"UFlex Limited Q2 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2021 Earnings Call of UFlex 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 '*' then '0' on your touchtone phone. Please note that the conference is being recorded. I now hand over the conference over to Ms. Shalini Gupta from Quantum Securities. Thank you, and over to you, Madam.

Shalini Gupta: Thank you Lizann. On behalf of Quantum Securities, we welcome you all to the quarter two FY2021 Result Con Call of UFlex Limited. We thank the management for giving us the opportunity to host this call. The management is represented by Mr. Rajesh Bhatia - Group CFO, and Mr. Yusuf Nasrulla - Investor Relations. I now hand over the call to Mr. Yusuf Nasrulla. Over to you Yusuf.

Yusuf Nasrulla: Thank you Ms. Shalini. Good evening everyone, and welcome to the Q1 FY2021 Earnings Call of UFlex Limited. On the call today as Ms. Shalini said we have our Group CFO, Mr. Rajesh Bhatia. Our discussions may include predictions, estimates, or other information that might be considered forward-looking.

While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned to not to place undue reliance on these forward-looking statements, which reflects our opinion only as on the date of this presentation. Please keep in mind that we are not obligating ourselves to revise the publicly released result of any revised forward-looking statements in light of the new information of future events.

I would also like to emphasize that while this call is open to all invitees it may not be broadcasted or reproduced in any form or manner.

Let me highlight a few achievements in this quarter. We have delivered a very strong performance in Q2 FY2021 with a highest ever quarterly production, sales, revenue, EBITDA and PAT. We have also commenced commercial production at our Russia packaging films plant.

For more, I would like to invite Mr. Bhatia to share some perspectives with regards to our company operations and results for the quarter under review, after which we will open our call to the questions from analysts. Over to you Sir!

Rajesh Bhatia: Thank you everybody and first of all I would like to greet everybody a happy Dhanteras and wish you all the prosperity and good times. Our good times and our prosperity the way we have demonstrated in this quarter pray for that also.

As Yusuf said that we have had a historic quarter in terms of the highest ever numbers.Everything we have is in green whether it is the production, sales, it is the cost structure, even whether it is the revenues, EBITDA, PAT, so everything is sort of outstanding in this quarter, and we had a consolidated sales volume of 111645 tonnes, which is up about 19% on a year-on-year basis and about 8.6% on a quarter-to-quarter basis.

Consolidated sales value is at 2234 Crores of 19% on a Y-o-Y and up 11.9% on a Q-on-Q basis. Our standalone sales volume at 51099 metric tonne is up 13.7% Y-o-Y and 17.3% Q-on-Q. Standalone sales value is 1209 Crores at 17.5% Y-o-Y and 21.9% Q-on-Q.

The packaging segment performance is notable because packaging showed 23% volume growth on a Y-o-Y basis and 11.7% on a Q-on-Q basis. Packaging Films showed, India showed about 5.8% Y-o-Y and 23% Q-on-Q and overseas films business showed a 23.5% Y-o-Y and almost 1.4% on Q-on-Q basis.

So, these were the sales number, production numbers also, our production was, total production was about 25.7% higher on a Y-o-Y basis and about 10.9% higher on a quarter-on-quarter basis. Standalone sales were about up about 14.5% and 19.8% on a Q-on-Q basis and the packaging production was up 22%, sales were up 23% in this quarter on a Y-o-Y basis and about 14% on a Q-on-Q basis packaging was up.

In India,,packaging films production was up 8% Y-o-Y and 26% Q-on-Q and overseas films production was up 36% Y-o-Y and 4.9% on a Q-on-Q basis. EBITDA was 473 Crores up 70% Y-o-Y and up 12% Q-on-Q and standalone EBITDA was up 58% Y-o-Y and 21.7% Q-on-Q. PAT was up consolidated 136% on a Y-o-Y and 12.9% Q-on-Q and standalone PAT was 310% to Y-o-Y increase and about 48% Q-on-Q. So overall highest ever quarterly production we achieved, in packaging we achieved the highest ever packaging films production overall India, Mexico and Poland.

In packaging also, we achieved a highest ever quarterly production. Sales volume were also ever highest and sales value was also ever highest in a quarter and obviously that translated into a highest ever EBITDA and highest ever PAT.

