UFLEX/SEC/2025/ May 26, 2025

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Exchange Plaza, 5th Floor
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Scrip Code : UFLEX

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

Scrip Code : 500148

Subject : Transcript of the earnings conference call conducted on 20th May, 2025

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 ***Tuesday, 20th May, 2025.***

Request you to take on record.

Thanking you,

Yours faithfully,
For UFLEX LIMITED

RITESH CHAUDHRY

Digitally signed by RITESH CHAUDHRY
Date: 2025.05.26 20:36:11 +05'30'

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

Encl: As above

UFLEX LIMITED

Q4 FY25 EARNINGS CONFERENCE CALL: May 20, 2025, 04:00 P.M. IST

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 PARTICIPANTS:

- **Shashank Agarwal -** Cisco
- **Chirag Singhal -** First Water Fund
- **Aman Sonthalia -** AK Securities
- **Mehul Savla -** RW Equity
- **Siddhant Chhabra -** Minerva Asset Advisors
- **Kaushik Poddar -** KB Capital Markets
- **Raghav -** Aequitas Investments
- **Saket Kapoor -** Kapoor Company

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Conference Call of UFlex Limited hosted by Dolat Capital Markets Private Limited. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sachin Bobade from Dolat Capital Markets Private Limited.

Sachin Bobade: Thank you, Avirath. On behalf of Dolat Capital, I welcome you all to Q4 and FY '25 earnings conference call of UFlex Limited. Hope you all are staying safe and healthy. From the management team we have with us 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 the management for their opening remarks and then we would have question-and-answer session. Over to you, sir.

Surajit Pal: Thanks, Sachin. Good afternoon, ladies, and gentlemen. Thank you for joining us today for the Q4 and FY '25 earnings conference 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, and other estimates about future events. These estimates reflect management's current expectation 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'll open the forum for an interactive question-and-answer session. Over to you, sir.

Rajesh Bhatia: Thank you. Thank you, all the participants for the -- our Q4 and FY '25 earnings call. Overall, I would say to begin with that a very satisfying year after we had shown that the revenue and the EBITDA had dipped in FY '24 as compared to '23. And yes, we had the reasons to explain for that. But end of the day, you always feel much better if the numbers are in positive despite all the reasoning that you have to give for this.

Happy to say that this year and this quarter, throughout the year, we have been doing reasonably well. We have seen the volumes gone up, we've seen the revenue going up and we have seen the operational EBITDA has gone up substantially on a consolidated basis by about 18%-odd this year as compared to FY '24, which is very heartening.

Also, we have a much lesser exceptional loss this year of about INR177 crores only in Egypt and Nigeria. So actually, we had a much higher number in the first 2 quarters, but the next 2 quarters, there has been some recoupment. So, for the year as a whole, the number now stands at INR177-odd crores versus INR871 crores what we had in FY '24. And consequently, we have a PAT positive at about INR142-odd crores versus the loss of INR690-odd crores, which we had in FY '24.

Notable is that the Packaging Films volume is up this year as a whole by about a little over 10%-10.4%. Sales of the Packaging Films are up 10.3%. The Packaging Films margins also improved in this year. And overall, the reason for a better performance in this, both on the revenue side as well as on the profitability side is more contribution coming from Packaging Films business, especially India, especially Hungary, then we had a huge turnaround in Nigeria. So, all these factors have contributed to a higher profitability in FY '25.

I will always have to cover the Aseptic Packaging because that's been a shining star for a few years now and will remain so in the future. So even in this year, we have done about 7.87 billion packs in the capacity of 7 billion packs, which is about more than 110% capacity utilization levels. And as we commission our 12 billion packs capacity, which is now in the final stages, I think we will look for a much better performance from this as this business sort of will not have capacity bottlenecks to expand its horizons.

Also, I think for FY '26, we will have a much better expectation of all these businesses as we are seeing that better traction in volumes for all the businesses put together. And obviously, some of the streams which have come to commissioning in the last 1 month or so for FY '25, we'll definitely see a full year performance of that plus some of the projects which are going to get commissioned in FY '26. Especially our Mexico project where we're going to make the WPP bags for the pet food industry; our Aseptic Packaging business in Egypt, which we had announced to the markets; and our recycling facilities at Noida, given that recycling commitments have to be fulfilled by all the brand owners from 1st of April. But we are going to commission that project later this year and the benefits will start sort of rolling in.

So overall, as I said that on a consolidated basis revenue increased by 12.4% to over INR15,000-odd crores with the Packaging Films leading the pack with a sales and volume growth of about 10.4%. And this is the first time we have achieved over 500,000 tons production and sales volume in our Packaging Films business.

