Cosmo First
Ahead Always

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The Manager (Listing) BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 **Scrip Code: 508814**	The Manager (Listing) National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra – Kurla Complex Mumbai-400 051 **Security ID: "COSMOFIRST"**

Sub: Transcript of the Analyst/Investor Earnings Call

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst/Investor Earnings Call held on August 10, 2022. The same is also available on the website of the Company at the below mentioned link:

https://www.cosmofirst.com/investors/investors-presentation

You are requested to take the same on your records.

Thanking You

Yours faithfully
For **Cosmo First Limited**
(Formerly Cosmo Films Ltd)

Jyoti Dixit
Company Secretary & Compliance Officer

Cosmo First Limited
Earnings Conference Call
August 10, 2022

Moderator: Good Day, Ladies and gentlemen and welcome to the Investor Call of Cosmo First Limited to discuss the Q1 FY23 Results. Today, we have with us from the management Group Chief Executive Officer – Mr. Pankaj Poddar and Group Chief Financial Officer – Mr. Neeraj Jain. Starting off with this statutory declaration, certain statements in the conference call maybe forward looking. These statements are based on management current expectation and are subject to uncertainties and changes in circumstances. These statements are not guarantees of future results.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. Now may I request Mr. Neeraj Jain to take us through his opening remarks subsequent to which we can open the floor for Q&A session. Thank you and over to you, Mr. Neeraj Jain.

Management: Thank you. A very good afternoon ladies and gentlemen. I am Neeraj Jain – Group CFO at Cosmo First joined by my colleague Mr. Pankaj Poddar – Group CEO at Cosmo First. Our financial results for the June 2022 quarter and the investor's presentation is available on the company's website. We will request you to look at our new investors presentation uploaded on company's website in which actually we have tried to provide a comprehensive perspective on the Cosmo First.

Starting with statuary declaration first, certain statements in these concall maybe forward looking statements. These statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. These statements are not guarantees of future results. Now we will start the call with a brief on the performance of the company which may be followed by the questions.

First on flexible packaging business: During June 2022 quarter the flexible packaging industry experienced pressure on the margins due to commissioning of several new production line within a short span of three, four months. The bunching of capacity expansion caused actually temporary imbalance in the demand and supply scenario in the industry.

BOPP film margins has been running at Rs. 35 per kg during June 2022 quarter compared to Rs. 45 per kg during March 2022 quarter. The corresponding figure for the last year June 21 quarter was Rs. 34 per kg. So, as you can clearly see almost Rs. 10 drop in the BOPP film margin. Our sustained focus on specialty films in last couple of years and ongoing improvement are the two key factors which have helped achieving the higher EBITDA compared to last year similar quarter.

The demand supply balance we feel should get restored over the next few quarters with strong organic growth in domestic demand and geo-political normalcy returning in Europe. The domestic demand remains fairly robust because the key factors behind the domestic demand is low packaged food penetration in India and the rising personal disposable income, the investment in organized retail industry and change in pack format from rigid to flexible. The basic fundamental demand drivers remain the same. In the meantime, our specialty film portfolio which account for almost 65% in volume terms is growing quarter-to-quarter this should enable us to hold our margins strong compared to commodity business.

Moving to June 22 quarter financial results, the consolidated sales for the quarter is Rs. 843 crore which is 23% higher compared to June 21 quarter. This is backed by 8% volume increase and remaining is primarily impact of higher raw material price passed on to the customers. The EBITDA has increased to Rs. 150 crore during June 22 quarter which is 6% higher compared to last year similar quarter. The enhanced EBITDA is on the primarily backed by two factors. First is on the higher specialty sales accounting almost 68% during the June 22 quarter and second factor is better exports margins.

Subsidiary performance has slightly dropped due to lower margins post raw material price increase from April 2022 and this has happened across the industry. On the top of it there were foreign currencies like JPY in Japan and the KRW in Korea those were depreciating against US dollar. This also contributed little pressure on the subsidiary margins.

