I think what we are trying to do is we trying to, you know, list our holding company at the Dubai level, at an either in US or European or, other relevant stock exchanges with capital there that serves two purposes. One is you get your leverage improves substantially, which improves your ratings, that gives you the capital for the further growth that you want to do in the business. And on top of this, because the numbers that, you know, the guidance that we've been having from our bankers our investment bankers in US, you know, the valuations are pretty much different there. So that would also listing. Dubai will also help you to, you know, sort of re-value. UFlex India level as well. That's the whole objective.

Yash Dantewadia

Also, my last question, I'm going to be finishing off here, sorry for taking so much time, do you have any plans of listing aseptic packaging, the part the subsidiary that handles Asepto separately on the exchange?

Rajesh Bhatia

So aseptic packaging is a division of UFlex and not a subsidiary of UFlex. So, you know, it's already listed as part of the UFlex.

Yash Dantewadia

No, I meant demerger, I meant demerger of the aseptic packaging, because obviously it will demand- a much, higher valuation than what UFlex is because it separates UFlex from being a commodity.

Rajesh Bhatia

You are right. Great idea. I think we can, we will definitely discuss internally, if there is a merit in this and there's a value to be taken, why not? You can do it now. Or you can, I think, you know, if our current capacity we can. Next couple of years, we can operate at the higher increase capacity level, consistently, obviously, there will be time to further grow there because that one segment is growing at close to about 18 to 20% annual growth rate. So, that really sets up the pace for you to grow that business. Maybe as a separate subsidiary. I think that's a good suggestion to take it back to the management and you know, if there is a merit in this rate capital separately, that and grow that business separately

Yash Dantewadia

Precisely because yeah, because the business has grown 100%, you're an over, at a very fast pace. And since that business is very hard to enter into, and it has a lot of barriers to enter into. It will definitely, you know, have a very high valuation compared to what UFlex has today. Thank you so much for your time. And thank you for taking my questions. And thank you for everything and congratulations on your good performance. Thank you so much.

Moderator

Thank you, sir. The next question comes from Kaushik Poddar from KB Capital Markets, please go ahead.

Kaushik Poddar

Yeah, I just want to draw attention to the comment made by the chairman, two things, he is talking about the plastic waste management amendment rules act, number one and number two is the U-shaped paper straw. So, if you can comment on both these things.

Rajesh Bhatia

So, India has now implemented a new set of EPR rules from first of April 2022. Now, as compared to the earlier things, there are two new things in this EPR policy. One is there is a step up for the obligation on the brands like PepsiCo, Unilever, and all that to step up the recycling of the plastics that they buy every year. Assuming that you know, Unilever buys 200,000 tons of plastics. So each year, they will ultimately in the next four to five years, they'll be 100 percent but it's a step up requirement for them to ensure that you know, whatever plastics they buy, that is recycled. That's one and if they don't want to recycle that or they want to you know sort of do the other option that they have is make the packaging biodegradable.

Now, you UFlex definitely has a unique advantage in both these because you know not only, we have the recycling facilities at our major plants in Jammu as well as in India, and recycling capacities are also in a small showcase where are being set up in Mexico and in Egypt. But, you know, we also have a bio-degradable products range also. So, I think that's what the Chairman said that you know, as these rules become effective and as they are implemented, you know, strictly by the government. So, there is a play for recycling as well as for the bio-degradable packaging. Second question about paper straws, from 1st of July the government has banned the plastic straws in the country.

And so, you have no choice but to go in for paper straws. So, we are creating the necessary infrastructure at our sanand plant, because you know, in the aseptic packaging, you would have normally seen that you know, there is a diagonal shaped straw attached to the pack. So, those straws now have to be the paper straw. So, that necessary infrastructure we have to do, we are also hearing that the government may given that you know, there are situations where, you know, given these tougher deadlines, some of the some of the companies may not be in a position to convert immediately to the to the paper straws.