Asepto business has also done better but as I have been saying that this is probably is the only business which was affected because of COVID. Happy to inform that based on the present situation we look to be fully sold out from February onwards. So, the existing plant capacity is going to be about 100% utilized, we are looking at about anything between 300 million to 325 million pack sales on a monthly basis and with that happening, I think the capacity expansion by adding another printing line is becoming a certainty.

Overall, a very good quarter to be, in terms of our term debt, we are between now and March 31, what we expect is offshore we will close it at about 322 million term debt and India will be about 800 Crores India’s term debt this will be and that is where the debt will peak out which is so the total debt what we expect at the end of the year is about 750 Crores to 800 Crores for India business and about 320-odd million for the offshore business and so we have already drawn about offshore business is currently about 314 million debt so there is hardly anything to the net additions from here till March 31, is going to be very, very minis to be about $10 million and India frankly we do not have any capex programs other than some of the normal routine, maintenance of some debottlenecking capex which keeps on happening then there is no other project expansion. The only thing what we are looking at now next year in the next 12 to 15 months is some capex to expand our affected packaging facility, which again will be less than 100 Crores kind of level capex.

This basically sums up our performance for the quarter and on our completion of our Hungary as well as our Nigerian projects although we are on schedule, we expecting one of them to happen in this quarter and one probably in the next quarter, but by fiscal, end of fiscal 2021 we would have sort of completed all the expansions. I am happy to inform that all the expansions, all the Brownfields and the Greenfield which are done our well within that their cost well, within their timeline and also the quality of the construction equipment, everything is frankly absolutely satisfactory and we have no, any anxiety in terms of the timelines or in terms of the quality parameters of these projects

Obviously, the margins which are there the BOPET and the BOPP industry have still started to improve from 2016 onwards and the capacity utilizations had been gradually increasing in the last few years before 2016. 2012 to 2016 we saw that the prices were under pressure for BOPP as well as for the BOPET, but from 2016 onwards every year we have been finding that the capacity utilization at an industry level is increasing which helps on that the prices helps on that the margins and when the pandemics struck probably we were from an industry perspective we were at a very high capacity utilization rates and when there was became an additional demand for the packaging because of the pandemic as the prices become a bit better the raw material cost going down it helped so it was a combination of the prices becoming higher as well as because of the demand stimulus as well as the raw material pricing to our advantage.

So, it helped improve the margins but as I have been saying that look in a commodity business to sustain this kind of margins is always difficult as a new capacity catch-up happens sooner than later, but as I have been advising for the next at least for about four to six quarters we are seeing that the robustness will continue. Yes, volumes growth will become normal as the world returns to normalcy post COVID and those stockings and things like that would become normalized so the growth volumes what we could see earlier for the whole industry may not be there particularly in the matured and the developed markets, but given our expansion and for us for specific we will definitely get to see additional volumes coming our way as we ramp up the capacity utilization of our expansion program and for both it will take care of both it will be a substitute for imports today being done in some of these territories like Europe today also imports a very sizable portion of polyester films and also there is some marginal growth volumes there also but I think what we are trying to do and what we have been doing over the years is being closer to the customer and giving him a closer solution where his working capital involvement is far less and that is what has helped us and that is what has been a proven business model in our case and that is what we are trying to achieve.

So the volume growth will come now only from this new capacity expansion because our existing businesses we are more or less operating at a very, very high capacity utilization levels, so even if we had say with these margins are in a bit of pressure as the effect of the pandemic dies down and help the demand returns to normalcy but we are sure that we are going to substitute them with a higher volumes coming from our extended capacity which will ensure not only maintenance of our profitability and the volumes level, but depending on the price level subsequently in all that we will be definitely find our profitability will only go up in the years to come. I think we should expect as a normal case that it is not the day one then the additional capacity that we are setting up are going to be at that level I think it will be a gradual rise and in some of the product categories where we have some value added products so that testing of those approval of those by the customer will also take time so in about 12 to 24 months of time we see a very high capacity utilization coming from the new installed capacity also which will improve our profitability and sustain our margin.

That is basically from my side for this, that in nutshell explains our performance in this quarter, I think notable is a 22%, 23% rise in the packaging volumes, these are because of some of the new product categories like pouching for soaps, and sanitizers, and we are now looking to expand our pouching in a big way in the export market so and so and I think this is what was the packaging business was always experiencing a reasonable level of capacity utilization but now with this 23% volume growth was on the production as well as on the sales side in the packing business we are now operating even in the packing at a higher capacity utilization of say about 80% or so.

