



UFLEX LIMITED

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UFLEX/SEC/2024/

August 21, 2024

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Exchange Plaza, 5th Floor
Plot No.C/1, G-Block
Bandra-Kurla Complex
Bandra (E),
Mumbai – 400051

The BSE Limited
Corporate Relationships Department
1st Floor, New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code : UFLEX

Scrip Code : 500148

Subject : Transcript of the earnings conference call conducted on 14th August, 2024

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 **Wednesday, 14th August, 2024**. The same is also hosted on the website of the Company at <https://www.uflexltd.com/quarterly-earnings-reports.php>.

Request you to take on record.

Thanking you,

Yours faithfully,
For UFLEX LIMITED

(Ritesh Chaudhry)
Sr. Vice President - Secretarial &
Company Secretary

Encl: As above



UFLEX LIMITED

Q1 FY25 EARNINGS CONFERENCE CALL: AUGUST 14, 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



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

ACTIVE Q&A PARTICIPENTS:

- **Chirag Singhal** - First Water Capital
- **Kaushik Poddar** - KB Capital Markets
- **Yash Dedhia** - Maximal Capital
- **Aman Kumar Sonthalia** - A K Securities
- **Aditya Vora** - Share India Securities
- **Prashant Rishi** - Cascade Capital

Moderator: Ladies and gentlemen, good day, and welcome to the UFlex Limited Q1 FY '25 Earnings 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 the 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 Mr. Sachin Bobade from Dolat Capital. Thank you and over to you, sir.

Sachin Bobade: Thank you, Neha, and good evening, everyone. On behalf of Dolat Capital, I welcome you all to the Q1 FY '25 Earnings Conference Call of UFlex Limited. Hope you all and your family members are staying safe and healthy. From the management side, we have Mr. Rajesh Bhatia, Group President and Chief Financial Officer; and Mr. Surajit Pal, Vice President, Head of Investor Relations. Now I hand the floor to Mr. Surajit Pal, Vice President, Head of Investor Relations. Over to you, sir.

Surajit Pal: Thank you, Sachin. Good afternoon, ladies, and gentlemen. Thank you for joining us today for the Q1 FY '25 earnings call of UFlex Limited. Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements which are predictions, projections, or other estimates about future events. These estimates reflect management's current expectations about the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. I would now request Mr. Rajesh Bhatia, Group President and CFO for his opening remarks, following which we will open the forum for an interactive question and answer session. Over to you, sir.

Rajesh Bhatia: Thank you, Surajit. Thanks for the brief introduction, and good afternoon, everyone. I welcome all of you to UFlex Q1 FY '25 Earnings Conference Call. The numbers and the media interactions would be before you -- before I speak to you for the Q1 performance.

On the outset, I will say that there's been a very positive start to the financial year FY '25, mainly because after many quarters, we've seen an uptrend in the BoPET as well as BOPP prices. Just to bring to your kind notice that since April, in a gradual manner,

the PET prices have gone up by about 30% till end of July, and the BOPP prices have gone up by about 18% to 19% over the same period, and the major increases have come, you can say, after 15th of June.

So, the quarter that has gone by will reflect only a little bit of that, but the quarters to come by will reflect from here on the benefit of these price hikes. There's been a raw material price increase also like if PET prices have gone up by 30%, the raw material prices are up by 8%, and for BOPP also, if the prices have gone up by 18% the price of raw material prices have gone by about 4% during the same period. So, the differential is still quite substantial, which will get reflected. If the prices remain the way they are, the margins remain where they are, they will get reflected in the earnings in the quarters to come.

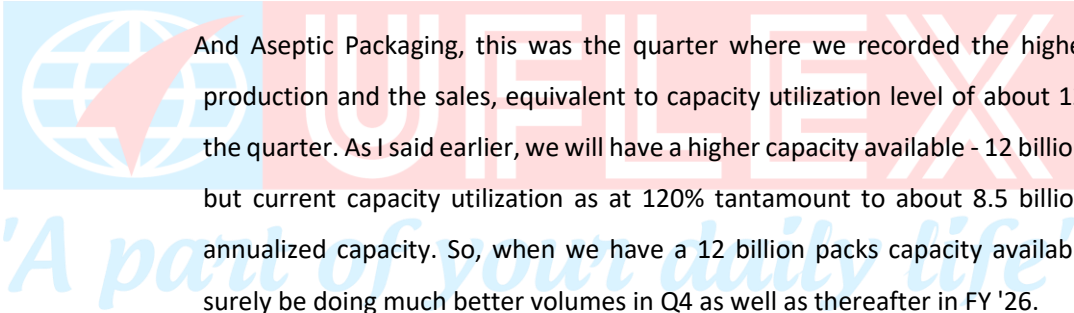
Notable is that in India, even on a sequential quarter basis, we have seen volumes going up by 5%, which is very healthy for the packaging films business of ours. And overseas, if we see, has largely been flat on a sequential basis. The offtake has gone up just by 1%, which is neither here nor there. So overseas, the total volumes have remained where they are. But definitely, we see that the margins have improved in the offshore business. And the offshore business as such has reported a 13.4% margin vis-a-vis 12.6% margin in the Q4 versus 7.2% margin in Q1 of the same period, Q1 FY '24.