So, there the deadline may be extended a bit but let's see there's still some time, but what we are saying is we prepared ourselves well in advance to ensure that you know, we have the market ready, whether it is 1st July or it is 1st September or it is 1st October or 1st December, whatever the government decides, we should be ready to give our customers the product, because otherwise the other possibility during this period is for everybody to import these straws where the costing is going to be very very different as compared to you are sort of producing this in house and all manufacturers do manufacture this in house normally.

Kaushik Poddar

And this paper straw, thing you have already done it. I mean 1st July is not too far off. So, you have already done this paper straw along with this Tetra pack.

Rajesh Bhatia

So, we are in the process of doing this. So, partially will be able to achieve before 1st of July and then in the next six months again the more machines are being added to comply with that.

Kaushik Poddar

So, this paper straws your manufacturing yourselfer you are getting it from some of the paper manufacturers?

Rajesh Bhatia

No, we are doing it ourselves. So, even though plastic straws earlier we were manufacturing ourselves at sanand facility

Kaushik Poddar

Plastic was up your street, but paper was not exactly was not you.

Rajesh Bhatia

But aseptic packaging business is more of a paper business rather than classic business. So, that's where you are you're already buying a lot of paper for that this comes as an additional small setup to convert from plastic to paper straws.

Kaushik Poddar

And this EPR thing is yet to translate into good amount of revenue or profit, up to last year. Do you see this EPR Act, I mean this new act which is Plastic Waste Management Act coming into force your profitability and turnover looking up some way, with all the likes of Pepsi or ITC or whatever taking your help?

Rajesh Bhatia

So, I think as of now, the management mindset is not to invest into the recycling from a business perspective.

Kaushik Poddar

Management of Pepsi and all these people are management of UFlex? Okay.

Rajesh Bhatia

So, UFlex has setup some of the recycling facilities, but, you know, they will more as those things have helped us to showcase to the government that, you know, that the plastic is indispensable, and there needs to be a strong regulation to recycle that. And recycling is possible as to be seen at our multiple facilities in India or abroad. So, that's a message which has gone well with them and that's what is imbibed in the EPR. But as a business focus, I don't think so, that you know, we are going to invest in setting up the recycling facilities for our brands, what we can help the brands with is that, you know, if they need any technology to make this happen, or some hand holding to make this because ultimately, what will be the responsibility which is trusted upon them.

Now, whether they do it themselves or they do it through the third-party recycler, which come up at the barriers, because you know, recycling cannot be that you transport that waste to one large center. So, there has to be you know, small recycling plants at all multiple places, which will do the loop which will take the local garbage and sorted out and recycle that. So, from any getting into that business and handling that base, and all that it's not UFlex key business. But bio-degradable plastic, where you know, certain enzymes are added then the plastic the packaging cells are made and that becomes highly visible clearly, we see as a huge potential for the business, because if the brands do not want to go in.

So, the brands think that you know, rather than going through this cumbersome to have the recycling, it is it makes much better sense for them to just produce the bio-degradable film. And this will be they'll do their cost benefit analysis, you know, their efforts, and all that. So that's where UFlex will definitely look at increasing it's revenue from these enzymes and flexible and bio-degradable packaging.

Kaushik Poddar

Have you found any user for your bio-degradable products?

Rajesh Bhatia

Yes, we have, the users are always there. But what it means is that you know, there is a there is an increased cost to this. And unless the regulation is there, I think nobody is everybody will make a forward looking statements. But, you know, end of the day to shell out that extra money is people look at each other and say that, you know, you do it first and you but when there's a regulation in place, then everybody has to fall in line. So as of now the government has given them two choices of recycling or bio-degradable. And this is a step up thing, maybe 35% to begin with, and going in the fourth or fifth year to about 100% of what they buy. And I think this will evolve in the next two years or so as to you know, which way the brands want to focus, maybe they can do a hybrid model as well. You know, because they're also do not have may have full clarity to begin with. So, they may also go in for a hybrid structure some recycling facilities they set up or somebody else sets up for them and job work for them or mix up the biodegradable.

Kaushik Poddar

And before I end, I just want to highlight whatever two of the participants have highlighted A, the merger of the of your aseptic, the packaging division, and B, if you can be more shareholder friendly in the form of dividends, if you can do these things, I think that will do you do your stock? A lot of wonders. Thank you.