So that is a bit more insight into what happened in Q2 and I am willing to look at any of your queries or any of more explanations you want me to give, happy to give that.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Shalu Achija from Invest Research. Please go ahead.

Shalu Achija: Congrats for the good set of numbers and I have two to three questions to ask. First question is can you give me the breakup of the production of sales to business and laminate business. Yes, I want to know the production breakup of Films business and laminate business?

Rajesh Bhatia: So historically we have not been sharing that number I think I will hesitate to do that, but I was happy to share my growth momentum there where I said the packagiing is looked at 23%

growth in this quarter but I think for this moment we are restricting our sales to only the total numbers and not the split numbers between packaging and films and all the other stuffs.

Shalu Achija: And capacity utilization overall.

Rajesh Bhatia: I have already said about 80% in the current quarter.

Shalu Achija: And in the upcoming quarters how much we are expecting utilization.

Rajesh Bhatia: We were normally looking at sort of close to a double digit growth in our packaging business about between 9% to 11% kind of a growth obviously this growth is on the back of the extra growth is on account of that of pandemic the additional product which the companies had to launch for the COVID demand which were largely sanitizers and the soaps for which they required pouching and that is where we find that the volume growth is more than in a normal year we would expect.

Shalu Achija: And I just want to know the capacity utilization for upcoming quarters like including that Greenfield projects like Hungary, Nigeria and Russia also.

Rajesh Bhatia: So, Russia and Nigeria and all that they are not packaging they are only films, BOPET films.

Shalu Achija: Okay, that is it from my side. Thank you.

Rajesh Bhatia: In Russia we had in this quarter a capacity utilization close to about 70% So, Russia has to be treated differently from the other projects because Russia project was relocated from UAE and it was catering to that market only. So, it took us about little over a year to dismantle and shift the whole plant to Russia because it was only catering to Russia and CIS customers. So obviously we have gained the very high level of capacity utilization because otherwise these customers we were serving from some of the traded quantity or the quantity which came out from some of the other plants also so we kept these customers the Russia and the CIS customers with us and when we started now in Russia obviously we serving those customers we closer to them we are serving those customers from the Russia plant itself.

Shalu Achija: And we have like an engineering segment so how much we expect like do expand the segment, but what we are doing to expand it.

Rajesh Bhatia: So, we have no plans to sort of do much expansion into our engineering business as such, our engineering business comprises of two one is the machinery engineering and other is we make what do you call it as cylinders for the packaging business. So, our engineering business per se we are not looking to make any fresh investments for expand capacity.

Shalu Achija: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Sharma, an Individual Investor. Please go ahead.

Saurabh Sharma: First of all, sir congratulations on the numbers that the company has delivered it has been some time coming, but finally it is quite commendable the number that the company has delivered. The question I had was regarding the cash flow management of the company because finally now the amount of cash flow being generated is decent I wanted to know what would be the debt repayment schedule you did mentioned about the peak debt at the end of March 31 this year but what would be the debt repayment plan like as to how soon or by when will the debt the gain has began and also if you could touch on the cost of debt both in India as well as overseas.

Rajesh Bhatia: So, the cost of debt is easier to answer in India ..it is about 10% or so, while overseas you can say is about close to about 4% or so.

Saurabh Sharma: I am really sorry to interrupt you, but I also read in the annual report that most of the debt is variable rate which means floating rate. So right now, as well as going forward will the cost of debt substantially reduced because of both in India as well as globally the interest rates are coming down and how soon will that happen.

Rajesh Bhatia: See in India whatever is the transmission of a lower interest rate it is happening through the bank adjusting their NCLR, but please appreciate that the NCLR changes do not happen instantly in most of the cases as the NCLR were already fixed for a year their timings could be different so somebody something could be from March to next March somebody could be August to next August. So, it happens that way. So, in India we have seen in the last six months the NCLR growing down by almost about 75 to 85 bps and we will get that benefit some of them would have already accrued some of them will accrue when the existing NCLR duration of a one year will expire, that is all for this. In foreign where our debt is in Euro based there, we have Euribor is negative but our debt is at zero, so Euribor is based on a zero and then we pay only the margin attached to it. But in a LIBOR plus, yes LIBOR has gone down three months, six months LIBOR has gone down so that benefit comes to us instantly and we are utilizing sort of that benefit.