So that's where -- that's the heartening story from this quarter, the first quarter's, performance. Coming to the overall package for the quarter, we have more than 12% Y-o-Y increase in the revenues, driven by a 10.4% volume increase. We even had, on a sequential quarter basis, a 5.3% revenue increase. While the volumes were flat on a quarter-on-quarter basis, for overall business, I'm seeing -- I'm now to the overall business. Earlier, I was talking about the packaging sales business as such. And the normalized EBITDA, without taking any exchange fluctuations into account, is INR465 crores.

And our annual EBITDA guidance, which I had earlier said, about INR2,000 crores, I think there could be an upside by another 10% given the prices today as well as the Q4 when we see the impact of the larger volumes from the Aseptic Packaging division coming into play, and our plant in Egypt for the PET chips getting commissioned,

which will ensure that our markets, our plants in Egypt, Nigeria, Poland, and Dubai will be fully fed from this. And still, we will have a 30% surplus, for which we can either find the markets, third-party markets, or even if there is a need to supply to our other locations, which are now Mexico and U.S., we can do that.

The India PET chips started from April. We capitalized this plant on 31st of March, and the first quarter itself, the capacity utilization achievement is about 65%. We sold about 25,000-odd tons, of which 30% was bottle grade, which was -- again, we don't consume it ourselves. So that opens up a new vista for the company, which is supplying raw material for people who make the PET bottles. So that's another stream of income, which is going to get added to us. So, depending on as to where there are more margins, we can switch from the film grade to bottle grade and so on. So that's a humongous benefit having your own raw material, both in terms of quality as well as the pricing benefit that you get.



And Aseptic Packaging, this was the quarter where we recorded the highest-ever production and the sales, equivalent to capacity utilization level of about 120% for the quarter. As I said earlier, we will have a higher capacity available - 12 billion packs, but current capacity utilization as at 120% tantamount to about 8.5 billion packs annualized capacity. So, when we have a 12 billion packs capacity available, we'll surely be doing much better volumes in Q4 as well as thereafter in FY '26.

We had substantial exports coming out of the Aseptic Packaging business as well, and about 38% is the exports by value what we do currently in this business in the current quarter, and about 62% is sold domestically. This export has helped us to better plan the lean season in India, which starts from, you can say, from middle of August until end of December. And during this while, we can still operate the plant at a higher level, looking at the exports market.

But in the peak season, the domestic volumes are always priority for us, because it's a domestic customer who -- even though the export prices are a bit higher, we still have to serve our commitments to the domestic market. And we do that irrespective of even if the exports are giving us a better realization.

Flexible Packaging this quarter had not such a good quarter, because as the raw material prices for them increase gradually, because they have a lag with their customer for the price to be passed on - 1 month to 3 months' time. So, they'll always have a lesser margin during this period, but as the prices stabilize, they'll be fine. Their volumes will also be fine.

And currently, because the prices are going up, I remember that all through April, May, June, July - in 4 months, there have been at least half a dozen instances where the prices have gone up for the packaging films, which means that if the price rise is happening constantly, the Flexible Packaging business margins will keep on getting impacted because of the lag, what they have.

Overall guidance for the EBITDA, I've already said. This quarter, again, we had a currency loss of INR180 crores, of which Nigeria was about INR100 crores, Egypt was INR30 crores and Mexico was around INR50 crores. I think this has become quite a normal phenomenon, because as you translate their local currency balance sheets into Indian rupee, that translation losses do result in these losses, which are more or less notional. But still, because of the accounting standards requirement, you have to account for that loss because of the translation. Because even -- so that way, if you were -- we make even our Indian balance sheet and some other currency, which has depreciated against rupee, you will have those translation losses, but they are, again, largely notional. So, to that extent, I think those cannot be really attributable to the business performance.

We are looking at the emerging opportunity in the recycling PCR in a big way. Times are now coming, and with India as well as the overseas territories taking in new laws with respect to the usage of the recycled materials in the packaging, I think our investments, which we've done in these PCR and MLP recycling, will be utilized and will give us a higher revenue and profitability, and these are coming into play from 1st of April 2025. We will -- sort of depending on as to how quickly these are enforced in India. Europe is also, in fact, putting a large number to the recycling, that the companies will have to use at least 20% to 30% of the recycled plastics. So that will be the key to look at in the future, in the next few years.

Your company already has much better head start than others in this particular segment. And surely, in the next few years, this will gain momentum, and we will look at substantial revenues, and investments may also be required subsequently in this business. No plans as of now, though, but looking at the size of the opportunity that it will grow, even if it's 20%, 25% of mandation to use the recycled materials, I think this itself will become -- turn out to be a huge business opportunity for UFlex.

