



# UFLEX LIMITED

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Plot No.C/1, G-Block  
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The BSE Limited  
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1st Floor, New Trading Ring,  
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Mumbai – 400 001

**Scrip Code : 500148**

**Scrip Code : UFLEX**

**Subject: Transcript of the earnings conference call conducted on 16<sup>th</sup> November, 2022**

Dear Sir(s),

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call conducted on 16<sup>th</sup> November, 2022. The same is also hosted on the website of the Company at [https://www.uflexltd.com/pdf/EarningsConferenceCall/2022-23/UFlex\\_Q2FY23\\_Transcript.pdf](https://www.uflexltd.com/pdf/EarningsConferenceCall/2022-23/UFlex_Q2FY23_Transcript.pdf).

Request you to take on record.

Thanking you,

Yours faithfully,  
For UFLEX LIMITED

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

*Encl: As above*



“UFlex Limited  
Q2 FY‘23 Earnings Conference Call”  
November 16, 2022



**MANAGEMENT: MR. RAJESH BHATIA – GROUP CHIEF FINANCIAL OFFICER AND GROUP PRESIDENT (FINANCE & ACCOUNTS) – UFLEX LIMITED**

**MR. APOORVSHREE CHATURVEDI – DIRECTOR, EU OPERATIONS AND SUSTAINABILITY – UFLEX LIMITED**

**MODERATOR: MR. SANJESH JAIN – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the UFlex Limited Q2 FY'23 Results Conference Call hosted by ICICI Securities. 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. Sanjesh Jain from ICICI Securities. Thank you, and over to you, sir.

**Sanjesh Jain:** Thanks, Lizann. Good evening, everyone. And on behalf of ICICI Securities Limited, I would like to thank you all for taking the time to join us on UFlex Q2 FY'23 Results Conference Call. From the company's leadership team, we have with us; Mr. Rajesh Bhatia, Group CFO, UFlex Limited; and Mr. Apoorvshree Chaturvedi, Director, EU Operations and Sustainability. We would open the call with opening remarks by management, followed by a Q&A session. I would now like to hand over the call to Mr. Rajesh Bhatia, Group CFO, UFlex Limited, to make the opening remarks. Over to you, sir.

**Rajesh Bhatia:** Thank you. Thank you, gentlemen, for taking your time out for this earnings call for Q2 FY'23. At the outset, I would say that this has been a decent enough quarter. Yes, there are a few pluses and a few sort of things which didn't go the way they were going in the earlier quarters. So the, while we did the revenue, incremental revenue of close to about 27% this quarter on a term-year basis. And on a year-on-year basis, we have EBITDA at about INR 493 crores, which is again up by 16% on a year-on-year basis and PAT is up almost 12% to INR 190 crores on a year-to-year basis.

The liquid packaging business continues its robust performance. And even on a year-on-year basis, this quarter, we have 146% net revenue growth coming from the aseptic packaging business. And even the flexible packaging business, the revenue growth in this quarter has been close to about 28%, and for an H1 basis, the revenue is up 36% close to about INR 7,900-odd crores. EBITDA is up 31% to INR 1,218 crores. PAT is up 30% to INR 565 crores.

And liquid packaging, even last quarter, it had done pretty well. So for H1, the liquid packaging sales revenues are up 145% and flexible packaging also for a full H1 basis, the flexible packaging category business has about 24% growth in the revenues in the H1, which augurs well. This quarter, we saw some softening of the raw material prices for the polyester as well as the BOPP films.

So obviously, when the raw material pricing fell, it moved towards the far end of the quarter, and obviously, then the prices fall, so you have to adjust your stocks based on the current prices levels. So those things have contributed to lower volume as well as the lower margins in the packaging film industry, we've seen across the industry peers that in the packaging films industry, the margin this quarter for all the players, whether it is SRF, Polyplex, Jindal Poly,

Ester so everybody has reported lower margins as compared to Q1. But yes, on a year-on-year basis, still the numbers are much better. And that's what is reflected in all these numbers.

And as I said, the silver lining is, the other businesses both the liquid packaging as well as the flexible packaging are sort of put up a decent performance in the H1 of the current financial year, which has compensated for the loss of revenues and the profitability on the packaging sales side.