Saurabh Sharma: Is there an indicative cost that we are paying in terms of the industry term for Euribor and LIBOR.

Rajesh Bhatia: I already answered that question said that 10% average blended cost in India and about 4% in the overseas.

Saurabh Sharma: I am sorry sir. Alright, thank you.

Moderator: Thank you. The next question is from the line of Ojasvi Agarwal, an Individual Investor. Please go ahead.

Ojasvi Agarwal: Congratulations on a very good set of numbers. Sir, I just want to know if you are capitalizing any interest cost right now.

Rajesh Bhatia: See we do capitalize only up to the time the commissioning happens.

Ojasvi Agarwal: So right now, you would be capitalizing for Nigeria and the Hungary.

Rajesh Bhatia: Yes, for Nigeria and Hungary we are capitalizing, but for Poland and for Russia I think the capitalization was done only till I think till about last fiscal last thereafter.

Ojasvi Agarwal: So, in this quarter basically there was no capitalizing such for Hungary and Nigeria.

Rajesh Bhatia: Yes, except in Hungary and Nigeria.

Ojasvi Agarwal: That will be all sir. Thank you so much.

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

Chirag Singhal: Congratulations on a great set of numbers. Just a couple of questions about your business segments. First on the packaging films. So, have you already started the commercial operations at Poland facility and if yes what was the capacity utilization of that coming today?

Rajesh Bhatia: I can give you this answer in taking that in Poland from the new facility we produced about 6000 tonnes in this quarter. So, if we take it which is almost 50% capacity utilization.

Chirag Singhal: Sir secondly you mentioned the dates of commission for Hungary and Nigeria so have you already started with your trial run at both the locations.

Rajesh Bhatia: No, we have not.

Chirag Singhal: My third question is on the packaging films. You, like on an overall basis you have mentioned in the past that the total maintenance Capex is close to $15 million. So how much of it is for the overseas operations.

Rajesh Bhatia: Overseas operations are not much actually, but unless there is some value addition like Alox and all that expansion we do. In the film line there is hardly any capex. So, a normal film line would not have more than $2 to $3 million per year as a capex, but if we had been doing some value-added products like metallization or Alox I think then we will have that, in an existing basis, in the existing normal line there is hardly anything.

Chirag Singhal: So, the majority of the Capex is for the Indian operations.

Rajesh Bhatia: Maintenance capex. Majority packaging about 100 Crores to 150 Crores per year is the debottlenecking is because there are so many processes in that plant that something or the others sort of it becomes a bottleneck now because of the huge demand in pouching all of a sudden the pouching capacity became a bottleneck while there is a printing capacity to make it but if you do not have the pouching machines to make risk then still you cannot have the customer. So, we had to import some pouching machines India last year we also did we set up a PCR plant where we are buying the used pet bottles and converting them into a raw material for our packaging films business in India which is in great demand at least in Europe because everybody is so focused on the recycling now that there is a premium for these products. We also setup a plant for where we collect the used flexible packaging like chips packs and all that and then we recycle them at our Noida facility and make some granules out of which, which can be blended with the virgin granules to make any articles of plastic chairs benches anything that you want to make these can be made from such materials. So, these are the kind of Capex plus some bottleneck somewhere holography etc., or some new features being added, we will shot on more because there was a demand so much demand for the pouches but the pouches need the cap to close and open them. So that capacity became a bottleneck so in India there is about 100 to 150 Crores of the normal capex which keeps on appearing on a year-to-year basis.

Chirag Singhal: Sir coming back to the capacity utilization at Poland so when do you expect this to reach 100% capacity utilization.

Rajesh Bhatia: We want to do it yesterday, but since it takes time know, it is like a child birth to expand to grow up. I think we should target in about two years to reaching about 90% capacity utilization and all that and what came during this quarter as well as last quarter was additional demand coming out of pandemic, but I think we should normally give it about couple of years to for all of these plants to come to about 80% to 90% capacity utilization.

Chirag Singhal: So, this you are saying approximately will be able to reach 90% by the end of fiscal 2022.

Rajesh Bhatia: Fiscal 2023, not 2022.

Chirag Singhal: Okay 2023. And the next set of questions is for Asepto business. You mentioned that the current volume run rate is close to 325 million come in, is that correct. Did I get it correct?