So as we ramp up the capacity utilization in some of the plants where we have still headroom, typically, we can do better in Nigeria, we can do better in Poland, which has been seeing imports from -- especially from India and that is where there is some pressure on the local production given that the European costs are much higher as compared to the cheaper imports from Southeast Asia or from India.

So yes, there are a couple of things which we can do better in the current financial year. We had 72% capacity utilization in our PET chips facility, which was the first year for our Panipat plant. But obviously, we have a headroom there to go up as well. So, all these, I think, optimization and improvement in efficiency, we will surely take it up in FY '26. And as FY '26 also will see a commissioning of some of the new initiatives which we had announced earlier, so FY '27 onwards we will look at top-line as well as the profitability growth.

Coming to the debt side, this year, we had a debt of -- gross debt of about INR8,100-odd crores and a net debt of about INR 6,800-odd crores and this includes long-term as well as the working capital debt. And we have next year a repayment of about INR 1,175-odd crores for the long-term portion of the debt, working capital are more rotational in nature. So as the business ramps up, obviously, you need more working capital. But we have been looking to repay INR 1,175 crores in FY '26 of our long-term debt. But yes, we add on some further debt also because of the ongoing projects, the 3 projects of the WPP bags, the recycling at Noida and Aseptic expansion at Egypt.

So I think the overall sense is that FY '26 looks to be more promising overall in all the business streams as we will have the benefit of our own PET chips availability even for our international operations from our Egypt facility, higher capacity available in the Aseptic Packaging India business. And obviously, there is headroom to do better utilization of your capacities in certain countries, which I just explained.

And yes, overhang remains that in India, the BOPP capacity expansions industry-wide is coming into play starting from June onwards. So, we'll have to closely watch as to how that will impact the industry players' behaviour in terms of the pricing and the margins.

So that's overall, a nutshell from me. I'll also say that for the year as a whole, for this quarter, we spent about INR 668 crores on the capex and the large one was our Aseptic Packaging and WPP projects. And for the year as a whole, we spent about -- we did about INR 1,700-odd crores of -- I'll give you the exact number. INR1,726 crores is what we spent for the whole year on our various capex plans. And next year also, we are looking to spend close to about INR 1,200 crores on our ongoing expansion projects.

So even if that is met largely from the new debt taken, the old debt which has to be retired next year is going to be, again, as I said, INR 1,175 crores. So, we are looking to -- we will definitely add some more debt as the working capital requirement for the expanded business will still have to be met out. But on a capex debt versus the repayments, they will more or less even out for the FY '26 period. The only working capital additional requirement for the existing businesses as well as for the new businesses that get implemented and that gets scaled up will have to be taken from the bank.

Having said that, as a strategy, we're sitting on substantial cash also. As on 31st of March against a gross debt of about INR8,100-odd crores, we're having a cash of about INR1,273 crores, which gives us sort of leverage in terms of planning your cash flows in a much better way and acts as more as safety for the business that should there be any exigencies because of the market conditions. So, you know that you have substantial cash to sort of take care of any debt servicing commitments and all that.

So that's from me - the business highlights for FY '25 and the outlook for FY '26. Happy to answer any questions that you may have on FY '25 numbers or FY '26 outlook.

Moderator: Thank you, sir. The first question comes from the line of Shashank Agarwal from Cisco. Please go ahead.

Shashank Agarwal: Sir, I have 2 questions. The first is, sir, your recent investments in recycling have been towards the chemical recycling part. Sir, how feasible is the tech because there were some reports that the entire process is more expensive? Second one is, sir, how will the recent monthly crude oil prices affect the business going forward?

Rajesh Bhatia: So, the first part, you were not very audible. So, I'll repeat the question. So, the first part, what you are saying is we are going in for mechanical recycling vis-a-vis the chemical recycling. Why is that so? Is that your question?

Shashank Agarwal: No sir, my question was the chemical recycling that you are going into, sir, is it feasible or is it more expensive than the virgin PET chip plant?

Rajesh Bhatia: No, we are not doing the chemical recycling. We are only doing the mechanical recycling. So mechanical recycling, the recycled material ultimately is going to be a bit more expensive for the buyers, if the government has said that in the rigid packaging, you have to use 30% recycled content. So, this will settle over a period of time and in the short run, there will be sort of demand supply challenges. But nevertheless, on an overall basis, to begin with, the prices on the recycled products will be higher, and as the capacity settles, I think they will settle. But on the whole, even after everything that does settle and the normalcy comes, still it will be expensive as compared to virgin. What was your second question?

