

UFL/SEC/2024

February 19, 2024

**The National Stock Exchange of India Limited.
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra –Kurla Complex
Bandra (E), Mumbai – 400 051**

**The BSE Ltd.
Corporate Relationship Dept.
1st Floor, New Trading Ring
Rotunda Bldg., P.J. Towers
Dalal Street, Mumbai – 400 001**

Scrip Code: UFLEX

Scrip Code: 500148

Subject: Transcript of the earnings conference call conducted on 13th February, 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 13th February, 2024.

The same is also hosted on the website of the Company at https://www.uflexltd.com/pdf/QR/2023-24/UFlex_Q3FY24_Transcript.pdf

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

Q3 FY24 EARNINGS CONFERENCE CALL FEBRUARY 13, 2024, 04:00 P.M. IST



Dolat Capital

CHORUS CALL®

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 MARKET PRIVATE LIMITED**

ACTIVE Q&A PARTICIPENTS:

- **Chirag Singhal** - First Water Fund
- **Nishant Shah** - Emkay Global
- **Kaushik Poddar** - KB Capital Markets
- **Miraj Shah** - Arihant Capital
- **Harsh Shah** - Dimensional Securities

Moderator: Ladies and gentlemen, good day and welcome to the UFlex Limited Q3 FY2024 results conference call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" 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: Good evening everyone. On behalf of Dolat Capital, I welcome you all to the Q3 FY2024 earnings conference call of UFlex Limited. I hope you all and your family members are staying safe and healthy. From the management side, we have with us, Mr. Rajesh Bhatia, Group President and Chief Financial Officer and Mr. Surajit Pal, Vice President, Investor Relations. Now, I hand the floor over to the management for their opening remarks, and then we would have a question & answer session. Over to you, Sir.

Surajit Pal: Thank you Sachin. This is Surajit. Good afternoon, ladies and gentlemen. Thank you for joining us today for the Q3 FY2024 earnings conference call of UFlex Limited. We will start with a brief statement from Mr. Rajesh Bhatia, Group President and CFO, following which we will open the forum for the interactive question & answer session. Before we begin this call, I would like to quickly remind everybody that anything that we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in the context of the risk that we face. With this, I would now request Mr. Rajesh Bhatia, Group President, and CFO, to make his opening remarks. Over to you, Sir.

Rajesh Bhatia: Good afternoon, everyone. A very warm welcome to all of you to the UFlex Q3 FY2024 earnings conference call. I trust all of you had the opportunity to go through the earnings release and the results presentation already shared with you. I would initiate the call by briefly talking to you through the key highlights for the quarter. And then we can follow it up with any questions that you may have. I will try to do that to the best of my knowledge and ability.

Broadly, I would say that this is a quarter which is in continuation of the last quarter. So, a reasonably healthy performance backed by improvement in the sales volume, both in the packaging as well as in the packaging films and we have consolidated EBITDA margins, operating EBITDA margins have been reasonable. Things could have been a bit better, but there is a price pressure due to certain oversupply situation in India. But despite that, our overall consolidated sales volume this quarter, we posted a growth of 5.8% YoY of which 6.5% comes from the films business and 3.6% comes from the packaging business.

On a standalone basis, the overall sales volume increased 13.3% on a YoY basis. The standalone packaging films had 25% YoY volume growth post commissioning of our Dharwad facility. And as I said that the packaging film industry continues to be under the pricing pressure because of the oversupply situation currently and that has impacted the margins in that particular business segment. But the other business segments, especially on the standalone, which is flexible packaging, which is aseptic packaging, holographic films, and other substrates like chemicals and adhesives have all done well. And that is where despite the pricing and the margin pressure in the packaging film business in India, we have maintained our profitability. And once the margins improve, I think we will be looking at a much healthier profitability with the further increase in the capacity of aseptic films later in FY25.