Rajesh Bhatia: No, , I said for the coming season it start from February we are quite sure that we will be doing at those numbers for the beginning February, but because I said that this is the only business which was affected by COVID and because there is a lot of consumption of the juices and other stuff which we pack on the go when people are moving you will just pickup a juice and then drink it so that consumption with people staying in those and thereafter also restricting their moment they came a bit slow so this whole industry juice as well as other beverages is affected so obviously that impact the packaging suppliers also otherwise like I said earlier based on the order bookings we were actually fully sold out in the last February, March also.

Chirag Singhal: So, given that we foresee that will be fully sold out by next year Feb. When is the second line likely to be ordered?

Rajesh Bhatia: So, second line what we are targeting is that we should have it before the next season begin. So, let us say the next season is February, March so we should be targeting to be completed in say February, March of 2022.

Chirag Singhal: Sir lastly on the packaging business if you look at the standalone business for which quarter on the last quarter, we have reported this growth both in volumes and the margins so is the current demand and the margins which were reported in the standalone business sustainable going forward the 16% to 16.5% of the demand.

Rajesh Bhatia: I think as I said that next four to six quarters to me from a packaging film business looks sustainable to me beyond that I think when we get closer to that we will talk about that.

Chirag Singhal: And what is the current film run rate of the Flexible packaging business.

and are we seeing any expansion in the next two to three years.

Chirag Singhal: **Rajesh Bhatia**: So flexible packaging as I said based on this quarter performance it is about 80% utilization, we can do a bit more in there, but what we may actually end up doing is that focus more on exports, focus more on high value items and give away some of the items which are low in margins. So it is good to have higher volumes, but we will evaluate before we undertake any expansion of the packaging business which is not in horizon as of now at all, that if let us say a 1000 tonnes which I do is a lower margin business, can I leave that and substitute that with a high values pouching or other stuff business like packaging of rice for export markets and all that where the value addition to be basically again either a bag or a spout business rather than packing some of the biscuits or the chocolates which is a low value margin business so we will explore that opportunity before we actually get to work on any capacity expansion program on our packaging business end. So, I think as of now we are in the packaging business we are happy to do aseptic packaging expansion by adding up one printing line that is what the guidance is.

Chirag Singhal: Sir if I may just a last question on the film segment this increase in the operating margins which we have seen in this quarter and the last quarter, is it because of the like this year if are you seeing some kind of industry consolidations or is it purely because of the higher volumes which links to higher capacity utilization.

Rajesh Bhatia: So it is a combination of obviously higher prices because of a very robust demand that is for sure and that is why I said that as the new capacity expansions are being planned by people because it is not only me if you look at other competitors in the packaging film business also they are also making those supernormal margins today but if you look at the packaging as Huhtamaki results I was seeing that their quarterly EBITDA levels are still about 12% so that means that while our packaging films businesses is making a lot of margins it is not getting translated into the margins by the packaging industry because there still we have a situation where there is an overcapacity and people are there is a cutthroat competition here so when I look at a giant like Huhtamaki and reporting a 12% EBITDA margins in the packaging side and if you look at all these companies in their global domain did you about 15% to 17% they worth on a 15% to 17% kind of an EBITDA margins so there is a room for improvement in India as the market get consolidated yes the situation is better as compared to what we had couple of years go where the margins had dip to about between 8% to 9% levels but still there is a room for improvement in that category of the business and we expect that next two years those margins in India also should be if it is not 17% at least between 13%-14% kind of a EBITDA margins in the flexible packaging business.

Chirag Singhal: That is quite positive sir. Thank you Sir I think that is about it. I will get back in the queue in case of any further questions.

Moderator: Thank you. We will move onto the next question that is from the line of Saurabh Sharma, an Individual Investor. Please go ahead.

Saurabh Sharma: Sir my last question you were just answering about the debt repayment and how are the cash flows going to be used.

Rajesh Bhatia: So we are not looking at any currency anything where we are looking to prepone our debt payment obligation so they will remain where they are we currently sitting at a very reasonable liquidity which we try to pass it by lowering our utilization of our working capital which we can do even keeping some liquidity in the form of deposits in the form of bank deposits so we currently resorting to that and we have not made up our mind as to whether we should prepay any of our debts whether in India or overseas. So I think it will take some time surely one thing is there that we were having and excess liquidity will only help us get better pricing for our raw materials and all that so we trying to see that way that if we can make our working capital and our cost more economical by resorting to early payments on the supplier side or will working on an advance solution with that so that exercises currency being undertaken to see as to what impact this will have if we start operating in a different working capital cycle than what we have to take.