Also for us, post the start of the Russia-Ukraine conflict, I think the energy crisis in Europe has also affected our margins. So on, for a H1 basis versus the same period last year, if I were to see we have Hungary where the energy costs are up by 120%. In Poland, costs are up about 35%. So that has also been an additional factor for the European manufacturers where the energy costs are impacting the margins. Fortunately, we don't have a crisis in terms of the availability of the energy so far. And the plant has been constantly operating for the entire period and we had no issues with respect to the availability of the energy both power as well as the gas so far.

So largely, these are the financial metrics for the current quarter, as well as for H1. The debt level for the company as a core, the working capital again continues to be a bit of where we are, we spent about during the period H1, our working capital, net working capital deployment in our businesses have gone up about 40%.

But our debt level on an overall basis is up only by about INR 200 crores as compared to the last quarter, which is primarily because of what our investments being made in our Dharwad facility and Dubai CPP facility. So the Dharwad CPP facility has got commissioned in the last week of September. And the trial runs for the CPP Dubai as well as for the Dharwad BOPET are currently on.

And hopefully, in the current quarter or beginning of the next quarter, we commission those capacities as well. The Panipat expansion for backward integration into the fact sheets is also moving at its desired pace. And by FY'25 is the target when we are likely to complete this, which will sort of give us more security for our key raw material as well as will add on to the margins for our packaging, overall packaging films business.

So that's it from me in nutshell as to how's been the quarter and H1. And we are open to any questions at this point in time.

**Moderator:** The first question is from the line of Subham Agarwal from Aequitas.

**Subham Agarwal:** Sir, my first question was related to the BOPET spreads. So I wanted to know what are the key reasons why the spread has declined so much in the last one month or two months, and given that our Dharwad plant is also coming in India, which is a very big capacity, how do you see the spread moving in the near term?

**Rajesh Bhatia:** So I think the spreads are likely to go up again, the current quarter is normally a lean quarter. But we are starting as next quarter we are expecting that the spreads will be back. And we're

seeing that Europe, in particular, the demand is affected because of the consumption issues and people have to really choose between they're paying much higher for their energy, so demand is bit subdued there. So overall, I think after a gap of, I would say, close to about three years where there has been only one way up on a quarter-to-quarter basis in terms of the growth charting for the whole packaging films' industry. So this quarter, we've seen a bit of a correction, which is on account of demand slowing down and also some capacity also came on stream in India. But we don't think that, this is going to last very long. So maybe from the next quarter onwards, we will have the margins again picking up.

**Subham Agarwal:**

So in Europe, if I compare to, let's say, March quarter, what has been our volume decline? Because if I see overall volume from March quarter, it has declined by 9%. At a time when aseptic packaging has also come in full swing. So I wanted to know exact decline in those areas?

**Rajesh Bhatia:**

I think we don't share the numbers, the plant-wise and all that, but whatever decline you see on a quarter-to-quarter basis, that's basically because if you see on a quarter-to-quarter basis, the numbers for the packaging will for the liquid packaging as well as for the flexible packaging and have been like I said, the net revenue in the flexible packaging has gone up by about 24% in the quarter and liquid packaging, about 145%. And the Q2 numbers were also reflecting the same kind of growth. So the resultant decline on numbers vis-a-vis Q1 is only on account of the lower volumes in the packaging films business.

**Subham Agarwal:**

And lastly, sir, my question was on the working capital. So now that we have seen a decline in raw material when do we think the working capital requirement will squeeze and we'll have enough cash to repay debt?

**Rajesh Bhatia:**

No. So the debt amortization, whatever is happening is happening. So there I guided that normally in a year about -- out of long-term debt, which is about INR 3,700-odd crores for us, and the rest is the working capital, and then we have some cash and cash equivalents. So that number will go down by about INR 600 crores each year. So that's the INR 500 crores to INR 600 crores each year, and those repayments are happening. So the working capital release if the -- when the prices come down and so the working capital increase for us has been on two accounts. One is the volumes going up, which obviously means that you require more working capital, aseptic packaging, as I said that the last quarter also, I said that what we are planning to do is rather than we planning to do much better than the rated capacity, what we have about 7 billion packs from, starting from January and obviously, because most of the items there, we import, so which has a longer lead time. So the working capital requirements have gone up in line with the incremental volumes, which have already come our way, as well as also the incremental volumes, what we are planning from liquid packaging from Dharwad, BOPET completion. Yes, in the current quarter, we see some respite on the working capital as the prices for the raw material and the finished goods both come down. But largely, what I'm trying to say is the working capital the overall debt increase over the last quarter is only about INR 200 crore, which money has gone to fund the projects. And the working capital base largely be funded from the internal resources.