Shashank Agarwal: Sir, my second question was regarding the recent slump in the crude oil prices.

Rajesh Bhatia: So how -- what is your question that recent slump in the...

Shashank Agarwal: Sir, will there any inventory losses or revenue losses?

Rajesh Bhatia: So, I don't really think so that there will be large adjustments on account of that because all your businesses are able to sort of move on with that. Your Packaging Films business is adjust that on a real-time or on a 1-month lag basis and your Packaging business gains when the raw material prices go down. So, the crude prices go down will be an inter adjustment between the Packaging Films and the Packaging. But overall company basis, there will be no big deviations in terms of the financial numbers.

Shashank Agarwal: One more small question. Sir, going forward, what is your view on reducing the company debt?

Rajesh Bhatia: So, I think we've said that the only way to reduce the company debt is the amortization that we have to pay. And as I said, next year, we have about INR 1,175 crores to pay. So, if there are no further expansion happening, so every year for the next couple of years, we're going to pay this much of -- repay this much of debt.

Once this investment cycle stops, obviously, there will be a reduction of debt. But other than the normal amortizations what we have with our lenders, there is no other way that we are looking at from raising any equity or by doing anything else, we are not looking at reducing the debt at present.

Moderator: The next question comes from the line of Chirag Singhal from First Water Fund.

Chirag Singhal: Yes. So, my question is on Asepto. So, the new -- the debottlenecking, you mentioned that it's expected to commission in Q1. So, is it already commissioned?

Rajesh Bhatia: Not yet, but I think soon it will get commissioned.

Chirag Singhal: So, it will be more towards, let's say, in the month of June?

Rajesh Bhatia: I literally can't give you a precise answer on this. But when I spoke to my business team on this, they said that we're very close to achieving that.

Chirag Singhal: Okay. And could you help me with the overall guidance for Aseptic volumes for this financial year?

Rajesh Bhatia: So Aseptic, I said that we produced 7.87 billion or 7.89 billion packs in this year, in FY '25.

Chirag Singhal: Yes. No, I was asking for the guidance for FY '26.

Rajesh Bhatia: Guidance for FY '26 would be in the range of 10 billion to 10.5 billion packs.

Chirag Singhal: Okay. Just one more question on Aseptic. So recently, there are many other players who have set-up capacity. So, SIG recently commissioned the plant, then I think sometime back GLS Elopak set-up a plant. So, do you see any challenges due to this increased supply? And if you can also provide with the industry level data, I just want to understand what is the total Aseptic capacity in India? How much of it is exports? And since SIG and all were importing earlier, what was the total imports in India?

Rajesh Bhatia: So, I can give you the overall industry number, which is about 36 billion packs annually, of which we will have 12, 16 is your Tetra Pak and the rest 8 is other players, 4 and 4 I'm told SIG. So, I think industry as the consumption, as we said, is growing at high-teens. So overall, we don't see any challenges. SIG, in any case, I'm told is a different technology than Tetra. And it will take time for that acceptance and all that, not that I'm sort of underestimating their capability because they are a global player as well. But as of now, I can only share this industry landscape and our expectations for performance of this business in FY '26.

Chirag Singhal: So, you are saying that total capacity is 36 billion packs. And what about the production exports and imports at the industry level?

Rajesh Bhatia: I don't have numbers right now for those.

Moderator: The next question comes from the line of Aman Sonthalia from AK Securities.

Aman Sonthalia: Sir, we are setting up a very large plant in Egypt, so are you sure of that we will be able to sell the entire quantity in next 2 years?

Rajesh Bhatia: So Sonthalia ji, this question, you would have asked us also when we were going to set up the first plant in India way back in 2019. And that time, Tetra Pak was a clear leader in this market. We have seen historically that there are certain products in which a second line or second supplier could never develop like for Amul Butter, if you see. But I think probably the questions that we had to ourselves when we were looking at setting up as competitors to Tetra Pak was more pertinent in the year '19 when we set up the first plant. I think now, we are for sure that we are going to, it's going to be a success story. It might take a bit of a time to ramp up the capacity utilization level the way it happened in India also. But once it grew, you yourself have seen that for the last 3 years now, we are struggling for having a capacity available because when we didn't have enough capacity utilization, given that the acceptance was taking time and then the COVID came in, we also developed an export market for our product. And today, we do export about 35% of the output of this plant out of India. So, with the result that I've been saying that we are not able to add on more customers in India because of our capacity constraints. But once that happens, the overseas part of the business can be taken over by the Egypt plant. And this plant can do more of domestic supplies and all that for which there is, as I said, that high-teen market growth is there.