The consolidated net revenue stood at Rs. 3,345 crores. There has been QoQ and YoY decrease, but that is more related to the raw material pricing. Overall, the operational EBITDA, I would say or the adjusted EBITDA, at about Rs. 426 crores in the quarter is 12.7% EBITDA margin. There's a slight improvement both on QoQ as well as on a YoY basis. This quarter, again, we have been hit by the currency devaluation in Nigeria. As we have said, Nigeria had migrated to market-driven exchange rates in June 2023, and this quarter again they had devaluation which had impacted us by about Rs. 125 crores this quarter. Total impact of the devaluation and the derivative losses is about Rs. 158 crores in this quarter, which are one-off kind. I think Egypt, as we have said that in the last couple of years, Egypt and Nigeria continue to be the sensitive areas from an exchange perspective. And we are seeing that every 3 to 6 months, there are devaluations carried out by the central bank. As a result, when we reinstate our balance sheet with the revised exchange rates, I think we are looking at those losses

coming and hitting us. And this quarter, the impact of these losses is about Rs. 158 crores.

Overall, from an operational perspective, it's been a reasonably good quarter. Even liquid packaging, we had a volume growth of about 8.5% YoY and the revenue growth of about 12.7% as well. Notably, even in Nigeria, the production volume is up 60% on a YoY basis. In Mexico, again, America was one of the regions which was again impacted by the fiscal and the low demand emanating therefrom. This quarter, we have done much better. The Mexico production is up about almost double of what we had in the same period of last year. Similarly, even in some of the other locations also like Dubai and India, we have seen a volume growth. There has been a de-growth in Europe as it continues to be an area which is impacted because of the consumer sentiment. And given the Russia-Ukraine war impact on the energy as well as the higher interest costs leading to the consumer demand getting impacted in Europe.

So, we have seen on a YoY basis a de-growth in our packaging films volume in that territory. But as I said that more than that, we made up for that in Nigeria, in Mexico, in India, and Dubai, and other territories that are quite stable. Having said that, in November end, we had the incident of Red Sea and with that, there is again uncertainty hovering around the supply chain disruptions which are now quite evident. The freight prices have increased; the mandatory insurance has come into play. So, there is an increased cost as well as the increased time taken for exports into Europe which has again brought to the forefront the need for more reliable local sourcing, which helps UFlex.

On a separate note, the exports this quarter from India from a standalone balance sheet are also up about 13% close to about Rs. 400 crores. Overall, I would say a decent quarter, margins have been maintained, the volumes have grown. And we are cautiously optimistic of a sharper recovery in the next few quarters. We know for sure that the other businesses such as aseptic packaging, once we complete the bottlenecking to take the capacity to 12 billion packs, will definitely contribute towards our additional growth. But also, we are looking at completing our backward integration facility in the PET chips in Panipat in this quarter as well as in Egypt in between Q2 and Q3 of next year. Given that it will add more reliability to raw material availability, there will be a pricing benefit as well, which will ultimately culminate into

better margins for the packaging films business overall. And from India, we have already started the trial runs for our PET chips plant, which makes PET chips for the BOPET films. This plant also has the facility to make PET chips for the bottle grade for which the activities are still being completed. Hopefully, by the end of this fiscal, the entire facility will be up and running. That is in a nutshell the summary of the operations for the quarter. The net debt for this quarter stood at about Rs. 5,200 crores. This quarter, there has been an impact of Rs. 60 crores because of the exchange devaluation on the debt numbers vis-a-vis the last quarter. And the rest of the debt is added for the PET chips plant in India, Egypt, as well as our debottlenecking of the aseptic packaging facility at Sanand. That's all from my side in terms of the performance and the highlights for the quarter. With this, I open the forum for any questions that you may have, and we will try to address your inquiries and your questions as much as possible.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. The first question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: Sir, my first question is on Nigeria. You mentioned that the volumes have grown 60% on a YoY basis. What was the utilization in Q3?

Rajesh Bhatia: About 70%.

Chirag Singhal: Sir, how much time do you feel it will take to ramp up to full capacity going forward? And I think last time you mentioned that the import duties have been raised to close to 30% vis-a-vis what it used to be earlier. So, broadly, shouldn't that have a positive impact on the volumes? Within how many quarters you feel we should be able to reach 100% in Nigeria?