- Subham Agarwal:** No, if I see our short-term debt compared to March, it is almost INR 600 crores up. So it was INR 1,491 crores versus INR 2,068 crores. So do we see a decline in this going forward?
- Rajesh Bhatia:** I really don't think so that there will be much decline in those numbers.
- Moderator:** The next question is from the line of from Yash Dantewadia from Dante Equity.
- Yash Dantewadia:** So the recent set of numbers in the current macro environment. My first question is regarding your previous margin guidance that you gave for this financial year, which was 17% to 19% for the whole year. In the first half, we've seen a margin at an average of 14.5%. What is your guidance for the second half, sir?
- Rajesh Bhatia:** I think we're still looking at about overall for the year as a whole 16% margins. But, this is predicated now on the volumes coming our way from the liquid packaging starting from January even currently in the lean quarters today, we are doing above 90% capacity utilization in that business. So overall guidance with the expected margins coming back in the flexible packaging films business. I think we can still look at about 16% for the year as a whole.
- Yash Dantewadia:** So 16% for the whole year, then next year you're expecting the margins to come at around 17% to 18%.
- I said sir, for the second half; you're expecting net-net approximately 17% to clear the whole financial year with 16% right?
- Rajesh Bhatia:** 16%, yes, you're right.
- Yash Dantewadia:** Yes. And also my second question was with the aseptic packaging capacity utilizing. Could you please make me understand how your capital capacity utilization at 90%? Was it mainly because of exports?
- Rajesh Bhatia:** Yes. The lean months now, we are doing about 50% exports from the plant and the export market continues to be very, very exciting.
- Yash Dantewadia:** Well, this is really astonishing because I really expected the capacity utilization to come at a lower point, especially in the nonseasonal time. So that's really good to know. Also, with -- related to your Dharwad capacity, when do you see the capacity utilization levels to move, let's say, up to 80%, 90%, how much time do you think it will take you to scale it up to that level? That's my first question.
- Rajesh Bhatia:** Maybe about, with the current demand scenario, of course, 12 to 18 months' time.
- Yash Dantewadia:** And what would be your peak revenue as per the current spread? When this reaches at 80%, 90% capacity utilization?
- Rajesh Bhatia:** So I think at about 4,000 tons a month, it should give you about INR 700 crores top line.

**Yash Dantewadia:** Okay. Sir, could you talk more about the raw material prices and the availability? And how do you see the raw material pricing going forward?

**Rajesh Bhatia:** So the raw materials have corrected and in line with the demand supply equilibrium, the availability is now also much better, and I think we're not seeing any issues on the availability, as we were seeing earlier, and the freight prices have also come down. So overall, I think this adjustment, which is now happening, will be probably end by the end of this quarter. And then we have a relative stability on the raw material prices as well as substrate prices and all that, and that will be right time to predict the prices for the next one year or so. Right now, we've seen that the prices have moved down a raw material in the last quarter, and they are marginally gone down in this quarter as well.

**Yash Dantewadia:** So are we passing it down completely? The raw material that the prices coming down, are we passing it on to our customers immediately?

**Rajesh Bhatia:** So for the spot customers, yes, you have to do and for the customers where they are linked to the indices or benchmarks and all that, there is a bit of lag. But falling packaging film prices means that flexible packaging, which was under pressure because of every quarter, we were seeing the prices going up and all that. So they stand to benefit because they are the ones who have the past months index-based contracts normally.

**Yash Dantewadia:** Has there been any update with your Dubai listing?

**Rajesh Bhatia:** No. So that is, I think we have to wait because of the market conditions and all that. But we are constantly in touch with our investment banker. And they are now looking at somewhere in the Q2 and Q3 of the next financial year. When they say Q2, Q3, that based on a calendar year basis.

**Yash Dantewadia:** Okay. My last question, sorry for taking so many questions. But regarding your Panipat capex, could you please tell me what kind of ROE are you expecting on that capex?

**Rajesh Bhatia:** About 18%.

**Moderator:** That is from the line of Jiten Parmar from Aurum Capital.

**Jiten Parmar:** Good Afternoon. This was a difficult scenario. I kind of backing this polythene company. And I think company has given a reasonable performance. My worry is on another call, I heard that there is 40% capacity additions in three years in BOPET, if that is true, will it not lead to a supply growth? That is my question. And if you can throw some color on this?