Our PAT for the quarter is higher by 7% which is largely backed by the higher EBITDA. Annualized ROCE and ROE stand at 27% and 36% respectively and our trailing 12 months EPS has improved to Rs. 150 per share. These in fact are one of the best in the industry. The company's net debt stands at Rs. 359 crore in June 22 quarter which translates to 0.6 times net debt to EBITDA and 0.3 times to net debt to equity confirming strong financials.

Moving to specialty films, in packaging business we expect growth journey to continue with specialty films, our continued focus on innovating films with lower carbon footprints would further strengthen our leadership position in specialties. The specialty films have grown YoY in the last 3 years with 18% growth rate. The company specialty sales now stands at 68% in June 2022 quarter. We are in process of ordering several other value add assets to enhance growth in the specialty sales and is looking for almost 80% volume target to come from specialty by the end of 2024.

Some of the key products which will drive the specialty sales growth include synthetic paper, coating films, technical films and thermal laminations. These will become future growth engines for specialty films. New products such as DTP will also contribute. The company is also going to launch heat control film which will be used largely in offices and homes. We expect this launch to happen within FY23. This will give further boost to specialty sales in India.

Moving to flexible packaging growth projects. The company is targeting to add close to 70% capacity in next three years which will add key growth engines for the coming years. As announced earlier the capacity addition shall be specialized BoPET lines, BOPP lines and CPP lines. The specialized BoPET line commissioning may start from Q2 FY23 or I would say late of Q2 or beginning of Q3 of FY23. The line will add close to 18% to 20% capacity. The company is targeting complimentary growth from specialized BoPET line which is shrink label and other high-end specialty. This will particularly substitute imports and is an excellent opportunity to convert non recyclable PVC film markets in India which is close to 30,000 metric ton industry. The company has placed order for the new BOPP line which will be world's largest production capability line and this will increase company's production capacity by close to one-third. We expect this new BOPP line to commence operation from late FY25.

The company has also announced CPP line with 25,000 metric ton capacity which will commence commercial production in about two years from now. CPP film actually will promote sustainability and it will open monolayer structure. So, to sum up three capacity additions BoPET line, BOPP line and CPP lines will allow the company to further expand the specialty sales.

Moving to specialty chemical verticals. The company's subsidiary into specialty chemicals has posted Rs. 47 crore sales during June 22 quarter compared to Rs. 91 crore of a last full year in FY22, it was 91 crore in full year vs in one quarter we did 47 crore. We have reached about 75% capacity utilization for masterbatch first line and now of course the company shall evaluate expansion of masterbatch in coming quarters. Textile chemical business which started in the Q2 of FY22 is growing quarter-on-quarter. The company has commercialized 50 plus products with supplies to 50 plus customers. The complimentary adhesives for packing segment is planned to be launched in Q3 of FY23. The specialty chemical operations has been PAT positive in first year of operation itself which is FY22. FY23 will be a year of scale up for the specialty chemicals.

Moving to pet-care the company's pet-care verticals which was launched under the brand name Zigly is progressing in line with the plan. With Zigly the company is targeting direct to consumer digital first omni-channel presence in the products and services in the industry which is growing more than 25% year-on-year. The company has already started four experienced centers and plants to increase the same to 15 in current financial year FY23 and eventually to 150 experience centers in next couple of years. The company is first in Indian industry to launch in the pet-care experience during the June 2022 quarter. Zigly has served more 5,500 customers so far with 54% repeat customers. The company is targeting Rs. 15 crore of GMV in FY23 to come from pet-care verticals.

Moving to company's capex plan. The company is looking for about Rs. 250 crore of capex during FY23 which will be largely spent on value-add capex on the BoPET line, the CPP line and the BOPP lines. The financials are expected to remain fairly strong even after this capex considering robust cash generation. The bottom-line impact from the capex will start in the coming years.