On the debt side, vis-a-vis March, we are up by about INR98 crores, largely because of the increase on the working capital side, which is the term that has come down. So, the long-term, term debt has reduced, but the working capital has gone up, which is linked to the higher productivity, linked to the higher output, higher sales and also a function of the price of the raw materials and the price of the finished goods. So, I think that keeps on fluctuating, depending on the cycle of the prices where you are. But the long-term debt, which has gone to fund the capex, has come down slightly during this quarter.

As we'll go through the rest of the financial year, I think we are due to complete our PET chips in Egypt, which will probably happen in Q3, Q4 at the best, but certainly before the next financial year begins, I think we'll make this plant operational. Aseptic debottlenecking will happen probably before the season starts in January of '25 now, and the Mexico CPP facility will be commissioned probably in Q2 of this financial year.

So, I think the benefit of all these can come in FY '26, and surely, the PET chips in Egypt is going to be a big game changer for this entire 3 or 4 countries, which I just spoke about. And as of now, in Egypt, we don't have the flexibility of making the bottle grade chips, but I think with a small bit of an investment there, we can have that flexibility also, given that we have a 30% output, for which we have to find the market.

So, we sort of like to create that flexibility also as the things progress. That's largely the undertone for the quarter, for the year, has been set by this quarter, which is a bullish tone from here on. In all the business segments, Packaging Films, Aseptic Packaging, Flexible Packaging, the PET chips business doing so well in the first quarter itself, achieving with the initial teething troubles and this being a China plant, we imported from China, and given that there is a lot of visa restrictions on Chinese

coming and visiting India, which was not there when we ordered this plant, speaks very high that we could commission this facility, and yes, there were a few hiccups to begin with. But still a 65% capacity utilization achievement in the first quarter of the operations speaks volumes for the quality of the management, the technical people who have been operating and running this plant, and I have no doubt that this plant, within this year, will achieve a 90% capacity utilization level. Even at 65% at an operating level, we're profitable in this facility. But as the plant stabilizes as the quality stabilizes, the wastages come down, we'll be much better off in the months to come.

Gentlemen that was my take on this quarter. And again, just to reiterate that, that sets a very bullish tone for the things to come in the quarter, the rest of the quarters in FY '25 and the period beyond that. Thank you. Thanks a lot. Any questions, please? I'll be happy to answer them.

Moderator: The first question is from the line of Chirag Singhal from First Water Capital.

Chirag Singhal: Just a couple of questions from my end. So first, on the Panipat PET chips facility. So, what is the timing by when we can expect full ramp up? And you mentioned that there were some sales that you did during the quarter. So, going forward, what is the mix between captive and external sales?

Rajesh Bhatia So what you are asking? So, Chirag, what business are you asking about captive?

Chirag Singhal: Panipat PET chips facility. I wanted to check what is the time that will take to ramp up to full capacity utilization and going forward, what is the mix between captive and external sales?

Rajesh Bhatia: So, Chirag, we produced -- we sold about 25,000-odd tons this quarter, of which about 70% was the film grade and 30% was the bottle grade. So, the bottle grade was sold 100% in the market, and the film grade was sold almost -- you can say 55% was consumed internally and the balance, 45%, was sold externally.

Chirag Singhal: Even with full capacity utilization, the ratio will be the same, which is 40% captive and...

Rajesh Bhatia: The ratio of the bottle grade will go up, and -- because bottle grade actually started later than -- didn't start on 31st of March, it started later. So, because at this level, at about, say, in the last 3 months, our internal consumption has been close to 10,000 tons, so which is -- which will remain at that level, and the rest of it, we will find it in the third-party. There could be a possibility to export it to our other plants as well.

We started exporting to Nigeria also, but the freight rates today do not make commercial sense from inland plant based out of Panipat to take it to the port and then from port to Nigeria. So that was not commercially becoming so viable. So, we will -- bottle grade, of course, we will sell mostly to the market only, and the bright would be 50-50 only.

Chirag Singhal: Understood. Sir, secondly, on Asepto. So you mentioned that roughly 62-odd-percent was sold in India. So, what is the market share of UFlex Asepto in India?

Rajesh Bhatia: I won't have that number ready.

Chirag Singhal: Because if I annualize this number at 8 billion, 8.5 billion PETs, then roughly 4.5 billion to 5 billion PETs are sold in India, right? And so just wanted to understand if you can...

Rajesh Bhatia: In the lean season, your production, your -- the consumption of at Aseptic gets impacted. So, when I say on a 120% capacity utilization equivalent to, say, 8.5 billion packs annually, so the market size -- what I'm saying is in the next six months, the domestic consumption may be much lower and overall capacity utilization during the lean period may be lesser than 120%.

Chirag Singhal: Okay. So let me take the 12 billion to 13 billion plus capacity that we are planning to reach post early debottlenecking, so in that full capacity utilization, like what is the mix between domestic and exports? Like what are we looking at in terms of domestic and exports?