So, I think, as I said, this question was more pertinent when we were setting up our first plant. And today, we are 100% sure that our Egypt plant we'll be able to sort of ramp it up faster. We had told you that Egypt itself consumes about 5 billion packs a year and Egypt imports today 100% of its Aseptic Packaging. So that itself gives you a reasonable base to start with. And then you have Africa, you have Europe, Egypt to Europe, you have advantage in terms of duty as well. So, in a couple of years' time, we'll come to you that we are looking to expand the capacity.

Aman Sonthalia: That's great. Sir, this April, I think EPR has got implemented. So, are we seeing something on the ground also or it's just that government has announced and it's got implemented on the paper? But I don't think there is something happening on the ground.

Rajesh Bhatia: So, people are trying to get hold of as to how they comply with these norms. But I think this will -- it just started from 1st of April. As I said, even our capacity in Sector 155 where we are going to spend INR 317 crores is going to come up only and the best case possible by the end of this year. So not that I know of that many others are also not ready. So, everybody is getting ready with the sense that government is serious and they're going to implement in true spirit and that is why the capacity is being added.

Aman Sonthalia: And sir, there is a huge volatility in the price of BOPET and BOPP in the domestic market. So, is it the same in overseas market also or it is just confined to India? And how is the price there? And how is the energy price, cost of production is there in the overseas market?

Rajesh Bhatia: Obviously, the markets we are in, especially the Hungary and the Poland market, there the energy costs are higher. Egypt energy costs are moderate. India is in between moderate and high. But that is not the point. The point is, in any which way, whatever you will produce in India will cost less than the cost of production you will have at the European plant, given the manpower, given the compliances, given the energy prices in the whole of the Europe and all that.

So today, it makes extreme sense for everybody for the European consumers to import from India at a cheaper price or from Southeast Asia at a cheaper price. And that's what is happening. And that is where you see our Poland plant capacity utilization, it has increased in this quarter versus the Q3 from 60% to 70%. But the Poland plant, we never operated at 70%. When we set up the new capacity, the old capacity for years together operated always at above 100% capacity utilization. But now for the total capacity, we're doing about 70% over there. We are only trying to see that how do we take it back to their 100% or beyond 100% level.

If you look at U.S. plant, for many years we are operating at above 100% capacity utilization level. But somehow, there are not much import threat in America, but import threat in Europe after the India capacity overhang has been affecting us at our Poland facility. But Hungary, BOPP because in India, there is no mismatch. So, BOPP at Hungary and Egypt, we have BOPP outside of India only at these 2 facilities is operating at 100% level.

Aman Sonthalia: Since a few of the new capacities are coming in India for BOPP, so do we think that it will also affect Hungary and Egypt in future -- in near future also?

Rajesh Bhatia: It might. But the capacity addition on the BOPP side is still more manageable than the capacity addition what happened in 2023 on the PET side. Then there are large players in this, Cosmo, Max, Jindal. So hopefully, we should not see the kind of madness what happened at the time of the PET. But again, only time will tell as to how the competition stacks up in this category, now that in the next 3 months also, we're going to see at least 20,000 tons of capacity being added in a market -- in the Indian market, which consumes about 84,000 to 90,000 tons a month.

Aman Sonthalia: That means, sir, there is not -- we are not very sure about the future of this film business. But apart from film, other business is looking very good?

Rajesh Bhatia: Film business, we are not saying that we are not sure of future. We are sure of future of this business. But in any commodity business, you see there are cycles when the capacity gets bunched together. And that's the time you see the capacity utilization across the industry moving down. And then again, it stabilizes. And once it starts reaching 80% industry-wide, then people again start to plan new investments and that's where -- again, you get into that cycle, which is about a 7 to 10-year kind of a cycle that happens across the industry.

We saw in 2016, there was a mayhem in terms of the demand-supply. So that stabilized by the time COVID came, the industry was already operating at a very high-capacity utilization level. So COVID gave it a fillip because of the supply chain disruptions and everybody made a supernormal profit in '21 and '22. So thereafter, a lot of capacity came, especially in India, both on the PET side as well as on the BOPP side.