Saurabh Sharma: So, what you are saying is the working capital, I mean, producing amount of working capital debt is an option right.

Rajesh Bhatia: So let us say today we buy something on a 90 days credit basis so if we move to a cash basis and all that I say what is that we can what supplies advantage we can have so if we can build in there obviously it improves EBITDA levels and the while the cost of the capital them remains the same and we are able to utilize find a better deployment for the cash we have because once so that money actually remains with you because with the same customer you can again move on a 60 to 90 days credit basis even though you have moved to a cash basis currently and enjoying those cash discounts so that flexibility then sort of remain.

Saurabh Sharma: Last question I had was about the margins you mentioned other players like SRF, Yester they are of course going through the same extra normal margins also but comparing their margins to ours I notice that our other expenses sort of increased a lot this quarter, for this particular half year actually. So, I wanted to understand whether there is a one-off exceptional reason for those other expense is increasing.

Rajesh Bhatia: So what we have probably done is that on a conservative basis there some of our customers are also beyond their normal credit terms and al that we may have some extra provisioning for that, but other than that there is nothing else which is there on that account as such our margins are quite comparable with the rest of the industry players and all that so depending on as to if you see Cosmo margins obviously be as far as and others will be better off than that because we are in the BOPET category and they are in a BOPP category exclusive so obviously our BOPET player margins would be better than that but our blended margins of sales as well as the packaging business is about case to that 17% which is actually very good.

Saurabh Sharma: Right so of course I mean going back to 2011 when the other time when there was an up-cycle our margins were exactly at par with other players so that is all I was trying to returning in terms of the extra provisioning that we have done this would be just a onetime sort of a thing right I mean going ahead can we expect the other expenses to sort of reduce because this one thing probably…

Rajesh Bhatia: Definitely.

Saurabh Sharma: Okay great sir thanks a lot and all the very best for the coming times. Thank you.

Moderator: Thank you. The next question is from the line of Mohit Agarwal from India Capital. Please go ahead.

Mohit Agarwal: Sir my first question is I mean you raised an interesting point while you have started the call when you said that in the future whenever the margins will basically kind of come down little bit or consolidated it is basically made up by your increased capacity utilization your new Capex you are having here. So, would it be fair to assume that you are now sitting on a very robust 200 Crores kind of a bottomline so in the next one or two years this is the level you can, can we safely assume with those level you can just maintain.

Rajesh Bhatia: I have no doubts that we can achieve that so by substituting the higher margins today with the higher volumes but any commodity business you do not have visibility beyond the year and a half to two years so I would like to keep myself restricted to that period only and thereafter what capacity does the business shape up and all that I think we will see it probably closer to that time. So, my guidance today is in next four to six weeks we look pretty comfortable.

Mohit Agarwal: Second question I basically wanted more on the industry side just basically I want to understand from you that UFlex is a very interesting company in terms of how you are structured like in your operations is more towards packaging and a little bit of films now you are adding value added Aseptic take and all that and of course your overseas is mostly about packaging film. If we compare it to competitors in the space, we either see pure play packaging film then we…

Rajesh Bhatia: There is no like to like comparison.

Mohit Agarwal: Yes exactly, there is no like to like comparison, and sir like what I was trying to understand is that having this very interesting mix of different parts of the packaging value chain and being availed I mean I am sure you are the bigger player also does it give you any industry advantage or for example we are seeing across other industries that business is consolidating towards bigger players more organized players so can you just give us some understanding of what is the industry shaping in the recent quarters and is it also happen in this industry consolidation towards bigger players like UFlex.