Rajesh Bhatia: We will look at for the time being at about 75% to 80% because there is an opportunity and because the America markets have come in a very strong way. The combined capacity in Mexico as well as in the US may not be sufficient. There are opportunities to export from Nigeria. It depends on that. If that happens, I think the volumes will increase. But given the size of the market in Nigeria as well as in the ECOWAS region, I think the current level of utilization is what we have in mind. We

will see as to how America pans out in this quarter and in the next quarter. As I said, Mexico has seen 100% growth in the volumes in this quarter on a YoY basis. Hopefully, if there are opportunities to sell more in America, then there is an opportunity to sell more from Nigeria into that market.

Chirag Singhal: This 75% to 80% is the current utilization or this is something that you are seeing in the near future?

Rajesh Bhatia: 70% is around what we are looking at on a conservative basis, but 80% to 85% is what we are looking at if there are opportunities in America to export from Nigeria.

Chirag Singhal: Currently, what is the total demand of BOPET in Nigeria? And out of 70% production, how much of it is sold in Nigeria and how much is sold in ECOWAS? And how much is exported to other countries than ECOWAS?

Rajesh Bhatia: We will not be comfortable to share so much insight into the business and overall levels is what we can indicate, but within Nigeria or ECOWAS or other adjoining countries, we would not like to share that business.

Chirag Singhal: But can you give a broad breakup as to what is that?

Rajesh Bhatia: You must take it that the current utilization, whatever is there, is entirely catering to that region only.

Chirag Singhal: Within Nigeria?

Rajesh Bhatia: Nigeria and ECOWAS those areas.

Chirag Singhal: My second question is on the payback time for the PCR line in Egypt. What is the CAPEX that we spent on this? And what is the payback period that you are looking for?

Rajesh Bhatia: I think we spent about \$13 million on this plant; \$13 million or \$15 million in that range. And we're looking at about 3 years' payback.

Chirag Singhal: I believe we also set up a PCR line in Mexico as well in the past?

Rajesh Bhatia: Yes, in Mexico, we had set up in the past.

Chirag Singhal: What was the payback over there? What has been the outcome so far?

Rajesh Bhatia: I think the same payback was there, but as we said, the America markets also went in for a tailspin. So, there, currently the utilization levels are low for only the PCR markets. PCR films is a value addition, but the other way to look at that also is given that we import all our raw materials, especially the PET resin, we are now looking at exploring blending this with our existing to increase the utilization and also the fact that Egypt is currency sensitive area and the dollar availability and the exchange rate; so, this helps as a local available raw material for which you incur the costs in the Egyptian pound only. So, I think Egypt will be a faster traction. When we had planned Mexico, we had the America markets in mind for value-added PCR product. But there the utilization levels are currently not so good.

Chirag Singhal: What are the utilization levels in Mexico for the PCR line?

Rajesh Bhatia: Around 35%.

Chirag Singhal: But in Egypt, you are expecting a faster ramp-up?

Rajesh Bhatia: In Egypt, we are looking at this as a substitute to the virgin raw material.

Chirag Singhal: My next question is on the expansion. Are we on track with our Asepto debottlenecking and the PET chips expansions in India and in Egypt?

Rajesh Bhatia: We will complete Aseptic expansion in India between Q2 and Q3 of FY25.

Chirag Singhal: And on the PET chips front?

Rajesh Bhatia: We will complete the PET chips plant in India in March and in Egypt between Q2 to Q3 of FY25. In India, in the current quarter and Egypt in Q2-Q3 of FY25.

Chirag Singhal: Sir, you mentioned that in Mexico, we have doubled our volumes on a YoY basis during the last quarter. But in Mexico, we were already running at almost 100% for

the last maybe 1 or 2 years? Was the last quarter weak plus there was any debottlenecking? What is the utilization in Mexico for Q3?

Rajesh Bhatia: Mexico utilization in Q3 is 92%.

Chirag Singhal: So, basically, the last quarter was very weak, I think Q3 FY23 was very weak. But overall, we were doing close to 100% in Mexico? Was there anything exceptional during the last year Q3?

Rajesh Bhatia: More than a year back because there has been a volume drop in the last fiscal and the first 6 months of the current year as well.