We've also seen a lot of new players who have set up the capacity. They were small consumers, they were into sort of value-added packaging and all that. But they're also looking at the numbers which were there, the prices of the films which were there at that point in time. So, they also got alluded that there are huge margins. And obviously, when all the capacity came together, the margins fell what we see in 2024. And 2025, as I said, we've seen a ramp-up of the volumes also. We see the price going up also. But when such a large capacity gets added, and let's also see it from that point of view that the Indian manufacturers started exporting in a big way to Europe. So, the domestic prices became better by virtue of their exports because the local markets couldn't have absorbed that capacity and the local pricing would have resulted in very low margins. But because of that export happening, a sort of balance happened in the domestic market. The overseas prices are still better as compared to India. And I think as the capacity utilization across the industry goes up -- in India, there is more than 10% volume growth every year. So, it will get adjusted soon.

Aman Sonthalia: Sir, one last question. Sir, what is the update on Hungary high barrier value-added film?

Rajesh Bhatia: Let's connect separately, Sonthalia ji.

Moderator: The next question comes from the line of Mehul Savla from RW Equity.

Mehul Savla: Sir, just wanted to check on this flexible packaging, there was this whole trend of moving to monopolymer from sustainability point of view. But now this government has talked about having a certain portion of recycled component. So, will both grow together or is it that with this recycling part, monopolymer will not be very like the way to go for companies who are looking for packaging solution?

Rajesh Bhatia: I think mechanical recycling is proven, is a sure-shot way to tackle this plastic waste and all that. And once it becomes successful, then this is what will get followed in other jurisdictions as well. So, let's wait for a couple of years for it to succeed and before we have an answer. Monomer also, if you use, so what do you do that? You will again have to recycle that as well. So that may be a different recycling more of a chemical recycling and less of a mechanical recycling.

The polypropylene, you will take it back to the refinery, you will make oil with that and all that stuff. But mechanical is more cleaner and you know that you can use the old pack bottles to make the raw material for your polyester packaging films. You can use that for your rigid packaging bottles as well. So, it looks like that mechanical is the answer as of now, but let's wait for the next couple of years before we have more definitive answers on this.

Mehul Savla: And is there any sector thing like for food purposes we can use one but not like for non-food grade, the recycled part is okay, or it doesn't matter? Even for food grade, you can use part of the recycled -- mechanically recycled?

Rajesh Bhatia: So, all this recycled material that we are talking about is all can be -- you can pack food even using the recycled packaging. So, our packaging is already approved by the US FDA. And everybody else will also get those accreditations. No issues on that.

Moderator: The next question comes from the line of Siddhant Chhabra from Minerva Asset Advisors.

Siddhant Chhabra: Now when you were discussing the overhang, particularly the BOPP expansion coming in this year, so we know directionally what kind of effect it's going to be. There's going to be pricing pressure and margin pressure. But can you give any early idea that you would have what the quantum of it can be? Will it be a 5%, 10% kind of pricing correction or are you expecting more severe?

Rajesh Bhatia: So, for BOPP, actually, we have more presence in PET and less in BOPP. So, our overall BOPP is only about 20% of our total packaging films business. So, we don't see that, that will -- yes, it might get impacted, I'm not saying that it may not get impacted. But how much time and duration and the expectations, I think we'll have to sort of -- we'll have to go by the actual experience as and when sort of this happens. Like if I tell you our total capacity, which is -- so we do about 400,000 tons of BOPET and 150,000 tons of BOPP for us.

Siddhant Chhabra: Okay. Right. And within the specialty segment or the value-added film segment, do you think that segment will be protected more or less or will there be an adverse effect there as well?

Rajesh Bhatia: I think you can reasonably expect that the value-added products will get a bit of an insulation from this overhang in the capacity for sure.

Moderator: The next question comes from the line of Kaushik Poddar from KB Capital Markets.

Kaushik Poddar: Yes. Can you give us a sense of the debt-to-EBITDA over the next 2, 3 years? I mean, you ended at around 3.6 last year. So how do you foresee that ratio?

Rajesh Bhatia: We are at 3.6. It depends on how the EBITDA also behaves. I think max we can look at is about 3.9-odd also.

Kaushik Poddar: For this year?

Rajesh Bhatia: For FY '26 and or FY '27 middle somewhere -- includes the working capital that we have to also have for this. Because as I told you that of the announced projects, I think we need to add on debt of about INR1,200-odd crores. And the same amount is what we have to repay in FY '26. So, the debt that will get added will only be the working capital debt that will get added.

So, if our EBITDA for the next year improves by, say, 10%, we will be looking at about INR2,100-odd crores of EBITDA next year. So INR 2,100 crores into 3.6 will take our debt level to about INR 7,550 crores from INR 6,850 crores, which takes care of my new working capital as well. But if EBITDA is INR 1,900 crores only, so then 3.6 would mean the current level. So, the working capital will have to be the next.

Kaushik Poddar: But can you give us a sense of EBITDA for the next year -- for this current financial year?