Moderator

Thank you, sir. Participants are kindly requested to ask two questions in the initial round and make join the queue for more questions. Thank you. The next question comes from Shivam Saxena from ICICI Bank, please go ahead.

Shivam Saxena

Yeah, Congratlutions for good results. And thanks for taking my question. My question is, one, what is the path of debt reduction? When do you see the company has become a net debt zero? And then I think more cash would compete with the holders. So what is your path on the interest rates are going up? What is your path?

Rajesh Bhatia

I think. if I we don't want to become net debts zero company. I think that's the most inefficient way to grow your business. But that particularly the kinds of debt, as I said that, you know, our 60-65% of our business is now our international business, a very small portion 1/3 of the business is now in the business where you know the rupee that may be higher, but to borrow in euros or dollars that between 1 to 2% kind of spreads. Is your ROCE being 16% also, I think it makes sense to leverage that. But yes, the leverage has to be very very prudent, you just can't at 1.74x of net debt to EBITDA that no major Capex insight, I think we will gradually reduce our debt as the amortization for next year, amortization is about close to about 500 odd crores.

Shivam Saxena

Okay, and one more question on the rating upgrade your motivating upgrade from CRISIL. So what is that? Have you negotiated for lower interest rates from bankers on that?

Rajesh Bhatia

Yeah, we done that some of the banks have already reduced interest rates. And some of them are in the process of doing it but surely, we will get back mileage out

Shivam Saxena

Okay, and only on the last question on the industry site, do you think the industry shape is changing? It is going more structural in nature with E-commerce coming in Flexi packaging? You said it is a necessity. So do you think we have some more upgrade was a more cyclical industry now it is more of a structural change in the industry as per say.

Rajesh Bhatia

I think it's a good point what you're saying, we are also believing so but I think we need to stand the scrutiny of time before we can actually say that, you know, this is moving.

Shivam Saxena

Okay, Thank you, and all the best.

Moderator

Thank you, sir. The next question comes from Mann Ashar, an Individual Investor, please go ahead.

Mann Ashar

Hello Sir, and congratulations on your performance. Sir, first question is on client end addition side. From last three years, the client in addition has gone down. While for off the main business and for aseptic business it has gone up. And the reason behind it, can you please explain it?

Rajesh Bhatia

I think one of the reasons behind this was that, you know, the capacities were fully sold out. So they were they were not much, you know, sort of opportunity to add on more customers, because normally you will do that when your plants are idling and, you know, you will even take the smaller customers and all that. Aseptic packaging, as you said, yes, we've added many customers with our enhanced capacity. Now also coming into operation, we need more in fact, the order book there is overwhelming currently, on a month-to-month basis, we are not able to keep pace with the requirements, at least in this busy summer season, which is the peak season from the beverage perspective.

But I think it's a good position to be in when your existing capacities are fully sold out. And you know, you don't have to add on customers by sacrificing your margins or giving them inaugural incentives to come and be part of your business. But I think over the so with our reach now, almost everybody and everybody in the world who is into the flexible packaging, business knows UFlex. And the advantage they also consider is that you know that the supply chain disruptions, at least we ensure that, you know, they'll get material from the other parts of the world to continue and maintain their commitment. We've done that successfully this year with you know, even our European and Nigerian facilities supplying to the efficient markets like US. So, we keep on sort of doing that. But your point that in the customer addition have been a little less in the last couple of years, it's only because you're fully sold out.

Mann Ashar

Okay. Sir, next question would be on the side of debt in last two or three pre-con call you said that the debt will be slightly above 3500 crores and from that, from there, it will be gradually coming down. So where do you see this debt going now?

Rajesh Bhatia

As I said that we are at about 4000 crores this year, net debt basis. And next year amortization is over at about 500 crores. So, I think we have more or less, you know, around that number, the new Capex that we announced this about 580 crores, assuming we raise about 400 crores of debts for that over the next couple of years, because that project takes about two years. And by the time another 1000 crore existing amortization would have brought your debt numbers to about 3000 odd crores.