Chirag Singhal: Broadly, what's your assessment on the spreads? In the current quarter and let's say going forward, how are you seeing spreads in India especially and the overseas regions where the spreads are weak relatively?

Rajesh Bhatia: Overseas regions, the spreads are before you in terms of consolidated minus India balance sheet. They vary from market to market, so very difficult to give you one number, but the overall pattern can be seen from total consolidated minus India business, which gives you a flavor of the margins in the packaging films business in the offshore markets. In India, in the packaging films, currently everybody is operating at a loss. And that has been the trend for the last 2 quarters and maybe marginally at an EBITDA positive, but overall, I don't think so there is anybody who is making any money at PAT level in the packaging films.

Chirag Singhal: This is in context to BOPET or both?

Rajesh Bhatia: Both combined, I am saying. I am not giving one particular segment. BOPET is slightly more distressed, and BOPP is slightly better.

Moderator: We will move on to the next question that is from the line of Nishant Shah from Emkay Global. Please go ahead.

Nishant Shah: My question is, are there any plans to raise the funds via sale of assets or the QIP? Because the EBITDA level is low, and the debt is on the increasing mode.

Rajesh Bhatia: No, there are currently no plans to raise any equity through QIP or any other means.

Nishant Shah: So, how are you planning to pare down the debt?

Rajesh Bhatia: Whatever is the debt, it will be paid through the cash generation from the normal business operations. We are generating enough cash to pay whatever is the annual debt servicing. There is no issue with that.

Nishant Shah: Are there plans to make it to a debt-free company?

Rajesh Bhatia: I have been saying that there are amortizations which we keep on paying and then there are new plans for the CAPEX, which are made depending on the markets. So, whatever is the amortization annually, the debt will be paid to those levels only. And as and when there are new investment plans, we will obviously inform the market.

Nishant Shah: Is it possible to give us color on the breakup of sales and profitability on the packaging films whether it is India or outside India?

Rajesh Bhatia: I already said that outside India can be easily derived. From consolidated numbers, if you reduce the India numbers, that is the packaging because overseas, it's only the packaging films business. If we have an EBITDA of Rs. 426 crores, out of which Rs. 171 crores are India. So, overseas business is generating an EBITDA of Rs. 255 crores.

Nishant Shah: How are we placed versus the peers, basically?

Rajesh Bhatia: I think all of them are having the same issue given that there is an oversupply situation and then we had an additional situation emanating from the Russia-Ukraine war which led to tepid consumer demand in Europe. The US, as the Fiscal Act was increasing the interest rates and taking away the excess liquidity from the market, the consumer demand got impacted since a year and a half. When the capacities also came at around the same time, that led to lower demand, higher supply, and lower raw material prices. And that led to ultimately the fall in the margin realizations and the margins. But as I said, the America demand is robust in this quarter. America plant has achieved a capacity utilization of 100%. The Mexico plant has achieved capacity utilization of 92%. So, America markets are back. Europe continues to be underperforming. From 1st of January in Europe, as the energy prices have now been

cut, we must see how that impacts the consumer sentiment and if the purchasing power comes back.

Nishant Shah: When are you expecting to get normalized if it gets normalized?

Rajesh Bhatia: I think this question has to be addressed in 2 accounts. One is the demand side in Europe. Let's look at the next 2 quarters before we make more firm statements. The other side is on the margin side, it is the oversupply situation. Now, the oversupply situation is surely going to take some time to get addressed. Overall, even if Europe gets corrected in terms of its demand, that will impact the prices and the margins a bit, but if you see today, November onwards now, we have this Red Sea crisis whereby shipments from India, Southeast Asia to Europe are getting impacted by way of longer voyages and higher freight costs. That is bringing in the local sourcing back because the customer wants reliability of the supply chain. I think the local plants like ours with the Red Sea crisis will do better as we did better in the COVID times when we have seen the supply chain disruptions. Overall, let's wait for the next 2 quarters before we give more firm guidance as to the state of affairs in the European markets. In America, we have already said that we are already at about 100% capacity utilization at our 2 plants. That's where we are looking at expanding that market in the current and the next quarters and see possibilities of exports from Nigeria, where we have a capacity to serve those markets, additional volumes in America.