**Rajesh Bhatia:** So I think, I don't think so that is 40%, but whenever there is a bunching of the capacity, that's where it affects the business in a quarter or in two quarters and all that. And given that India demand is growing at about 10%, 11% for the packaging films. I think this capacity adjustment will be much faster. The only thing is that when the events, all of the events happen at a particular point in time, like the Europe going down in terms of the consumption and that affecting the volumes over there in India, some of the capacities coming into play. I think, so

that is where I say that if we take the current quarter out, so next quarter, things should be back in the line.

**Jiten Parmar:** Ok! And Asepto, long back, when we started and we were expecting 20% kind of margins -- is that happening? I mean what is the status there on Asepto?

**Rajesh Bhatia:** So Asepto margins, I would take it as anywhere between 15% to 17% on a normalized basis. This when we started our new plant as there was so much of demand requirements, and we could not adjust the plant fully. So we had a situation where we had more wastage, which led to fall in the margins. So when I look at the current profitability, that is built on about 10% to 11% margins from that business. But normally, our guidance on a medium to long term basis, our guidance on that business is 15% to 17% or 18% kind of a margin depending, so that variation will be more because of the paper or the foil prices. But otherwise, till date, we've achieved those numbers in that business, over the year, over the last couple of years. But because of this new plant commissioning, and all that, the wastages were slightly higher, which have been addressed now.

**Jiten Parmar:** So yes, I mean, I've been following Asepto division for a long time. And finally, it seems that things are getting in place, though it did take longer than what I think all of us expected, but it is good to see that it is going in the way. Now you did mention in earlier question that capacity utilization there is 90%. So is there any plan of any expansion there in the future and if yes, then what will be the capex for it?

**Rajesh Bhatia:** No, the first plan is, can we do instead of 7 billion packs, can from the plant we deliver 9 billion packs. So that's the first endeavor. So once we complete that and we will be able to book that capacity, I think that's when we will sort of start ideating about do we need to expand capacity there and if that expansion has to be in India or abroad, given that the export markets have really clearly done well in terms of exporting. And in fact, this quarter for us has been our highest ever exports ever in the history of UFlex. So, which is led by our aseptic packaging division as well as our chemicals business. So both are, you know the exports have increased tremendously.

**Jiten Parmar:** So one feedback I would like to give is if we can have an investor presentation every quarter explaining the mechanics of the different business, how they work and some more granular details if they are given, it will help. Just a suggestion from my side. Question-wise, that's all I have. Thank you.

**Rajesh Bhatia:** Sir, we've said that we're happy on the call to explain you some of the more insight, but because of certain competition dynamics, other dynamics, I think we are refraining from, on the call, we'll be telling you as to what numbers for each business and all that. But we'd like to go, keep it this way for some more time and then see.

**Jiten Parmar:** So if I can ask a question on this. So Asepto, what is the kind of revenue which we can do this year and what are our expectations for next year as aseptic packaging?



- Rajesh Bhatia:** I think if we start doing about, say, 700 million packs or 800 million packs from January. We should look at about INR 1,500 odd crores.
- Moderator:** The next question is from the line of Kaushik Poddar from KB Capital Markets Private Limited.
- Kaushik Poddar:** Yes. See, there is a good amount of other income in the announced results. Can you, is it an operating income or?
- Rajesh Bhatia:** That's all operating income. It's all operating income.
- Kaushik Poddar:** But why is it categorized as other income?
- Rajesh Bhatia:** Because of the accounting norms. So something which is not sale and purchase that is not recorded as a revenue that is recorded as an other income. But it's all operational income. Nothing to do with an exceptional item or anything.
- Kaushik Poddar:** And you just guided for a 17% operating profit margin for the second half. So does it mean it will start that 17% you'll hit this quarter itself, but it's a combined third and fourth quarter?
- Rajesh Bhatia:** No, I think it is the H2 what I'm saying, so not necessarily in this quarter.
- Kaushik Poddar:** And this INR 600 crores repayment, will that happen this year also, or you're talking from next year?
- Rajesh Bhatia:** So I'm saying even this year, we had about INR 500 odd crores of the repayment which are being done gradually as they mature. So normally, as next couple of years, we have a number of about INR 600 crores every year, which is being paid. So today, we have not seen the fall because we are adding on to the debt for our Dharwad, Dubai and now for our Panipat facility.
- Kaushik Poddar:** And lastly, on the circularity front, I mean, if you can say something, what is the scenario looking at for next two years, three years? I think Mr. Chaturvedi is also there, probably, he also can highlight these things.
- Rajesh Bhatia:** So see, I think we are probably working quite extensively on some of these aspects, and we've realized that whatever we've done in the past to begin within our plants in India that has been acknowledged. And there are new EPR guidelines, which are now promoting recycling, which are now promoting biodegradable packaging, and in line with our success there, what we're also setting up PCR facility in Mexico. We are also doing a multi-layer packaging recycling facility at Poland. We are also doing in Egypt, again, our PCR facility, which is like converting the PET bottles into the PET chips and using them for making the PET films, the idea is while the raw material, it enhances your raw material security. This is also works out to be a bit cheaper as compared to your virgin raw material, and the ultimate product that is made out of the recycled PET chips, which is the PET film, that gives you a better pricing in the market.