Mann Ashar

Okay, and sir my last question would be on the side of the total net worth. The reserves or I would say the revenue reserves are more than even the market capitalization of the company. So, are you willing to capitalize those results and to be committed? So, because it would be great from the market sentiment perspective.

Rajesh Bhatia

We not considered this, but we'll take this back to any extends to ponder it over.

Mann Ashar

Okay, so thank you. And so the last suggestion would also be from my side that in case the dividend payout is very low. So, in the next coming years after the Capex is slightly lower than it would be great if the UFlex gives dividends at around 10 to 20% off the EPS. That's all from my side. Thank you.

Rajesh Bhatia

Wonderful, well, thank you.

Moderator

Thank you, sir. So the next question comes from Chirag Singhal from First Water Fund, please go ahead.

Chirag Singhal

Yeah, Thanks for the opportunity. Mr. Bhaita, Mr. Vinu and the entire team. Congratulations for another stellar quarter. Just 2, 3 questions. First, you mentioned so we have you mentioned about the listing of Flex Middle East. So considering all the, you know, compliance and the timelines for the procedures, what is the you know, internal estimate by when are we expecting to list the Overseas subsidiary?

Rajesh Bhatia

Or I think the where we are currently it should take, we should be in absolute readiness in the current quarter itself, to, you know, filing and all that, and then really depends on, you know, the regulators to approve, and then the market timing in terms of when to do this and all that. I think we get advice from our banker, but from our side readiness perspective, I think it should happen within this quarter.

Chirag Singhal

Okay. All right. Now, the next question is on the Asepto. You mentioned recently on the interview that, you know, we have reached 90% capital utilization on the overall capacity, which is 7 billion packs. So, the traction that we're getting in terms of, you know, the faster ramp up, is this more domestic driven or you know, more.

Rajesh Bhatia

It's both.

Chirag Singhal

Can you help with 70% domestic and 30% exports? And what was it likely in FY22? When we're running just one line?

Rajesh Bhatia

I think we were running at those numbers only. I don't have those right now. But we can share that with you later. But I think that all around.

Chirag Singhal

Okay, the 30% only full capacity, which is 7 billion packs. Roughly you are saying.

Rajesh Bhatia

Yeah.

Chirag Singhal

Okay. And sir coming to the EBITDA. So what kind of, you know, incremental, EBITDA, can we expect, as you already reached close to 100% for Asepto ? What kind of incremental EBITDA can we expect for FY23?

Rajesh Bhatia

We are not sharing the business wise, you know, sort of EBITDA numbers for this. But generally, we've given guidance earlier that in this particular segment, you know, the margins are between 18 to 22%.

Chirag Singhal

Oh, okay. No, I understand that. Okay. I'll get back in the queue. If there is any further questions? Thanks a lot.

Moderator

Thank you, sir. The next question comes from Shubham Agarwal from Aequitas. Please go ahead.

Shubham Agarwal

Yeah, thank you for giving me the opportunity. Most of my questions are already answered just I had one question. So we have one line in Russia and two more line in Eastern Europe. So given the current geopolitical situation, how are business there and doing. Do we see any headwinds?

Rajesh Bhatia

Russia business is so the other business in Eastern Europe is Europe centric mainly. So that is, there is no effect there. Russia business was again for the domestic Russian market and other CIS markets and very small percentage it was Ukraine. But with the Russia getting sanctions now

a lot of things, which were a lot of raw materials were which was available in Russia, which was being exported to Europe. Now that is available locally. So earlier, we were not 100% dependent on Russian raw material availability. And we had to source the raw material from either from China or from other places. But now, we are getting almost our 100% raw material ability within Russia only. So that's the positive.

The second positive is that, you know, a lot of you know, imports happening into Russia. For the flexible, like, you know, earlier, we were, before we set up this plant, we were exporting into Russia from our Middle East facility. So, a lot of exports, which were happening into Russia they stopped now. So the local demand is, you know, sort of pretty robust. So, there have been only a positive impact on the Russia business, per say. That's what I can share currently. And Hungary and Poland operations are absolutely unaffected because of any of any of US. Yes, there was some raw materials, which we were getting in Hungary, from Russia, which we now have to reorient from some of the other destinations, which has already been done.