Rajesh Bhatia: So, I think we will look at -- we will look to maintain about 60% domestic and 40% exports.

Chirag Singhal: Sir, coming to the value-added products. So, you mentioned in the press release that the value-added products fetched close to 3x more NSR than a commodity grade, and

you also mentioned on Hungary that 30% of Hungary output is what you would like to see in the value-added product category.

So in terms of spreads, so I know sir you already mentioned in NSR it is 3x. In terms of spreads, what is the gap between value-added and commodity grade? And currently, in Hungary, how much volumes are value-added as a percentage of the total output?

Rajesh Bhatia: Chirag, we'll have to get back to you offline for this detailed ask.

Chirag Singhal: Okay. But this 30% is something that you aspire to be in Hungary, or it's already achieved, the value-added products?

Rajesh Bhatia: I think we'll have to get back to you offline on this. Chirag.

Chirag Singhal: Okay. Okay. Also, you mentioned you signed some long-term PPA in Noida. So, could you just quantify what are the annual savings that you're looking at?

Rajesh Bhatia: I think once we do -- so Noida, we will do about a 70% power tie-up. So, Noida, about 18 crores units a year. So about 70% of that will be through wind and solar, on which the savings would be about 30%-odd or so. And in Dharwad, it will be about -- 85% of the power will be through solar, on which, again, the savings will be about 32%.

Chirag Singhal: I think for Dharwad, you already quantified in the past. Can you just quantify what is the cost savings that you're looking for in Noida?

Rajesh Bhatia: So, Noida, if I look at 18 crores units - 70% of which is 12 crores units and if we save INR3 then we will save INR36 crores. And if we consume 3.5 crores units and INR3.5 is saving, that will result in a savings of INR 12 crore in Dharwad.

Chirag Singhal: Understood. So, my next question is on the unit trend on the spread. So, you mentioned that the prices have been going up. The NSRs has been going up. So are these still sustainable in the domestic market? And what is the trend that you have seen in the overseas market? And also, if you can share the industry capacity utilization in India because the spreads ideally will go up if the industry capacity utilization is also improved, right? So, what is the industry capacity utilization that you have seen in India?

Rajesh Bhatia: Industry capacity utilization in India will be currently at about 65% or so, but India industry is exporting a lot from here. And there is about 57% BoPET exports increased from India on a Y-o-Y basis and 27% BOPP increase, so that is what is balancing the whole thing in India.

Chirag Singhal: Okay. And what has been trend in the overseas market?

Moderator: Sorry to interrupt you sir. I request you to come back for follow-up questions.

Chirag Singhal: Sure.

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

Kaushik Poddar: How do you see the demand-supply equation on the packaging film front, both for BOPP as well as BoPET?

Rajesh Bhatia: So, BOPP, there are no issues at least for a year, say, next 15-odd months or so because there is no capacity which is getting added, maybe one plant or so. So next 15 months looks to be pretty positive on this. BoPET side...

Kaushik Poddar: Are you speaking only for India or for the world, you are speaking of?

Rajesh Bhatia: I'm talking only for India.

Kaushik Poddar: Okay. And how much percent of BOPP films gets exported from India?

Rajesh Bhatia: So, BOPP, I don't have the percentage from India. I think in India, around 50,000 tons are exported quarterly. So, 12,500 tons. In India, the market may be consuming about 60,000 tons. So, total 12,500 divided by 72,500. So, about 17% is being exported.

Kaushik Poddar: Quarterly production is around 50 or 60,000 tons. How much you said?

Rajesh Bhatia: Monthly production could be about 70,000-odd tons of which 60,000 tons or maybe 5,000 plus minus, don't hold me on to that, would be consumed in India and the rest is being exported.

Kaushik Poddar: Okay monthly production you said is 60,000 ton, right?

Rajesh Bhatia: Yes, sir monthly I said is between 70,000 to 75,000 tons of which 12,000 tons is being exported every month and the rest is consumed in the country. Hope I'm clear now?

Kaushik Poddar: Yes, you are clear. Yes. And next one to be BoPET?

Rajesh Bhatia: So BoPET, currently, the exports are about 22,000-23,000 tons a month. Consumption is about 60,000-odd. Could be 60,000, 65,000, anybody's guess. So, if you take 65,000 plus 23,000, 88,000. So, 23,000 upon 88,000 is 26%. So about, say, 25% is being exported of the production, and 75% is being consumed locally.

Kaushik Poddar: Okay, okay. And so demand/supply imbalance equation in BoPET?

Rajesh Bhatia: So, this balances out at these numbers, no?

Kaushik Poddar: Okay. But any incremental capacity coming, I think, that is what I try to...

Rajesh Bhatia: No capacity coming in at BoPET.

Kaushik Poddar: How much?

Rajesh Bhatia: Am I not audible?

Kaushik Poddar: Yes, it's -- I mean it is getting interrupted in between, so if you can repeat what you said on the capacity front.

Rajesh Bhatia: No capacity additions are coming in BoPET. There is no additional capacity now getting installed in the BoPET.