And going forward, I think that is the way to be and it's better to be a pioneer and take a first mover advantage in that field rather than just waiting for it watching the situation and then following others. So we have taken quite an aggressive positioning in terms of showcasing as well as in terms of ensuring that while we do all these investments, but because they also increase our circularity, they also means higher profitability and higher margins for us. So we're quite aggressive across most of our facilities to promote the recycling and the use of the recycled raw material. So that's what our focus is.

In India, you know that the new EPR came into effect from July of this year. And again, though that has been deferred by a year, but one thing is very clear on that, that the government is focusing on biodegradable as well as the recycling. We have capability in both of them. And so obviously, next couple of years as the brand owners have to have higher obligations each passing year to do reaching up to 100% levels. I think these investments are going to be quite good in the times to come. Mr. Apoorvshree Chaturvedi also, you said that, if he can also contribute. I will request him to kindly give his views on some of the aspects, if that answers your question then.

**Kaushik Poddar:** Yes, that answers my question. I mean if he can add something, then that will be great, but if he.

**Rajesh Bhatia:** I think let's move on.

**Moderator:** The next question is from the line of Avni Shah from Arka fincap.

**Avni Shah:** I just wanted to ask what will be the peak debt that is expected?

**Rajesh Bhatia:** So I think we're not going to add much of the debt. I think except the Dharwad now, all other things have been completed. So while we add fresh debt maybe 100 million, but we'll pay that much also during the next 12 months odd or so?

**Avni Shah:** And any capex guidance other than this Panipat plant?

**Rajesh Bhatia:** No. As of now, nothing. There could be a few -- in a large facility like this, there are always some of the balancing equipment's and all that, but there is no capacity increase capex that is as of now.

**Moderator:** The next question is from the line of Arushi Shah from Sushil Finance.

**Arushi Shah:** I have two questions. Number 1, is there any competition or something for the Asepto business? And if you throw some light on the MC diverse?

**Rajesh Bhatia:** So Asepto, there is already a competition because you have Tetra Pak, which is the biggest daddy. So they are in India for many years, and they basically have a sizable chunk of the market, maybe over 70% market share that they have. So that competition is always there. And the market is growing, as I guided earlier also at 18% to 20% annually.

So obviously, in a high market, maybe in the next couple of years, maybe we can have one more entrant also in the market. But when the market is growing so fast, so the existing players also, so we're not saying that we've come and the Tetra Pak has shrunk. So while they may have shrunk in the terms of their market share. But if we look at the overall volumes and numbers coming from them also, they'll be pretty healthy.

**Arushi Shah:** And also, one more thing. The backward integration plant, which is I think in Panipat, right sir. So how much would that translate into the margins if you could quantify it, a ballpark number?

**Rajesh Bhatia:** I had said that, that project has an ROE or ROI of about 18%. So it costs us about - that project cost, we already communicated to the market is about INR 587 odd crores with 18% kind of a return that we are expecting from that. So I think, but how much it means for the films business and all that? I frankly don't have the calculation before me.

**Arushi Shah:** Okay, sir. And the spend in the H1 in purchasing of new PPE because as I see, there is a little bit of jump in the cash outflow, is there any significant...

**Rajesh Bhatia:** Purchase of?

**Arushi Shah:** Sir, property, plant and equipment? So is there a significant capex or we've just finished our capex or whatever we had taken up or something like that?

**Rajesh Bhatia:** So there is no other capex other than what we have we've already disclosed. Anything which is not capacity accretive and all that, all that are still be there some coating machines here and there and things like that. But -- the larger ones are only contributing to the increase in the PPE.