Now I would like to summarize the growth summary. In coming years B2B segments which includes specialty sales from specialized BoPET line, world largest BOPP lines and CPP lines and B2C segment which is direct to consumer "Zigly" operations and specific specialty chemicals these together will drive the growth. Now I would like to move to corporate announcement considering that company's business activities now have expanded beyond films into specialty chemicals which includes of course the masterbatches, coating, textile chemicals, adhesives, D2C pet-care and soon to launch films for-consumer application. The shareholder of the company have approved change in the name of the company from Cosmo Films Limited to Cosmo First Limited. Accordingly, the new certification of incorporation has been obtained on 8th of July 2022 from the Registrar of companies Delhi and with this being, name of the company stands changed to Cosmo First Limited.

Second corporate announcement during June 22 Quarter was bonus shares issued which was announced in May 2022 that was completed ahead of time and trading in bonus shares commenced on June 29, 2022. The bonus share issue reflects management's continued commitment to shares prosperity with the shareholders. I think these were the few updates from the company side. Now we would like to open the concall for questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir you said in investor presentation new production line open in short span in four to five months so it will hamper margin in time to come for long duration?

Management: I did not understand your question.

Ravi Naredi: Sir you have mentioned in investor presentation today so many several new production line opened in short span in four to five months of other companies so our margin is down in Quarter 1, so this margin will be down for longer terms?

Managament: No, this should not be longer term because demand is growing at a robust pace having said that 65% of our sales are on specialty where the margins are not impacted. It is only on the 35% margins that are impacted and we are consciously trying to increase our specialty sales.

Ravi Naredi: And second as regards the pet-care you gave all international figure and projects very good picture, but nowhere you gave Quarter 1 financial year 23 numbers, what are the numbers that is my question?

Management: We are looking whether to give segmental reporting. Legally speaking until we reach 10% we are not supposed to give however we would like to give them earlier than the statutory guidelines and just to let you know right now we have reached to close to 75,000 $US run rates of sales in a one quarter in one month.

Ravi Naredi: And everything we are outsourcing?

Management: Services we are providing by our own people while products we buy from outside and we sell it on our stalls digitally.

Ravi Naredi: By approximately 2 crore turnover we will get into this quarter right approximately I am not binding you, but just?

Management: If you go by run rate yes.

Ravi Naredi: What is our future planning for pet-care, can you tell more about this?

Management: We are looking to expand it exponentially. During this quarter we launched our app which is the first time in India as Neeraj said earlier and we have launched it on android, we are also going to launch it on IOS, we are going to test it thoroughly and once we are done with it we are going to market it more aggressively. So, digital ecosystem will get readily complete by December and as far as the stores are concerned we have already opened five stores till now within a short span of 8 months, 9 months and this year itself we are looking to open 15 stores by March end and next year we would like to again increase number of stores. There are lot of franchise sides coming, but we are not giving franchise as of this stage because we want to create a brand and then only look at franchise options.

Ravi Naredi: And what will be our margins?

Managament: Our gross margins are above 40% and we expect it to make it above 50% given that once we have more volumes then I am sure it will result in better gross margins for the company.

Moderator: Thank you. The next question is from the line of Abhishek Maheshwari from Skyridge Wealth Management. Please go ahead.

Abhishek Maheshwari: Sir couple of questions regarding the realizations what kind of trend are we seeing right now?

Managament: Can you repeat the question please?

Abhishek Maheshwari: Regarding realizations what kind of trend are we seeing right now considering that you know there are recessionary kind of situation in Europe and US and all?

Managament: We have just clarified on the margins.

Abhishek Maheshwari: Realizations.

Management: So, our specialty realizations are linked to raw materials so our margins are intact, commodity goes as per the market, so 35% is linked to the market right now.

Abhishek Maheshwari: What I am trying to ask is how do you protect your EPS seeing that a lot of your sales are linked to raw material pricing, so if raw material price goes down you will also have to pass on the benefit to the customers even if we are able to maintain margins the absolute EPS still goes down that ways I am trying to understand what measures you are taking to protect that EPS growth?

Management: See EPS remains protected there is no impact to EPS because we are clear to our customers if raw material goes up we charge them higher. If raw material comes down we charge lower, but that has no implications to our EPS.