Kaushik Poddar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Aman Kumar Sonthalia from A K Securities. Please go ahead.

Aman Sonthalia: Good evening, sir.

Rajesh Bhatia: Good evening.

Aman Sonthalia: Sir, my question is regarding that this film price -- there is increase of around 20% in the Indian market, whether it is the same in the international market also, where our plant is located?

Rajesh Bhatia: There is a price improvement in the international market as well but not like India. Volumes have improved a little bit especially in America but not like India because India exports have as I told you, India PET exports have risen by about 57% in June '24 quarter versus June '23 quarter. So, when India is supplying a lot to the overseas, so, the prices are remaining in check in the overseas markets.

Aman Sonthalia: So there is a little bit of increase there.

Rajesh Bhatia: There's a little bit of increase because of the increase in freight due to the Red Sea from India. There is a little positive impact due to that. But as I told you in India, the price has risen by 30% in the PET market from 1st April to till 31st July. It is not the same in foreign countries.

Aman Sonthalia: In foreign countries, it is around 10%?

Rajesh Bhatia: I think it is around 5%-7% depending on the market to market.

Aman Sonthalia: Okay. Sir, my second question is how much value-added products are there within this in the international market?

Rajesh Bhatia: Not much in value added for us at this point, but we've said that we will answer this question separately.

Aman Sonthalia: And sir, we are quite excited. I think I have gone through the speech of the MD, sir. He's very, very excited on this Plastic Waste Management Rule 2022. Sir, how much chance is there that it will actually happen, or it will just remain in book?

Rajesh Bhatia: Look, there is hope that it will actually happen, and we all share that hope. Now Europe has also stated that 25%-30% recycled material will be required. It is possible that the implementation might be a bit relaxed initially, with stricter enforcement later. However, the direction is clear. If it begins from April 2025, the industry might get an additional year or two to adjust. Generally, the government's approach is

cautious, allowing time to adapt. Nonetheless, the direction is clear both in India and Europe: the recycled content must be increased.

Aman Sonthalia: Sir, out of this 50%, do you think even 10% will be implemented from 2025?

Rajesh Bhatia: Yes, it will be 10%. There is no issue in 10%.

Aman Sonthalia: This is across the globe, right?

Rajesh Bhatia: Yes, ethanol is already included in petrol. The government initiated it, then it got mixed and capacity was also set. So it happens, government will have to enforce that this should happen.

Aman Sonthalia: Sir, how big is this opportunity for UFlex?

Rajesh Bhatia: This is a very significant opportunity. It's not just limited to India; it will be a worldwide opportunity. If India consumes 60,000 tons of PET and 60,000 tons of BOPP each month, along with an equivalent amount of poly, the total monthly consumption would be 250,000 tons, which adds up to ~3 million tons annually. If 25% of this needs to be recycled, then a recycling capacity of 750,000 tons would be required.

Aman Sonthalia: Sir, I think if it is 10%, then it is a very big opportunity?

Rajesh Bhatia: Yes, it is a very big opportunity.

Aman Sonthalia: Is it looking like that it will happen even 10%?

Rajesh Bhatia: 10% is going to happen from 1st April 25th.

Aman Sonthalia: Sir, in the investor presentation, investors do not understand why there is a currency loss and how long it will continue. I believe it should be explained in detail because investors are not comprehending this aspect.

Rajesh Bhatia: Currency loss occurs because, if you are operating in Nigeria, their currency is the Naira. In India, the currency is Rupee. When you maintain and keep making accounts in Indian Rupees, it doesn't impact their local currency accounts. However, when you need to consolidate their balance sheet and P&L with India, their currency is

converted to dollars at the current exchange rate, and then dollar to Indian Rupees. This conversion causes gains or losses to be reflected in the balance sheet. For example, if 500 Naira was equivalent to 1 dollar and today it is 1500 Naira per dollar, this change will impact the balance sheet.

Since you first convert Naira to dollars and then dollars to Rupees, fluctuations in exchange rates will affect the balance sheet. If the Rupee depreciates from 70 to 80 against the dollar, or if the Naira devalues from 500 to 1500 per dollar, it will impact the balance sheet. If you convert India's balance sheet to a currency where the Rupee has depreciated against that currency, it may appear as a loss in India's balance sheet because of currency changes. When you make accounts in Nigeria, you will not see the loss. But consolidating accounts in India will inevitably show this loss.

Aman Sonthalia: Based on your experience. Sir, how long will this loss last in the country?

Rajesh Bhatia: God knows.

Aman Sonthalia: Sir, you are quite excited about PET Chips plant in Egypt. What is the reason for this excitement in Egypt?

Rajesh Bhatia: By having this plant in Egypt, our raw material security will improve. We often face gaps in raw material supply, purchasing from various sources with differing quality and time zones, which impacts our operations. And then if somebody else is making these PET chips and earning something on it, then I will keep that income in the future. Because of that, I will get better margins in packaging films.