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

Kaushik Poddar: Two things; one is the margin and the second is debt. Do you think the margin will remain around say – you have called out that 2 quarters are required to see how things will work out, but still, we can maintain that 12% margin? And secondly, on the debt front, do you think the debt peaking out in the second quarter of next year?

Rajesh Bhatia: The margins; clearly, we have seen the 1st quarter, 2nd quarter, and 3rd quarter are getting marginally better. In the current quarter, we love to see improvement over the current quarter's margins also but it's still too early and Red Sea impact is to be assessed. But if there is a positive impact on our business because of the Red Sea crisis, we will see better margins. The debt levels, you are right that we will see in

FY25, the debt will peak out because some of the projects are getting commissioned in Q3. So, the debt will peak out in FY25.

Kaushik Poddar: The debt level peeking out will be around Rs. 5,500 crores or it can be more?

Rajesh Bhatia: It is right now at about Rs. 5,250 crores debt.

Kaushik Poddar: That's net debt, right?

Rajesh Bhatia: That is the net debt. I think we can look at about Rs. 500 crores more in that.

Kaushik Poddar: So, Rs. 5,700 crores or Rs. 5,800 crores?

Rajesh Bhatia: Yes, this is a new debt which will be added, but then there will be amortization of the existing debt also. So, probably, the number wouldn't be beyond Rs. 5,500 crores. But let's see.

Kaushik Poddar: Tetra Pak, of course, is the brand name that belongs to your competitor, but that expansion will come on stream in the 2nd or 3rd quarter of the next financial year or when will it come on stream?

Rajesh Bhatia: The season starts in January. So, whether it happens in Q2 or happens at the end of Q3, it does not make a difference. But before the next season, we will hit the market with it.

Kaushik Poddar: And the capacity will go up from what quantum to what quantum?

Rajesh Bhatia: From 7 billion packs per annum to 12 billion packs per annum.

Kaushik Poddar: That's a substantial expansion.

Moderator: The next question is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj Shah: I just wanted a couple of clarifications. First thing, do we look at contribution margins over here? Because I think that is what is followed in the industry where from the revenues, we subtract the cost of goods sold and the power and fuels. If we were to

look at those figures, is there any improvement on the contribution margins that we are looking over here or are we still negative in the contribution margin territory?

Rajesh Bhatia: No, contribution margins, we are not negative.

Miraj Shah: I believe that currently the entire industry is operating at below historical lows. Is that the right understanding?

Rajesh Bhatia: I cannot say historical lows.

Miraj Shah: I'm sorry, historical average.

Rajesh Bhatia: Yes, it's lower than the historical average; you are right.

Miraj Shah: To see the view over here, do we expect the recovery to happen in the next 4 to 6 months above historical average?

Rajesh Bhatia: We will have to really see market by market and not necessarily true for all the markets. India is an oversupply zone certainly. So, this market will remain under pressure, but the global markets are not fully linked to what India is. So, they'll behave on their own depending on their own demand supply and costing dynamics.

Miraj Shah: What would be the contribution margins for India right now?

Rajesh Bhatia: We are not sharing details at that particular level for a particular business segment, but overall if you see, the COGS is about 53.3% of the revenue.

Miraj Shah: In terms of per ton, we don't share the figures?

Rajesh Bhatia: No, we don't share the figures.

Miraj Shah: On the India front, what kind of capacities are we seeing that are coming in, in FY25? Is there substantial capacity coming in, or is it slowed down because already we are in an oversupply zone?

Rajesh Bhatia: In India, the BOPET capacities almost all of them have now been completed. On the BOPP side FY25 to FY26, there may be fresh capacity additions, but on the PET side, it is more or less done.

Miraj Shah: I believe the current utilization in this industry on an average is close to 65% to 70%. Please correct me if I am wrong about this figure. Do we expect that given the industry demand by, let's say, FY26 end, the utilizations will be at optimum level in the current capacity?