**Arushi Shah:** And so do we have a definite number for which we allocate to the replacement and maintenance capex? Or it is normal?

**Rajesh Bhatia:** No, there's no number on that.

**Moderator:** The next question is from the line of Rushabh Shah from Anubhuti Advisors LLP.

**Rushabh Shah:** Just one question on the post-consumer recycle and multilayer plastic recycling facilities, which we are planning in Mexico, Poland and even Egypt going forward. So what are the capex that we are emphasizing on these and what are our internal numbers revenue or maybe margin guidance or ROE, which you can help us? And how soon we can expect these to be commissioned?

**Rajesh Bhatia:** I think these will be all commissioned within this financial year itself. I think the ROEs currently, our ROIs currently are bit unbelievable, but these investments are really small, depending on the size, the sizing of the plant, range from 3 million, 4 million each plant to about 10 million at the best.

**Rushabh Shah:** So these will be largely funded from internal approvals itself?

- Rajesh Bhatia:** Or there maybe if there are some facilities available where you get a benefit in terms of because these are recycling and all that. So we'll always like to avail that any cheaper financing options available for us than any of these.
- Rushabh Shah:** So post that also, we are planning to repay almost INR 600 crores of debt this financial year, correct?
- Rajesh Bhatia:** I think this year was probably INR 500-odd crores. Next year, it is, so FY'24 is about INR 600-odd crores.
- Rushabh Shah:** And any sort of this recycling plant or a recycle plant you are planning in India? I think the last quarter.
- Rajesh Bhatia:** India, we already have. So India, we already have at our Noida facility and all that. So there is no plan there. For the aseptic recycling, we're doing a small investment. I think that was 4 crores, 5 crores. So that is what we are doing.
- Moderator:** The next question is from the line of Rohit Sinha from Sunidhi Securities.
- Rohit Sinha:** Just wanted to understand when we already know that there is overcapacity. I mean, everyone is talking about overcapacity in global space. So normally, what time frame it takes to absorb these kind of capacity addition. And when we are expecting a normalization in demand supply scenario?
- Rajesh Bhatia:** So I think just to get your question split into two parts. Internationally, there is no overcapacity situation. We see some because of the Europe consumption decline, we've seen some impact over there, but there is not an oversupply situation, which is impacting over there. In India, there is couple of plants, which are coming into play in H2 now, including our Dharwad facility and all that. And I had said that next quarter onwards, I think that adjustment would have already happened, and the margin will be back to the normal.
- Rohit Sinha:** And just maybe someone has already asked, sorry to repeat. But looking at the current debt profile, and looking at our strong cash generation in the business also. So I wanted to understand, since there is no major capex lined up post all these I already have mentioned, so how our debt is would be looking in the next two to three years, mainly FY '24, '25. And any further capex plan line up?
- Rajesh Bhatia:** I think I have already answered that by giving you an amortization schedule of our debt. And other than what we've already disclosed in terms of our expansion plans, there's nothing what we are likely to planning underway. I think after we complete the Dharwad, after we see our numbers on the aseptic packaging beginning from coming January. I think that's the time when you would look at, evaluate and then see whether you need to invest more or consolidate for some more time, make plans accordingly. But as of now, whatever is there, we've already shared with you.

**Rohit Sinha:** And in our overall portfolio, how much would be the contribution from the value-added products? And are we looking to expand the portfolio going forward for this value-added product?

**Rajesh Bhatia:** I think we are doing that. As I said, that this requires investment in some coating machines and all that, which is being done in Egypt as well as in Mexico. So we're looking to do sort of more value added from there. So I think that's the way to go, the recycling, the PCR, the MLP and some of the facilities, which will give you a value-added films.

**Rohit Sinha:** So in terms of adding more value-added products going forward...

**Rajesh Bhatia:** I'll not be able to give you more guidance on this as of now. I think let's wait for one more quarter or two more quarters to how we guide you for the value-added part. So value-added part would also be PCR, would also be some of the coating investments that we are doing.

**Rohit Sinha:** And certainly, that would lead to margin expansion.

**Rajesh Bhatia:** That's what is expected.

**Moderator:** Thank you. Ladies and gentlemen, that's the last question. We thank the management for this call on behalf of ICICI Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

**Rajesh Bhatia:** Thank you. Thanks, everybody.