Abhishek Maheshwari: But sir absolute profit number goes down right?

Management: Absolute profit number, there is no change on specialty with the raw material changes.

Abhishek Maheshwari: And secondly sir regarding demand are we still seeing a robust demand from US considering that even Walmart is cutting their sales guidance?

Management: Demand is very robust it is growing at a good pace.

Abhishek Maheshwari: And thirdly sir regarding new BoPET facility have we started speaking to the customers?

Managament: So, all our customers are aware that we are coming up with a polyester line and we have tied up with many of them. So, once our line is there, we will get into packaging segment, but our objective is to move out from packaging to other value add segment and predominantly sell value add films in long term. So, we are on track with that I mean our entire mission and research is going very strong on this.

Abhishek Maheshwari: So in last question how much revenues can you expect to comment from this new BoPET facilities at peak utilization?

Managament: At peak utilization you know we expect that it will be close to 450 crores.

Abhishek Maheshwari: So, 20% growth is still achievable for the next year on sales?

Managament: Yeah you can say that.

Moderator: Thank you. The next question is from the line of Mukesh Panjwani from Value Securities. Please go ahead.

Mukesh Panjwani: Sir my question is what kind of revenue can be generated by current capacity of masterbatch chemicals and adhesive?

Management: Yeah revenue growth I mean these are very large industry segments and I mean these are very large markets so it is going to take time to scale it up in Quarter 1 year-on-year basis we have grown three times and I mean ideally speaking with these two, three sectors that we have started we can look at reaching very sizable numbers in four to five years.

Mukesh Panjwani: But with the current capacity I wanted to know the current capacity we have?

Management: The current capacity can take us to roughly say 300 crores, 350 crores.

Mukesh Panjwani: As of now what revenues we are getting from synthetic paper?

Management: These are numbers we cannot share these are very specific questions these are not available in the public domain.

Mukesh Panjwani: And sir one more question that when we talk about masterbatch chemicals and adhesive business, are these like commodity business or specialty business where R&D is required and it is difficult for the players to replicate?

Management: We are always taking niche areas I mean textile chemical in general if you see there are close to 100 producers in India who does textile chemicals, but we are looking at very niche segments to enter with technology. Adhesives we are going to compliment with our film business we are entering to similar segments in films with same set of customers and in adhesive I would say even more niche area because they are hardly four, five players who does adhesives.

Moderator: Thank you. The next question is from the line of Shrinath M from Motilal Oswal AMC. Please go ahead.

Shrinath M: My question was on the capex plans two things have happened one is that there is a slight overrun in your previous presentation we had said that the capex would be about 890 crores now we are saying it is 940 crores, so any reasons for that I think the BoPET project is seeing 50 crore overrun?

Management: See basically we are going for more value added assets and therefore this addition is there so this incremental capex that we have committed in last one quarter.

Shrinath M: And the second is the commercial production also seems to have been deferred a bit like BOPP earlier we had said we will commence by FY25 now we are saying it is H1 FY26?

Management: The project will commission by FY25. The sales number will come from FY26.

Shrinath M: So 6 months time H1 26 you said?

Management: It is like in we are expecting that March 25 the lines will get commissioned as soon as FY26 we should start getting revenue.

Shrinath M: No revenue in FY25 from BOPP?

Management: At this stage no because the delivery time are too long it is stick to the supplier and we are hoping that this can improve as you know worldwide there is lot of shortage of electronics so that sort of delays. So, as of now it looks like that March 25.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Analyst Research. Please go ahead.

CA Garvit Goyal: Sir, my first question is our target was to sell 80% of the volume of specialty segment by FY23, but in our investor presentation it is mentioned that you will achieve by financial year 24, so can you please clarify the same?

Management: So, this is actually the volume number. So, 80% in volume we target to achieve by end of FY24, but in revenue this figure we should be able to achieve in FY23.

CA Garvit Goyal: In spite of our growing focus of specialty segment as our target is 80% value as you were saying in financial year 23, you continuously keep mentioning that our margins are protected because these are linked to the raw material prices, so what is the reason behind this 200 basis point fall in our operating margins as compared to Q1 FY22?