Rajesh Bhatia: So, we expect that FY '26, we will have a 10% revenue growth. And a 10% revenue growth over currently INR 15,000-odd will give us about INR 16,700-odd crores and a 13% margin on this 12.5% to 13% margin should give you INR 2,100-odd crores of EBITDA.

Kaushik Poddar: Okay. And on the film side, you are okay with the BOPET scenario. I mean, BOPP, you said there is some concern. For the BOPET, you don't see much of a concern, right?

Rajesh Bhatia: So BOPET, we want better because as I told you that some of our facilities in Poland are at a lower utilization level given that there's a lot of exports happening from India. So, I think we would love to see our plants back in full action. So hopefully, next 1 year as the India demand supply gap narrows, so we will have a better situation in our European jurisdictions.

Kaushik Poddar: Okay. And see, FY '26, you are thinking of a 10% top-line growth. Can we expect a similar growth in FY '27 also with all your plants in operation? I guess, all your expansions will be in operation by the end of FY '26. Is it right?

Rajesh Bhatia: But I don't have a number right now to give you for FY '27. But surely, with WPP, with the recycling and with Asepto Egypt getting commissioned, there will be obviously definitely some revenue accretion to this and all that. But what happens is sometimes when you actually start a project, because it takes time to stabilize for some of the initial couple of years, you may not make that much of a profit that what you are actually looking for. It takes time for the things to settle. So, I don't have sort of a clear-cut visibility for FY '27. Yes, theoretical visibility will be there that if you add this much of a top line with this much of an EBITDA margin, you will have that. But I think let's give us a couple of more quarters before we can guide you on FY '27 as to what we're looking at. By that time, we'll also be sure as to how the development and the construction of our projects is coming, is happening in.

Kaushik Poddar: Are you thinking of any other projects? I mean, this time, every time we see a newer project every financial year. So, for the moment till the time that your debt equity improves, can we project that there is no more project to be coming or how is it?

Rajesh Bhatia: I don't make that decision. The Board and the management, the family has to take that decision. So, if there are opportunities, surely, they will be keen to expand this. But as I said that if we are -- let's say, we go to INR2,300 crores of

EBITDA in FY '26 itself, obviously, you're much more in a different frame of mind, than you will be at an EBITDA of INR2,000-odd crores in terms of looking at as to what next. So, growth is quite has been our style of the way we've been performing.

Yes, we have added capacity over the last 4, 5 years, but we have performed also. And we do expect that there were temporary blips in the margin profiles because of the overcapacities, etc., and all that. But I think we are a very large player in this business, and we have to look at protecting our market share, our markets.

So, if there are opportunities which make sense in the future as well, there will be expansions. But yes, we'll remain very, very aware about our debt levels and all that. So, 3.6 current level and all that should be overall guidance that we can look at this as a future reference point for our debt levels.

Moderator: The next question comes from the line of Raghav from Aequitas Investments.

Raghav: Sir, I have 3 questions. The first one being, what are the new capacity expansion that we have planned for BOPP and BOPET?

Rajesh Bhatia: We don't have any capacity addition planned for BOPET and BOPP.

Raghav: Sir, is there been any new capacity planned in the industry perspective in general?

Rajesh Bhatia: So, industry in India on the BOPP side, I told you that there is going to be about 20,000 tons of capacity getting added in the next 3 to 4 months. On the PET side, I think there is only one line which is -- which was announced, which is expected to get commissioned. I don't have the timing for that. And on the PET line, now recently, Jindal Poly has announced a few days back, they've announced a BOPP line, a CPP line and a PET line in India.

Raghav: Perfect, sir. Sir, and if I could get a tentative idea about the margin profile of the company vis-a-vis the industry?

Rajesh Bhatia: So, I think we work in various segments of the business, packaging films, packaging, holographic, Aseptic.

Raghav: Sir, I'll be wanting more towards the BOPP and BOPET part.

Rajesh Bhatia: So, BOPP and BOPET part would be about 10%-odd currently.

Raghav: Fair. And for the industry it will be in the similar ranges or a bit higher?

Rajesh Bhatia: Similar ranges, depending on the value-added, it could be 1% plus or minus, but largely in that range only.

Raghav: Perfect. Sir, my last question will be regarding the current spreads of BOPP and BOPET, if you can give some light on that?

Rajesh Bhatia: Sorry, on?

Raghav: On the current spreads of BOPP and BOPET.