Subham Agarwal

Will this impact margins in Eastern Europe? Because of RM, will be able to pass it on completely?

Rajesh Bhatia

No, I think we are the markets are very robust, you know, and all the raw material margins are being passed on to the customers. ASAP.

Subham Agarwal

Okay, so just one question. So, because our presence in Russia, do you think this will have any implication in listing in Dubai or anything like that?

Rajesh Bhatia

I think we are quite close to that situation. So if there is a requirement to re-orient the business to, you know, disintegrate Russia, from the overall mainstream, we can even think of doing that. But I think that will happen more closer to when you are, you know, more closer to the event rather than today and as to how the things pan out, you know, in terms of the war and so we quite agile to that situation. And if there's a requirement, we can disintegrate Russia, from the Middle East.

Subham Agarwal

Okay got it. Secondly, just more on the demand and supply situation. So, as per industry sources, we believe that a lot of BOPET line are expected to come up over the next 18 months. So what's your sense, how many lines are coming up? And how do we see the lines getting absorbed in the market?

Rajesh Bhatia

So, I think the number of lines coming up in Europe, in the major markets in US or Europe are quite manageable. So they will not affect demand supply equilibrium at all in the markets. We are we don't see that you know, any irrational capacity which is coming our way to disturb the equilibrium as of now. So we pretty confident of you know, not having any major issues in any of the markets.

Subham Agarwal

So that's nice to hear. And thank you again for giving me the opportunity.

Moderator

Thank you, sir. The next question comes from Saurabh Sharma an Individual Investor.

Saurabh Sharma

Hello Bhatia ji and Congratulations to the entire UFlex team for finally, getting to the 1000 crore number which was slightly in doubt, at least in my mind at the middle of this year. So, you know, job well done on that. My first question is about the rising interest costs and depreciation quarter on quarter, which is March 22 over December 21, despite no significant Capex being commissioned. So, could you please comment on that?

Rajesh Bhatia

Just one second. Can we get back to you offline on this?

Saurabh Sharma

No problem, sir. So, should I email someone?

Saurabh Sharma

Okay, I don't have the email address, sir. What email address should I write to, sir?

Rajesh Bhatia

You may send it to Investor Relations.

Saurabh Sharma

Okay. Alright, I will do that. Second question is, so, the expansion of Asepto. And this additional Dharwad expansion and UAE expansion that is happening in percentage terms of the existing capacity is going to be relatively insignificant, right, because Asepto, as per is always going to be around 600 crores top line, if raw materials go high probably it will be little higher, and again, the Dharwad expansion with some 60,000 odd. So, that is 10% of revenue or 10% of current capacity. So, what I wanted to understand is where is the next growth going to come from in terms of, you know, a significant meaningful growth is going to come from because you know, comparing ourselves comparing UFlex to Chief Global Competitors, let's say Huhtamaki were into foodservice quite big time.

And in India, we I do not know of any organized player in the food service market, especially because it is a sustainable paper-based packaging also, you know, it is recyclable, and it is paper based. So, I wanted to understand this, whether the company has any plans to get into this food service packaging, because that's clearly up and coming and the Huhtamaki already has a certain example in this field globally at least.

Rajesh Bhatia

no, we don't have any plans currently to get into any of these, I think they will remain close to our business, which is aseptic packaging, flexible packaging, and the packaging failed. Aseptic packaging today provides a positive scenario insofar as the margin and the growth of the business is concerned. So, it's not only the India market, but we are supplying globally for this, the packaging films market already we know, the third market, which is the flexible packaging market, you've seen that we've not done any capex there in the last few years given that market is still in a consolidation phase.