Management: As we see I mean we of course every time mentioned that our specialty film is to a large extent protected from these up and down of industries, but our one-third of volume which is the BOPP plain films which is of course the pricing is linked with the industry and which is prone to industry ups and down and as we explained at the beginning of the call there has been lot of new capacity which has hit in the market in a bunched manner. So, that is why there is a temporary demand supply gap in Indian industry. So, that caused the drop in the BOPP Films margins.

CA Garvit Goyal: Sir your new segments like masterbatch, pet-care and other specialty chemicals are performing, how much contribution do you expect from each of these segments by the end of FY23?

Management: You see as we try to explain specialty chemical is doing fairly well and so is the pet-care division. In specialty chemical in Quarter 1 which is Rs. 47 crore of top line as against the last year full top line of Rs. 90 crore so that is a clear indication the business is clearly taking the right direction. On the top of it we are going to launch adhesive also in the Quarter 3 so that should further support the growth plan for the specialty chemical. In first year of operation is profitable at the PAT level. Coming to pet-care as we mentioned I mean the broader business plan which you form is moving in the right direction; we already open four stores so far and we are looking to open 15 stores during the FY23 and of course eventually in the long term we are looking 450 stores. Besides this the online sales, online app all of these are in place now and the plan is intact on the pet-care as well.

CA Garvit Goyal: Are we getting any revenue for full year basis financial year 23 are having any figure any tentative figure for pet-care?

Management: As we mentioned in our investors presentation we are looking at GMV of 15 cr from pet-care in FY23.

CA Garvit Goyal: And from the masterbatch side you are saying it is 75% utilization already so is it entirely internally or we are doing the third party ?

Management: So these have a mix of both third party sale and internal sale.

CA Garvit Goyal: And one more thing what are the developments from BOPP line, who are your competitors and what will be the market size and what will be our target share in BoPET line going forward?

Management: The BOPP industry as we again mentioned actually it is close to 800,000 metric ton industry in India.

CA Garvit Goyal: BoPET line?

Management: BoPET is almost in 700,000 metric ton industry in India and of course they are established players in the industry. You will find generally not find unorganized players because one need to invest Rs. 300-350 Cr to put up a production line, so there are selective players in the industry. Cosmo is already serving BOPP Films to almost all key FMCG player in India and overseas as well. Hence customer base is already known, we just need to add on BoPET Films portfolio.

CA Garvit Goyal: Just a clarification in your presentation you mentioned that flexible packaging industry experienced pressure on margin side, so my question is regarding what do you mean by this flexible packaging industry I am asking this because I have a little confusion on your product portfolio like are we the suppliers of this BOPP films only or do we also manufacture the final products basically the wrappers like we see for chips, biscuits and chocolates etc?

Management: So, flexible packaging predominantly is the BOPP and BoPET.

Management: Let me clarify film we manufacture only the film and flexible packaging is a very broad term where we are also a part of it and the companies who do printing on the film and who also do conversion they are also considered as a part of flexible packaging, but to answer your question specifically we are just making films we do not do conversion of it.

CA Garvit Goyal: And are we looking towards any kind of entering into the conversion like COVID integration?

Management: Not really not at all we do not want to compete with our customers.

CA Garvit Goyal: So, how do you see our top line shaping up for next two to three years based on these capex right now like BoPET line is coming into picture and what will be our targeted OPM percentage on an overall basis going forward?

Management: FY26 I mean we are looking at close to 70% capacity increase.

CA Garvit Goyal: See this is the capacity increase, but in the terms of top line growth I am saying?

Management: So, it should kind of result in similar kind of a revenue growth.

CA Garvit Goyal: That is historically you are saying it is 20%?

Management: Yeah.

CA Garvit Goyal: And what will be the targeted OPM margin sustainable OPM margins?