Rajesh Bhatia: In the India market, the demand growth is at least 10% to 12% which is very healthy. The overcapacity this time, slight bunching has happened. That is why we are seeing this phenomenon. But overall, it should take a couple of years before the demand supply mismatch should get over.

Miraj Shah: And just one last thing. In Egypt, we started our post-consumer recycling facilities for the rPET flakes. That is to substitute the virgin raw material. Can you just highlight what is the pricing differential that we will gain the benefit of?

Rajesh Bhatia: About 5% to 7%.

Miraj Shah: It will be the same figure that will be reflecting in our EBITDA margin? So, I will have an improvement of 5% to 7% in my EBITDA margins as well because of this.

Rajesh Bhatia: No, it will not be fully because we are not going to be fully self-sufficient in our raw material requirements with this plant. This makes only about 1,200 tons per month.

Miraj Shah: And what is the requirement for us over there?

Rajesh Bhatia: The requirements would be much larger, maybe 3 times of this.

Miraj Shah: Any plans to bring this facility to our India facility?

Rajesh Bhatia: India already has this facility in a much smaller way, which was more like a pilot plant here. But India, we are not looking at expanding this facility. The opportunity with the vision with which these facilities were to be set up was to sell using the recycled raw material, the BOPET film. Now, the market's going into the tailspin. So, that market

has also got impacted and that is where we said that we were looking at selling using this film to make the BOPET film from the PCR chips. Now, that market is also likely to become much better as the companies are becoming more conscious about using the recycled content. And on that basis, there is a huge opportunity to make much higher return as compared to using the virgin raw material. And with that intent only, we had set up this plant in Mexico to cater to the US markets where there was a requirement for these recycled raw material films. But given that the market overall took a tailspin, Egypt when we planned, because in Egypt, we must import all the raw material or pay the import parity price for our raw material and with the exchange being the way it is, you buy bottles locally, you process them to make the PET chips. So, the raw material is available locally for this product and that's where you will get the differential margin in this.

Moderator: The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Just one question on the spreads and realization. If I look at our spreads, they have come down from around Rs. 1 lakh per ton to Rs. 90,000 per ton, both in domestic as well as overseas business. So, I just wanted to get a sense that by when do we expect our spreads to recover back to the normalized level, in absolute terms? I understand that you are talking about oversupply in India as well as overseas markets. I just wanted to get a sense of what is the kind of spread that we are looking to work with. Since the raw material prices have come down, do we expect to recover our spreads as well?

Rajesh Bhatia: Given the oversupply situation, if the raw material prices are falling, the selling prices are also falling in the same manner, which means that your spreads are remaining the same. The raw material price benefit is not being retained by the industry, but it is being passed on to the customers. Having said that, the normal levels would be that your EBITDA margin on an overall basis should be in the range of about 14.5% to 15% which currently is about 12.5% range. This gap of 3% is what must get corrected, and it will get corrected with improvement in the European sentiments. It will get corrected with the demand supply equilibrium becoming better in India. And for us,

there is another opportunity to make it better when we start using our own PET chips raw material in India and in Egypt.

Harsh Shah: When our backward-integrated plant for PET chips gets commercialized, when do we expect the benefits to trickle down in the margins? I assume the priority is to ensure the availability. Or will it start saving us cost from day 1 itself?

Rajesh Bhatia: The cost saving will also be if not from quarter 1, it will happen from quarter 2, as the costs stabilize. There may be some extra costs when you start the plant, which is a matter of 1 or 2 quarters at the best to make it normalized. So, not much difference between the starting and the plant reaping the benefit of the lower cost of raw material for your plants.

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

Chirag Singhal: Sir, what is the CAPEX for FY25 and current fiscal as well?

Rajesh Bhatia: We are looking at FY25 including the PET chips resin and the normal CAPEX as well as the residual to be done on which should be about \$100 million.

Chirag Singhal: This includes Rs. 140 crores to Rs. 150 crores of maintenance CAPEX that you incur every year?

Rajesh Bhatia: No, that will be extra. We are talking about the residual to be done in India, PET chips in Egypt, debottlenecking in aseptic packaging, as well as certain other sort of.