Another benefit is gaining entry into the large bottle-grade chips market. By making slight adjustments to the same plant, we can also produce bottle-grade chips. You already know how significant the PET bottle market is.

Aman Sonthalia: Sir, last question is how much is the turnover and margin of Asepto?

Rajesh Bhatia: We have always told you that the margin is above 20%. We keep the turnover number to ourselves.

Aman Sonthalia: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Vora from Share India Securities. Please go ahead.

Aditya Vora: Thank you for the opportunity. So, I had a question. You mentioned the fact that domestic BoPET and BOPP prices have gone up by about 25%, 30% in the past quarter but the same has not been reflected in international pricing. So, is there a chance for imports to happen? Or is it economically not viable? Because if there is so much parity in pricing, so is it possible...

Rajesh Bhatia: India will not import packaging films.

Aditya Vora: But if there is so much parity, why will it not happen?

Rajesh Bhatia: No, it will not happen. It hasn't happened ever in life. It will not happen in future also.

Aditya Vora: Right. Okay. And one more thing regarding our debt. So, can we expect that from '26 end, our debt comes down? Because I think major capex of yours is done. So how do we you look at that going forward?

Rajesh Bhatia: If there is no capex, then there is a scheduled repayment of INR 1,000 crore each year, which will reduce the debt by INR 1,000 crore. However, the industry is evolving, and there may be significant opportunities in 2 years, such as advancements in recycling and PCR chips, which are becoming increasingly important as regulations tighten. Currently, it appears that these could become major opportunities in the future. If such opportunities arise, as an industry leader, we will invest in them because we cannot afford to let others capture the market. In a growing field and business, it is crucial to stay updated with technology and capacity to maintain our market share just because you don't want to leverage to further capex by leveraging yourself.

Aditya Vora: And just one last thing. In your bottle-to-bottle chips, who are your end customers in this?

Rajesh Bhatia: I'll not be able to give that. That's a very confidential information. We'll not be able to give that data at all about our customers and all.

Aditya Vora: Right, okay.

Moderator: Thank you. The next question is from the line of Prashant Rishi from Cascade Capital. Please go ahead.

Prashant Rishi: Sir, you mentioned in BoPET there is no capacity which is coming. And in BOPP, there is no capacity which is coming in the next 15 months. But that is the India picture. Can you give an idea globally especially China, if you have any clue if there's any capacity coming in both types?

Rajesh Bhatia: If it's China capacity, we don't keep much track as an organization because that does not impact any of our businesses. But I know the number - if in India, there are 2 or 3 lines added in a year, then in China, that number would be 10x to 15x of that. But China players are so well entrenched in their own markets, historically, we have not seen them coming to the US, to the European, Middle Eastern, Africa markets.

In the past we have seen that wherever China has a bit of overcapacity and the bunching of capacities, they have at best hit the Southeast Asia market where we don't have a presence at all. But never ever in the past, either they have come to India, or they have gone to other territories in which we are operating. If you really ask me, my focus is not on what's happening in China, as the focus could be as to what are the capacity additions happening in the markets I operate in.

Prashant Rishi: Okay. Understood. Got it. Sir, and the price increase, which has happened in June quarter in both BOPP and BoPET films after the June quarter, you're seeing it sustain?

Rajesh Bhatia: Yes. We are seeing it sustain.

Prashant Rishi: Okay. All right. So, for next 2, 3 years, at least until any new capacity comes, these prices should sustain or even increase. That's the understanding.

Rajesh Bhatia: So major gain has come after 15 June. So, it is sustained till now. Sorry, we crossed ourselves while you were asking a question. Can you repeat yourself?

Prashant Rishi: My question was just for next 2, 3 years, till any new capacity comes in either of the films the price should at least sustain an increase from current levels as well?

Rajesh Bhatia: In BOPP, the capacity will definitely come. As I said BOPP, new capacity is not coming in the next 12 to 15 months, but after that it is coming in BOPP capacity.

Prashant Rishi: And sir, what is the scale of that capacity? Is it huge capacity coming, or do you think it will just get absorbed during -- in the growth at that time?

Rajesh Bhatia: It is a substantial capacity, which is coming on stream.

Prashant Rishi: Okay. After 15 months. And then in BoPET it is not coming. So, in BoPET there is a clear runway ahead of...

Rajesh Bhatia: BoPET capacity additions are over.

Prashant Rishi: You said sir historically India has never imported packaging films. Is there any particular reason why it is never viable for any global importer even say China you said, never exports it - sells to India. Is there any particular commercial reason why that has never happened historically if you know?

Rajesh Bhatia: I have no idea on that.

Prashant Rishi: Okay. All right. Thanks a lot. That's all from my side.

Moderator: Thank you. The next question is from the line of Yash Dedhia from Maximal Capital. Please go ahead.

Yash Dedhia: Thank you for the opportunity. I just had a question about the international prices for the BoPET and BOPP. So international prices have not gone -- not risen like to one in domestic market?