Management: See as far as specialty films are concerned we can give that picture to investors, but commodity margins are not in a control that is demand and supply and therefore in any case the forward looking statements are not allowed, but just to let you know that our ROCE is at 27% and our return on equity is close to 36%.

Moderator: Thank you. The next question is from the line of Miraj Shah from Dalal & Broacha Stock Broking Limited. Please go ahead.

Miraj Shah: I just wanted to understand that we have mentioned that there were a lot of lines commission this quarter due to which we faced the margin pressure, but I want to understand would hear that we were not expecting lot of big influx of lines in BOPP lines while we were expecting in BoPET side, so how is that affected our margins I just wanted to understand that first?

Management: Well of course we are not expecting many lines, but whatever lines have come those were scheduled. The only change is there was a bunching of couple of lines within the short time gap. This temporary demand supply gap was created.

Miraj Shah: But sir it would be different from BOPP lines the BoPET lines should not affect the demand for BOPP or does it affect the demand for BOPP?

Management: So, there has been increase both into BoPET as well as BOPP. So, three product lines in BOPP has commenced commercial production during last three, four months.

Miraj Shah: I am not sure that any detail was provided earlier I missed the earlier part, can you just let me know if there is any volume growth quarter-on-quarter?

Management: From quarter-to-quarter basis there was a marginal growth, on year-to-year basis as we indicated just 8% growth.

Miraj Shah: And what would be the contribution margins for specialty films and commodity films?

Management: So, as we indicated at the beginning of the call Rs. 35 per kg was the margin with BOPP commodity from June 22 quarter.

Miraj Shah: And could you give the same for specialty films?

Management: That depends on many factors, but it was more than double of this close to double to this.

Miraj Shah: 65 to 70 is what I can assume?

Management: Yes you can say so.

Moderator: Thank you. The next question is from the line of Yash Shah from Investec. Please go ahead.

Yash Shah: Sir my question was about the pet-care segment, are we looking for any kind of inorganic opportunities for the same?

Management: Can you repeat please.

Yash Shah: So the question was regarding the pet-care segment are we exploring any kind of inorganic opportunities for the same?

Management: Unfortunately, this is a much unorganized segment. There was hardly any organized player and that was one of the reasons which also attracted us to all these segments. Having said that if there are smaller opportunities also we will always be happy to look at them. I do not see there are too many sizable players where we can do a larger acquisition.

Yash Shah: And sir I am not sure if you have mentioned this I joined the call a little bit later, can you tell me sir are we looking to raise any more debt for the current year for FY23 and even for FY24 and 25, what will be our debt position be say three years down the line?

Management: See we are sitting at 0.6 debt-to-EBITDA ratio which is very healthy. Having said that any new project that we do we make sure that we take the project financing because we get it at a very low cost. So, what typically happens is that the earlier debt gets repaid in due course of time while the new debt is taken for any new project that we do. So, as far as BOPP and CPP projects that we have committed we are going to take debt for them which is close to 70% of the total project cost, but our overall debt net debt which is at 359 crores that you know should remain range bound. We do not expect it to increase it significantly over next two, three years.

Moderator: Thank you. The next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, I have two, three questions to ask sir one is on the specialty BoPET line, so in one of your remarks you mentioned that we can do a turnover of almost 450 crores when we will fully utilize those capacities and in the investor presentation we have been eluding also that the payback period could be anywhere between 4 to 5 years, so is it safe to assume that whenever we will do this 450 crores of top line from the specialty BoPET line our EBITDA margins could be anywhere between 24% to 25% for this particular project?

Management: We are very optimistic that it will make very strong margins for us. However, it is not going to happen within a short period of one or two years because this is a very special line that we have designed which can make commodity films at a compromise output and it can also make specialty films at full output. So, initially until because typically doing specialty take some period of time initially we will have to start selling normal commodity packaging films, but we are hoping that within three to four years at least 50%, 60% volumes will be converted into specialty films and some of these specialty films are at a very high margin.

Nirav Jimudia: But sir when could this happen so when you mentioned it could take three to four years, but this 450 crore turnover is considering this 50%, 60% specialty volumes or is it without considering the structure?