Rajesh Bhatia: So actually, because the capital barriers to setting up packaging industry is not much particularly when you talk about a vanilla product like the roll form packaging and all that. So a lot of people in India in the last decade have set up individual units which are with the small capacity and all that and then they realized that there was a too much of capacity and then they were undercutting each other in terms of getting more business they were finding it difficult to get the business from the biggies given that their approval time and all that times are pretty long so once you set up your plant you start giving them centers you start supplying them small quantities before you get into anything meaningful it will take at least a couple of years so those sustainability became difficult and then everybody sort of brought into those considering that this is only a roll form packaging business. But as the value addition comes in to play and as the technology like holographic features and all that come into place so those players were eventually the large ones were absorbed by the multinationals like Huhtamaki, Constantia and for so there was a bit of a consolidation but I would think that still we are two years away from an more consolidation happening in this space one big differential will come once the recycling as well as the biodegrade ability biodegradable plastics become a sort of mandatory issues then only the large players will be able to survive because the smaller players do not have access to those technology or even if they will have ultimately access to those things and in the initial years what happened is that any new biodegradable technologies and all that I think the margins are pretty high in the initial three, four years and by the time things settle down and the margins remain normal. So those players will not be able to survive when they buy all those material at a very high cost as compared to some of the big companies who will have in-house solutions to those products and are able to offer very sort of comparative terms of that. So we just eagerly meeting for this pandemic to and which will bring back our focus on the sustainability in the packaging one thing is for sure that howsoever may say that the plastic is bad or some of the countries are putting more taxes on the uses of the plastics that is not going to do away the consumption of the plastic because the advantages are far too many other than a few disadvantages which are, which can be settled very easily because today you have solutions as to how to recycle the mix plastic waste which consist of various polymers and you also have solutions for making the whole plastic packaging biodegradable which means that you have find and end of the life to plastics also so if you eat away a packet of chips and throw away on the road side it will become biomass in one year time so you put an end to those lifecycles. I think that is what will again differentiate men from boys but yes generally speaking as I was saying earlier also that in the matured markets the large brand owners do stick with the large packaging companies only and very small business is the medium and small packaging converter but in India I think still there is a lot of price consciousness even when the brand owners come into play and that is why even the MNC players in India are working at a much lower margins as compared to their operating margins in the other US or Europe or other developed roads they will find it.

Mohit Agarwal: One last question, I actually asked you this question last time also it is probably could be a great time for the company to propose a buy back because and you have said probably you have gave this idea to the management because you are making a very decent amount of cash flows you are not in a hurry to peak your debt you are not having a very aggressive dividend policy and so why not buyback because we have our share price which is probably not reflecting this enormous book value of UFlex. So, would you want to do it again?

Rajesh Bhatia: I think rather than buy back that using the company's cash other options could be use the cash to buy out the do not we use the company's cash but use the promoters cash to delist the company that could be another idea so there are various options available to increase the shareholders' value and all that, that I think right now there is nothing of that sort which is underline will, but again we would thought some about that perspective.

Mohit Agarwal: Okay thanks that is it from me.

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

Chirag Singhal: On the receivable days we have a higher receivable day than the peer set. Sir on the receivable days I am saying that we have a higher receivable day than the peer set. So, when can we see some softening in the receivable days?

Rajesh Bhatia: So, depends who now you comparing this within the films business it is pretty well controlled but in the packaging business people simply want more and more credits so I think that is a difference between the two businesses. So I think we are looking to grow so receivables number of days receivable and all that do matter but frankly the idea is to grow the business have a higher capacity utilization than actually shifting the entire focus on the conversion of receivables we do that but people want know even companies like AMCOR and all that they want higher number of days credit, we had a customer called Bemis with whom we had a credit period agreed but then AMCOR took over Bemis so AMCOR said even that the Bemis supplies you have to give us the same credit period so we had to do that. So I think there are pressure so that is why even on our side also our payables also we also try to push them as much as we can but basically because our product our raw material is basically coming from petrochemicals so there is not much that we being able to do so. We have to sort of keep on buying almost on a cash basis or an LC basis and while our receivable our customer wants always more credit and all that. So, I think this business, so we can sacrifice volumes for the higher receivables number of days very difficult.

Chirag Singhal: I do understand about the front-end business but when I look at the packaging films business and then when I compare it with the peer set, we are like 25 to 30 days higher than the average receivable days for the peer set. So, on that front I was asking that like will we be seeing any kind of softening in the receivable days going ahead.

Rajesh Bhatia: No, I do not think so and with the additional capacities having come on -stream where we would like to sell them quickly, I think we are not looking at any quick fix solution to the early receivables be anymore.

Chirag Singhal: Sir just one last question for this call sir what is the current capacity utilization for the Asepto brand.

Rajesh Bhatia: I can say that is 65%.

Chirag Singhal: Okay sir thank you that is it from my side.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Yusuf Nasrulla for his closing comments.

Yusuf Nasrulla: Thank you everyone for joining us today and we look forward to being in touch in future quarters. Have a nice day and wish you a very happy Diwali.

Moderator: Thank you. Ladies and gentlemen on behalf of Quantum Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.