Rajesh Bhatia: I think import EBITDA margin, what I told you across the BOPP and the PET overall 10% to 11% range is what the industry as a whole is getting. We are not only in India, we are also in the overseas territories as well. So Nigeria's profile will be different. India would be different. USA would be different. Europe would be different. So, I think we have to talk a blended average only as of now.

Raghav: And sir, the blended average for this year would be 10% to 11% and for guidance will also be in the same range or we'll improve something?

Rajesh Bhatia: Guidance could be given that BOPP may see some competition, the PET may improve a bit. So, it will be give and take between BOPP as well as the PET. So overall guidance for this year on the PET industry margins on the packaging film industry margins, I think let's look at 10% to 11%.

Moderator: The next question comes from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Yes. Firstly sir, if you could give us some colour on our Film Business in terms of -- you have been alluding to the fact that there will be capacity addition for BOPP going ahead and BOPET has performed better. So, if you could just give us some more colour how the spreads have been for Q4? And when we look at the Q-on-Q numbers, December to March, we have seen lower profitability. So, what factors have alluded, how have the margins for the film business shaped? Sir, some more colour on the same.

Rajesh Bhatia: I think that much of what we saw in the Q3 versus Q4 that much of variability is always there on a quarter-to-quarter basis. So, we saw that in the Packaging Films, there were some corrections which happened in Q4 over Q3. And that's the reason the margin profile is -- the profitability in Q4 is lower than Q3. But at the year-end, you also have a lot of things which you need to provide for and all that.

So I'm not sort of getting on to that, because if there is a loss in the Packaging Film business, there will be a better margin in the Packaging Business because the Packaging Business will always gain -- perform better when the Packaging Film prices go down and vice versa because they work with -- they have orders in hand and then they buy their raw material at a lower cost and all that. So, it gives them the benefit. But overall, between Q3 and Q4, we didn't see much of a differential product category-wise. We only saw that Packaging Films prices in the market became a bit soft in Q4 as compared to Q3.

Saket Kapoor: Sir, can you provide us with the spread for the BOPET film? How have the spreads shaped up for the quarter?

Rajesh Bhatia: No, we'll have to get back to you on that offline.

Saket Kapoor: And sir, I also would like to congratulate the Board for a INR3, 30% dividend payout. So, thank you for looking into the aspect of it. And now, sir, coming to the key concern on the valuation metrics, which you already mentioned that we are not looking for any raising of equity. But earlier, I think so we were -- for the investor we are provided with the input that there might be some listing of our foreign subsidiary or some value creation exercise maybe carried out. So, if you could just provide us with some colour where are we in that part of our subsidiary listing or value unlocking, if any, that we are looking?

And second question was about the value-added contribution. How are we seeing this percentage moving up for the current financial year vis-a-vis the percentage which we have talked for the current? So, if you could just give the comparative number of what kind of growth we are looking? These 2 factors, sir.

Rajesh Bhatia: First, our plans for our listing of our overseas subsidiary, I'm not saying that we will be not prepared for that. Yes, we are prepared for that. But as of now, there is not much opportunity in that space. So that is why I said that in near-term, I don't see that any equity raising to reduce the debt or anything else.

But having said that, we had initiated that. We had worked upon a lot on that and then the market stand and all that. So that exuberance which was there in markets at that point in time, we don't still find that they are back and we can look at equity raising in the near-term. So, when I said that, that was only meaning in the near-term. But if there is an opportunity after 2 years, we'll surely look at raising equity at a Dubai holding level.

Secondly, your second question is not very clear to me, but what I get from you...

Saket Kapoor: I will repeat it. It is the value-added product contribution to the overall revenue mix. How the value-added contribution will be in terms of the percentage? Value-added products and in the Film segment also and again the Aseptic also going ahead, how will this shape up?

Rajesh Bhatia: So, all these questions related, earlier also, there were questions relating to this value addition and all that, value-added products. I think we will take all of them offline and our teams will get back to you.

Saket Kapoor: And sir, thirdly sir, do we have ESOPs in our organization or that is not mandated?

Rajesh Bhatia: We don't have ESOPs.

Saket Kapoor: Okay. And sir, fourthly sir, as you mentioned that it will be the call for the promoters whether they will go for further expansion or how are they going to lower the debt that will be the exercise done by that.

So although, sir, you are a professional representing the company and we are getting the right answers and the right guidance from you, but we would request the promoter or the promoter family member to also join and address the investor queries in terms of these factors that are not allowing us to understand how this value creation exercise or whether value could be created out of our assets because market is not valuing us correctly and there are good reasons for the same.