Management: Without considering I mean it will have some mix of specialty, but some of the higher end specialties can take this revenue even higher.

Nirav Jimudia: And sir when could we achieve this 450 crores of turnover with the lower amount of specialty volumes?

Management: I think with this kind of a mix we expect that to happen, so see what we are expecting is next year itself i.e. next financial year itself we expect that we should be touching around 350 crores, 380 crores kind of a revenue and a year thereafter we should be able to touch our revenue of close to 450 crores and anything beyond that will be high end specialty market which we will continue to serve and as that market grows our revenue from polyester project will continue to grow.

Nirav Jimudia: Similar to what we have been replicating in our existing business the same could be replicated over there also I presume?

Management: And the beauty about it is that every assets that we have bought has being done with lot of planning and lot of research work. Therefore we are very optimistic and confident that we will get some outstanding results from this line over the period of time.

Nirav Jimudia: Sir, this 350 crores, 380 crores what you mentioned so probably at higher value addition and higher specialty volumes of margins could be higher, but is it safe to assume that even this 350 crores, 380 crores could give us 20% EBITDA margins whenever they will start operating with some mix of specialty volumes?

Management: See initially not because initially we have to work on the normal packaging films and right now polyester is also going through a very tough cycle, but I would say that it is safe to assume that in two to three years we should be sitting at a very strong EBITDA numbers on this.

Nirav Jimudia: Sir my second question is you also touched upon our specialty chemical business comprising of masterbatch textile chemicals and adhesive could touch 350 crores of top line at current capacities, so just wanted to understand from you how much we have invested till now for masterbatch textile chemicals as well as for adhesives in order to reach these sort of turnover?

Management: Till not it is close to 35 crores.

Nirav Jimudia: So, this 35 crores could give us 350 crores of top line or do we need to invest something extra in order to reach these milestones?

Management: 35 crores is good enough to reach 350 crores. We are looking for expansion over next 12 months to 15 months and in which case we will do the next level of projection for say around 500 crores.

Nirav Jimudia: And sir typically whenever we will achieve these 350 crores of turnover currently probably we have already touched 200 crores run rate based on the quarterly numbers, so whenever we will reach these 350 crores how does the margin profile would look like because currently we may be operating at a slightly lesser margins, but whenever we will try to reach those sort of scale, what sort of margins can we expect?

Management: See one is the return on capital employed for the business should be extremely good. We should not just evaluate only on EBITDA margins because these kind of businesses typically have 10% to 15% EBITDA when we achieve the same, but when you talk in terms of return on capital employed or return on equity they will be 30 plus percentage. So, we are going to replicate the kind of the films where we are looking at specialty business where EBITDA margins may not look substantially different in good times, in bad times they will look substantially different, but a return on capital employed and return on equity always look much better and I personally feel that investors always look for better return on capital employed and just because in only on EBITDA numbers.

Moderator: Thank you. The next question is from the line of Varun Gupta from Augmenta Research. Please go ahead.

Varun Gupta: I just wanted to clarify one thing in your previous calls you have mentioned that your specialty contribution margins is somewhere in the range of Rs. 50 to Rs. 60 per kg and now you are saying that it has gone up to Rs. 65 and Rs. 70, is that right the specialty margins have increased during this quarter?

Management: See this more and more technical films our margins are going up. However I am not sure if we have indicated this kind of a number for this quarter.

Varun Gupta: So, just to add to it I mean during June 22 quarter there were lot of export actually and in export in a dropping raw material scenario on a little better margins so that cause the overall margin profile to improve on the price?

Management: So, what it basically means is that because they were raw material in a last quarter in some cases where raw material cost was still higher so we could get a better sales. So, this is purely a timing issue in a quarter it does not change as much as one would expect. However, in general if you see a last three year, four year trend every year specialty margins are going up because we are getting into more and more complex solutions for the customers.

Moderator: Thank you. The next question is from the line of Shrinath M from Motilal Oswal AMC. Please go ahead.