Rajesh Bhatia: Yes.

Yash Dedhia: So, the reason for that, you say, that the export from India is not letting the price go up?

Rajesh Bhatia: Partially, yes, you are right.

Yash Dedhia: So now since the capacity utilization say at India level is almost there - reach its potential, going ahead do we see international market also behaving like domestic market prices?

Rajesh Bhatia: The realization from the domestic market will be better. So obviously -- and the domestic consumption increases by 10%, 12% every year. So, to that extent, the exports will get substituted with the domestic sales.

Yash Dedhia: Yes. And since the exports will be substituted, consequently the international prices should go up?

Rajesh Bhatia: Yes.

Yash Dedhia: Okay. So, we may see a driver from there as well?

Rajesh Bhatia: Yes.

Yash Dedhia: And this PWMR rule. So, do we see a shift from BOPP to BoPET because BOPP cannot be recycled? So, do we see some shift happening from BOPP to BoPET because of that?

Rajesh Bhatia: You're right. Maybe that can happen because in BOPP recycled raw material is not there.

Yash Dedhia: Nothing exactly. If you have to use it, you have to use it from BoPET.

Rajesh Bhatia: So that could be the front because it can be done in both. In poly it can be done and in this also this can be done in PE and BoPET of recycled content, but in BOPP it is not possible.

Yash Dedhia: Okay sir this recycling project which is there in that how much capex has been done?

Rajesh Bhatia: In PCR we might have expensed around 15 million in Egypt, around 15 million in Mexico and remaining smaller places 10 million. So, around 40 million expenses overall.

Yash Dedhia: So, these all capacities are ready to function?

Rajesh Bhatia: No, they are already functioning. We're saying that they'll get impetus with the law. So today, it is a self-regulation. So, when it is the self-regulation then the people who are conscious, there's a certain market for that product, so it's getting that market,

but when it becomes a law, it becomes a regulation, not a self-regulation anymore then probably people will need it more.

Yash Dedhia: So, the realization would go up, but -- so do we see upside from capacity utilization as well?

Rajesh Bhatia: And value will also be -- the margins will also go up.

Yash Dedhia: Yes, margins will go up. And so, are we operating on a lower capacity utilization which we might see increase in volume as the -- so volume and value both play?

Rajesh Bhatia: We are, because PCR plant in Egypt we just started recently only. The plant in Mexico also is not operating at a full capacity. India plant is operating at a full capacity, but that's a small plant. So, these two plants, Egypt will take care of the European market, and the Mexican will take care of the American markets, the two most mature markets globally. So, that is where they are set up there. And as the regulation both self-regulation and the law creates more demand, so there is more money to be made through these investments.

Yash Dedhia: Okay. And so, we are not adding on more capacity right now?

Rajesh Bhatia: As of now, nothing.

Yash Dedhia: And from then will our debt repayment start?

Rajesh Bhatia: Sorry?

Yash Dedhia: From when will our debt repayment start?

Rajesh Bhatia: Debt repayment already started, for every year debt repayment of INR1,000 crores. Are you talking about this project?

Yash Dedhia: No debt repayment, but we are going as per schedule, are we foreseeing debt repayment over and above the schedule?

Rajesh Bhatia: No, I am not able to understand your question. I'm saying whenever we take the loan, there is a scheduled repayment. So, that scheduled repayment is about INR1,000 crores a year for us and we paid in the past, we will pay in the years to come as well.

So that is my answer, but I've given you a generic answer probably. I've not been able to understand your question.

Yash Dedhia: Yes. So, I am asking whether -- are we interested in paying more than scheduled debt because we will be getting more cash profit now since the margins are going up?

Rajesh Bhatia: There is no plan as of now.

Moderator: Thank you. The next follow-up question is from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Sonthalia: Sir, right now, our capacity utilization is around 83%. So, when we can think we will achieve this 100% utilization level.

Rajesh Bhatia: Where is it 83%?

Aman Sonthalia: In film.

Rajesh Bhatia: In which plant?

Aman Sonthalia: Overall total.

Rajesh Bhatia: So overall in Mexico some bit of capacity utilization improvement will come in this quarter and in Nigeria also it will come. So, I think, these are the two who are not operating at a full level but others are more or less okay.

Aman Sonthalia: According to presentation Russia is at 63%, Poland is at around 77% and...

Rajesh Bhatia: Russia experienced some issues at the plant this time. Otherwise, in the last quarter, it was operating at 100%, and in the previous quarter, it was at 99%. So, if there's a plant shutdown or damage, those situations are different.

Aman Sonthalia: So, I think the main concern is that in Poland, it is 77%?

Rajesh Bhatia: Yes, there's currently lower utilization in Poland because of the situation in Europe. The consumption in Europe has been affected, and secondly, the exports from India to the USA and Europe have led to a decrease in capacity utilization.

Aman Sonthalia: Sir, how long do you expect it will take for utilization level in India to increase?