But you know, India and globally that market is absolutely different. And while you know, the foreign, the US and the European markets, and other mature markets during the pandemic period, had a great show in terms of their performance in the flexible packaging. Unfortunately, India remains a different story at this point in time and in this market. So that is where you see that there are no new investments being made, and neither there are on any plan. So I think currently what we have on the table is aseptic packaging what we have, you know, double then PET plants and one PET chip facility. And then your margins will improve with the raw material, availability. But apart from that, you don't have any other, you know, visibility.

Saurabh Sharma

But this PET chips plan that the company has decided to put up, I'm sure you would have seen over the past year or so. These integrated companies have actually been making almost 0% margin or margins on the PET chips because the PET's chips prices, they haven't increased as much as the PTA and MEG prices. So what is the thinking behind getting into PET checks at this juncture when the PET checks are running zero and understand this margin reasoning, it also I understand,

Rajesh Bhatia

I think, those times are gone. Today If I look at conservatively also, this project gives you close to about 19% IRR Project. This not only gives you know, your margin protection, but it also gives you your security also from the raw material.

Saurabh Sharma

Security is of course understood. My only contention was with the margin accretion margin accretive component and even the least latest quarter results you would have seen it's been an earnings zero. PET chips have been running zero and you are of course much more aware of prices of PET chips in the markets versus PTA and MEG, the prices of PTA and MEG have actually gone up much more than PET chips.

Rajesh Bhatia

I think that those markets have evolved. And there is there are much higher margins for the converters from PTA to the pet chips now. You look at some of the top suppliers in the world their results for that situation is quite different.

Saurabh Sharma

Alright, okay. My second question.

Saurabh Sharma

Thank you, yes. So, my second question is about the preference share interest that has been recognized all at once in the March quarter. This would be the U-Tech developers montage enterprises transaction, correct.

Rajesh Bhatia

Yeah, yes.

Saurabh Sharma

Yes. So what is the reason for all at once for recognizing those interest all at once instead of quarterly.

Rajesh Bhatia

So, we thought that let the physical payment be there. Okay.

Saurabh Sharma

So, montage is also sold off. It's taken U-Tech in the September quarter. As clear in the shareholding pattern. So what is the real nature of relationship between montage and UFlex? Are the related parties? Of course, not legally because.

Rajesh Bhatia

I have no knowledge of that. Because once we sold off our business, whatever the buyer does, it is there is just a trade relationship between the two organizations.

Saurabh Sharma

Right. And sir one last request, if the AGM can be held physically and if Mr. Chaturvedi, the CMD. Sir, if he can be present, I mean, it's just a request to the board because it's already been two years that no physical AGM has been held. And it would be great to hear the board's point of views as well as CMD Sirs,

Rajesh Bhatia

I'll take it back without any commitments view.

Saurabh Sharma

It hasn't been decided yet. Whether it will be a physical or an online conference, AGM

Rajesh Bhatia

Depends on COVID. We'll call

Saurabh Sharma

Great, sir. So that's my request. I'll come back in queue. Thank you.

Moderator

Thank you, sir. That will be the last question for the day. I now like to handle the flow to the management for the closing comments. Over to you, sir.

Rajesh Bhatia

Thank you, gentlemen. For you know, allowing us an opportunity to present ourselves to the best of our abilities, these try to answer all your questions, adding just one question which needs to be answered, which we will revert to Mr. Sharma and for giving us guidance on certain issues as well. I'll be happy to take it back to the management and if there is, you know, obviously certain things make sense, certain things you know, the management's perspective may be different but I'm always happy to take those ideas back to the management and discuss and see that you know as to where we can have opportunities for increasing the shareholder value.

We are already planned listing of our offshore subsidiary for which work is on and I'm sure that you know that the big differentiation in the valuation UFlex as and when that happens, but, you know you all know, that all these things are you know depending on the market depending on other things and all that they are all best effort basis and efforts are that you know, if you can raise capital and you can you know create a different valuation metrics of and what we see today. shareholders all, I think the other idea which was also looking at separate listing for the aseptic packaging business, then this becomes a business can also put across to the management. Thank you, gentleman, thanks for being part of the conversation and discussion. Thank you.

Moderator

Thank you, sir So, ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thanks, and have a good evening, everyone.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.