Shrinath M: CPP when should we expect volumes to increase in the new CPP lines?

Management: CPP line will come in the FY24 revenue expected in FY25.

Shrinath M: So, typically how should we build in the ramp up I mean the first 6 to 12 months what kind of capacity we should build in utilization and then subsequently how should we build in the rampup of capacity?

Management: If you see EPP is a emerging market and obviously it will take us some time and it is a fairly large line. We have produced anywhere between 1,500 tons to 1,800 tons per month which is quite sizable. I mean we will have to develop the market for this. We are the first ones to get into CPP and created some very nice application. Post our line a lot of other people went onto invest in CPP, but it is a very technical subject and it require lot of tweaking to the film which Cosmo is quite an expert. So, as you right asked it may take some time, but we feel given our R&D **infrastructure,** within 12 to 18 months we will be able to pull up the capacity.

Shrinath M: I mean what kind of capacity ramp up should we see, so could be possible that we do 50% utilization this year I mean 50% of the effective capacity, so if 30,000 is the capacity, FPT capacity for the year is 15,000 because it will be operational for the second half only, would 50% of that be a good capacity utilization to build in the first year?

Management: We feel so.

Shrinath M: And then can it ramp up to say 80% overtime?

Management: We will like to positively surprise our investors.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Sir you mentioned Rs. 35 margin in this quarter so that is at the gross margin level right?

Management: Yeah that is gross margins.

Vipul Shah: And this 47 crores revenue this quarter from specialty chemicals it is outside films or it is mainly in our sense at a transfer pricing at arm length pricing you come to this figure, so can you clarify this?

Management: It is a mix of external and internal sales and for internal sales you are right we do transfer pricing at arm’s length.

Vipul Shah: Sir if you can briefly explain technically what is the difference between this BOPP specialty film and BoPET specialty films and why we have incurred such a huge capex of 450 crores for BOPP specialty line so you said that it will generate a turnover of 450 crores so that will be asset turn of one time roughly, so your comment please?

Management: Yeah so it will generate some very good margins and as I said earlier to Nirav that these are the turnover expected in first two to three years. As we continue to increase our specialty these numbers will continue to go up. As we historically know that polyester line typically has a higher EBITDA percentage, but industry in general has not been able to give as good a ROCE numbers. What we are expecting is that we will be able to provide both good EBITDA numbers and ROCE numbers once our volumes shifts to more and more specialty films.

Vipul Shah: Technically sir what is the difference between BOPP and BOPP specialty films?

Management: There is a lot of difference I think it is a subject which we can clarify one to one otherwise it will take 20 minutes to explain that.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Analyst Research. Please go ahead.

CA Garvit Goyal: Sir my question is going forward are we going to make a capex disbursals for the segment results for these new segments like excise and pet-care also like we are currently making for that specialty film?

Management: Well in due course yes of course the pet-care and specialty chemical they will be segmental in the due course.

CA Garvit Goyal: And by when do you expect the same?

Management: Let the business size to little grow as we mentioned in the course earlier the statutory requirement is 10% of the top line, but we expect this to commence before that.

Moderator: Thank you. Ladies and gentlemen that was the last question for today's conference. I now hand the conference over to the management for closing comments.

Management: Well I would like to summarize in a way the company is taking all key steps required to transport into specialty packaging and specialty chemical company with clearly B2B and B2C segments in years to come. Specialized polyester lines BOPP line and CPP line to be commissioned in FY23 and FY24, FY25 respectively focus on growing specialty sales, diversification into specialty chemicals and direct to consumers pet-care. The other area that will drive growth in the coming years. Our focus very clearly will continue on improving specialty films, research and development and sustainability particularly looking at sustainable kind of films in coming quarters and coming years. These actions would continue to improve margins and would continue become a long term sustainable growth model. Now at the end of the call I would again repeat the statutory declaration. Certain statements in this concall maybe forward looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in some circumstances. These statements are not guarantees of future results. With this, we would like to end the call. Many, many thanks for joining this call.

Moderator: Thank you. On behalf of Cosmo First Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.