So we would request yourself to also provide the input to the promoters and their Managing Directors, Chaturvedi ji so that if he is addressing the investors or listening to us and giving the right -- his viewpoint that would suffice lot of queries going ahead, because our promoter stake is also I think below 50%.

So, we could ask the promoter or promoter family member of why they are not opting for creeping acquisition when there is so much value available. So, these questions are left unanswered since there are no presentation and only -- no participation from the promoter category. AGM would be the only platform for us. So, this is a request from my side, sir, if that could be conveyed to the promoter family.

Moderator: The next question comes from the line of Aman Sonthalia from AK Securities.

Aman Sonthalia: Sir, any reason for the dip in chemical business?

Rajesh Bhatia: Chemical business is in right condition. Chemical has not dipped. Chemical has performed better. Chemical business profitability, though we don't share those numbers separately for you, but I can tell you that chemical business profitability has been better in FY '25 over FY '24.

Aman Sonthalia: Sir, we have two businesses. One is a Film Business and the other is a value-added business like a non-commodity business. So, do we foresee that our non-commodity business, in which we are assured of our profit, that will do much better compared to this commodity business in 2025 and '26?

Rajesh Bhatia: Even commodity business will do better as -- we will see the ramp-up in the overall capacity utilization industry-wide. So, we've seen in the past that even the business on the Packaging Films has delivered about 14% to 15%. I'm not counting on the COVID years. But without the COVID years also, the Packaging Films business has contributed 14% to 15% kind of EBITDA margins. So, I'm sure that we'll have those days again in the next couple of years' time.

And today also, let's accept the fact that, that business is a substantial part of our business. Today, how much we've shown you how much of our business is Packaging Films, which is -- 77.7% of the business is Packaging Films business.

Aman Sonthalia: Sir, but I think the profit is I think not 77%, I think it is less than 77%. And I think the profitability of the non-film business is more?

Rajesh Bhatia: The profitability of the non-film business is definitely better. There's no doubt. It's better. Holographic is better. Engineering is better, everything is better. In Packaging Films, what I'm trying to say is '24 was a very bad year for the industry. '25 has been -- has shown a lot of improvement in the Packaging Films business and '26 will be better also.

Aman Sonthalia: Okay. And sir, one last question. In the Mexico business, how much turnover can we expect from that business at full capacity and what will be the margin in that business?

Rajesh Bhatia: Which business you are talking about?

Aman Sonthalia: Packaging business, pet food packaging business.

Rajesh Bhatia: Pet food packaging business, we are looking at about 22% to 24% EBITDA margin.

Aman Sonthalia: And turnover, sir, at full capacity?

Rajesh Bhatia: Once correction, Packaging Films is 62.3%.

Aman Sonthalia: Sir, what can be the turnover of our PET film packaging plant planned in Mexico?

Rajesh Bhatia: Its turnover will come at about $50 million at full capacity.

Aman Sonthalia: $50 million, that will be around INR450 crores. Yes, sir. And, sir, it seems that next year, this year or in the second half or next year, the capacity that we have in the recycling business in Mexico, in Egypt and in India, will the utilization level ramp up?

Rajesh Bhatia: I think FY '26 the big investment that is being made in recycling, right now in India is in Noida, the INR 317 crores that are being spent. Before that, whatever investment has been made, those are small plants, more of a showcase purpose. But definitely, we expect that, like we have put up a PCR, in which we take old pet bottles and then make a film from it, the demand for that film will increase.

So, I think in FY '26, definitely, we are looking at all our initiatives on the recycling, on the sustainability initiatives, we'll do, sort of much better, including the new investment, what we are proposing in Noida.

Aman Sonthalia: And sir, last question. We have a capacity of 12 billion packs in Asepto in India. So, the way the requirements are coming in liquor and other sectors, do you think that we will need further capacity in future in the Asepto business in India also?

Rajesh Bhatia: I don't see that we will need more capacity in India for a few more years. Because the plant in Egypt has 12 billion packs capacity, so we can start exporting from there, and spare some of India's capacity here for domestic market. We can play between the two.

Because Egypt's capacity of 12 billion won't be complete in the first year. So, that adjustment can be made with Egypt, that we shift exports a little there and for domestic capacity -- for domestic volume, there will be a little headroom here.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Surajit Pal: Thank you, ladies and gentlemen. We appreciate your time, questions and continued support. The transcript of this call will be made available shortly on our website at http://www.uflexltd.com. We value this platform as a key opportunity to connect with our investors, stakeholders and we look forward to sharing further updates with you in the next quarter. Until then, stay safe and have a wonderful day. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Dolat Capital Markets Private Limited, 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 the Earnings Conference Call - Webcast.

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