Rajesh Bhatia: In India, the overall industry is currently at 65% utilization. When capacity started coming up in 2021, it had reached 85%. Historically, it has grown by 3%-4% each year, and this trend will likely continue because the markets are quite commoditized. In India, there's approximately 10%-12% growth annually. If India consumes 700,000 tons of BOPP and BoPET each year, we can expect similar growth of 10%-12% as well.

Aman Sonthalia: Sir, does the total capacity of 154,000 tons include the 18,000 tons from the Mexico extension?

Rajesh Bhatia: No, that is not included. It is still getting implemented, so that is not included.

Aman Sonthalia: Overall, films, both domestic and international market are good. There is no issue in the near future.

Rajesh Bhatia: It seems so, but during the COVID period, the EBITDA margin in packaging films was around 23-24%, whereas normally it was around 14%-15%. During COVID, the margin was higher at 23%-24%, which led to a reduced payback period. Consequently, everyone expanded their capacity. Now, this capacity will be absorbed over the next 3-4 years, and profitability will gradually improve.

Aman Sonthalia: Sir, in the last conference call, you mentioned that UFlex would achieve an EBITDA of 2,000 crore INR in 2024-25, even when film prices had not increased significantly. Do you still stand by that forecast, or is there a possibility that it will be revised?

Rajesh Bhatia: I think it will increase because if we have done a quarter of INR465 crores and surely it will increase in the next quarter then in upside I said that we can go up to 2200Cr per year from 2000Cr.

Aman Sonthalia: Sir, does the growth in the chemical ink and adhesives business look good?

Rajesh Bhatia: Yes, the growth is good. But we don't have the capacity yet. There are limitations in India.

Aman Sonthalia: Is this the scope of growth?

Rajesh Bhatia: We are not thinking about it yet, but we will see in future.

Aman Sonthalia: Okay sir, thank you.

- Rajesh Bhatia:** I think the next big opportunity is in recycling, PCR chips, etc. in the next 2-3 years.
- Aman Sonthalia:** But are there no full chances for 2025-26, with definite chances for 2026-27?
- Rajesh Bhatia:** Now the government is also imposing slowly that you use so much recycled content and all that.
- Aman Sonthalia:** If 10% is also done then it will be a great opportunity for us.
- Rajesh Bhatia:** Yes, the government's direction is clear. It will happen within approximately 1 to 1.5 years, plus or minus. It will largely be achieved. We are very clear that this is the way the industry is headed.
- Aman Sonthalia:** Sir, we have the technology to convert that, and we will set up small plants in different locations for that. This will be the work model?
- Rajesh Bhatia:** In recycling, we are producing PET chips in Panipat. First, you use virgin PTA and MEG to make PET chips. Second, if the government mandates the use of recycled materials, you will use PET bottles to produce chips, and then use those recycled chips to create PET films or poly films from those chips. Therefore, for this PET chip production, we already have plants in Egypt, Mexico, and a small plant in India that needs to have its capacity increased.
- Aman Sonthalia:** Sir, so what is the biodegradable part in this?
- Rajesh Bhatia:** There's no biodegradable component in this. The government will likely mandate the use of recycled materials or give you the option to use virgin materials if your packaging is biodegradable. So, there will also be an option for biodegradable materials. If, for instance, it takes time to reach full capacity for recycling, the entity responsible for using recycled or biodegradable materials might opt for biodegradable materials to reduce their obligations.
- Aman Sonthalia:** Sir, we have both these capabilities?
- Rajesh Bhatia:** Yes.
- Aman Sonthalia:** Okay sir, thank you.

Rajesh Bhatia: The opportunity with PCR isn't exclusive to us; everyone will have it. PCR, where we make chips from bottle-grade materials and then use them to produce films—even today, bottle-grade chips are made globally and used in fabrics and textiles. However, using those chips in packaging films like BoPET is something we've started. Others are slowly catching up, but making chips from bottles is not new.

Aman Sonthalia: But making it film grade is a technology that we have?

Rajesh Bhatia: Yes, we have.

Aman Sonthalia: Okay, sir. Thanks a lot.

Rajesh Bhatia: I will clear that too. That is not exclusive to us. But because this is a new field, we are amongst the first ones to use that technology. There are players who have this technology wherein they take old PET bottles, wash them, make chips, and ultimately make films out of them.

Aman Sonthalia: Okay sir. Still, it's a big opportunity. Despite it being available to other people as well.

Rajesh Bhatia: Yes, because the market size itself is very big.

Aman Sonthalia: Okay sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, we'll take this as a last question. I now hand the conference over to the management for closing comments.

Surajit Pal: Thank you, ladies, and gentlemen for the engaging questions. We will soon have the transcript of this call on our website, www.uflexlimited.com. We look forward to speaking to you again in the coming quarters. Thank you and have a great day.

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

(This document has been edited for readability purpose)

Note: This document has been translated from Hindi to English wherever Hindi was used during the call, to assist non-Hindi-speaking readers. For the exact text, please refer to Earnings Conference Call - Webcast.

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