Chirag Singhal: Sir, how much is the residual CAPEX in both the PET chips plants which will come in FY25?

Rajesh Bhatia: About Rs. 150 crores.

Chirag Singhal: This is the total across the 2 plants, which is the residual CAPEX?

Rajesh Bhatia: Because the main thing is the plant and machinery which hasn't come, so the main CAPEX will be there in FY25 only.

Chirag Singhal: Yes, but my question is, this Rs. 150 crores that you just said, this is the total across all the 2 plants, right?

Rajesh Bhatia: The aseptic expansion debottlenecking.

Chirag Singhal: And what about the PET chips residual CAPEX, total for both the plants?

Rajesh Bhatia: Chips in Egypt is \$70 million in FY25 and the residual of the PET chips in India should be about \$20 million to \$25 million.

Chirag Singhal: So, basically \$100 million is the growth CAPEX and then you are saying the maintenance CAPEX will be over and above this?

Rajesh Bhatia: Yes.

Chirag Singhal: And what is the CAPEX for FY24, the current fiscal?

Rajesh Bhatia: It's given in the presentation.

Chirag Singhal: Including the Q4, what is your guidance for the full year?

Rajesh Bhatia: Rs. 1,004 crores.

Moderator: We will move on to the next question that is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj Shah: There are 2 things that I wanted to understand from the last question only that we spoke. You mentioned that the requirement for recycled PET chips is much higher in India, and because of that, you had put up a pilot facility. I believe, from my understanding about the market right now, there is still demand for the recycled PET chips and the difference is significant as well. So, why are we not doing this in India?

Rajesh Bhatia: I said that the basic need for the PET chips setting up the PCR plant was to sell the PCR grade PET films which give you an accretive margin. It was not intended to replace the virgin raw material with this because a couple of years ago, when the PET chip prices were very high, the raw material prices were much higher than what they are today, the margins for buying the old PET chips and converting that into the PET

chips resin was much higher. But today, when the virgin raw material prices have also come down drastically, the margins have shrunk. And margins depend on region to region with respect to the availability of the PET bottles and the pricing of the PET bottle because that also gets impacted by the virgin raw material prices but up to a very limited extent only because these are rag pickers picking up the bottles, and then through that process, you get the bottles for the processing at your plant. There the margins, the opportunity to get a lower pricing is not much. So, it depends on time to time. Today, when the raw material prices are down, this delta is not there in certain markets and is there in certain markets. It's an evolving situation. But as I said, the prime motive was not to replace it with the virgin raw material. The prime motive was to make a value-added film with this and sell that film at a premium to the virgin raw material. It will happen over time, which will happen. Unfortunately, the markets went into a tailspin, and markets like Europe and America will be the leaders in terms of the PCR film demand coming.

Miraj Shah: If I were to just understand it in a different manner, it is not economically feasible to put this facility or increase in India. Is that right?

Rajesh Bhatia: Today, it may not be, but at some time, it may be. As I said, today the raw material prices are also at the low end. Today, the virgin raw material may be cheaper than PCR-PET chips.

Miraj Shah: The second thing is in the Egypt facility of PCR that we have, I just wanted to clarify if the price differential between virgin and recycled is 5% or the margin difference is 5%.

Rajesh Bhatia: The raw material cost differential may be 5%.

Miraj Shah: Let's say if my virgin is coming at Rs. 100 per kilo, this would be Rs. 95 per kilo.

Rajesh Bhatia: Yes.

Moderator: As there are no further questions, I now hand the conference over to the management for the closing comments.

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

Moderator: Ladies and gentlemen, we thank the management for this call. And on behalf of Dolat Capital, that concludes this conference call. We thank you for joining us. And you may now disconnect your lines.

(This document has been edited for readability purpose)

Contact information:

Mr. Surajit Pal, Vice President, Head of Investor Relations

Mr. Manoj Pandey

Email: investorrelations@uflexltd.com

Corporate Address:

A - 107 - 108, Sector - IV, Noida - 201301 (U.P.), India

Phone No.: +91 120 4012345 | Fax No.: +91 120 2556040

Corporate ID: L74899DL1988PLC032166