

Sustainability my key focus, aim for Rs 40 crore savings: Cosmo CFO

Demand level continues to be robust, while momentum in speciality sales is expected to continue, says Neeraj Jain. The company plan to have our 80 per cent of the sales through speciality line in the next two years.

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Cosmo Films CFO Neeraj Jain

Packaging films maker Cosmo is looking to go big on sustainability, planning to save Rs 40 crore on an annualised basis in the long-term, said its CFO Neeraj Jain as he discussed his priorities and the company's growth prospects for the current financial year. Cosmo clocked over Rs 2,000 revenue in FY21, and a net profit of Rs 237 crore. Edited excerpts.

Q: How is the business looking in the aftermath of the second wave and the possibility of the third wave?

“ Growth prospects are looking good as demand remains fairly robust. Especially people from rural areas are getting conscious about food packaging, which is adding to demand.

Further, our main speciality business continues to grow. It had shown a 20 per cent growth last financial year and we expect a similar momentum to continue this fiscal as well. The speciality business presumes significance for it gives us high margins.

The two new businesses we forayed into last year—speciality chemicals and pet care—are also faring well. In the speciality chemical business, we have launched a B2C product Fabritizer, which kills Coronavirus on the clothes. We are selling it on online channels like Amazon. We expect this business to add between 8 per cent and 10 per cent to the top line this financial year.

In the pet care business, we are seeing good traction. We are running a month late as per our own schedule, but plan to catch up quickly. The industry has been growing about 25 per cent year-on-year, and the pandemic has further increased the prospects. We have seen a surge in the adoption of pets amid this time. Cosmo plans to tap on these opportunities by providing an integrated offering.

Q: Your FY21 profit more than doubled to Rs 237 crore from Rs 113 crore in FY20. Can we expect the same run rate in FY22?

It will be difficult to share any forward-looking guidance, but having said so, we have our own reasons for profitability to continue. Factors contributing to profitability remain intact.

Demand level continues to be robust, while momentum in speciality sales is also expected to continue.

Q: How much capex is planned for FY22? Also, what are your debt reduction plans?

Our FY22 capex is planned at about Rs 270 crore. We will be adding capacity by about 20 per cent. We plan to fund this capex via low-cost debt, which will flow in the balance sheet this financial year.

But at the same time, we have cash and cash equivalents to the tune of Rs 300 crore as of March 31, 2021, and the company will also use robust cash accruals from operations towards reducing other debt.

Therefore, we don't expect any major change in the net debt position despite increased capex. Anyway, our finances are strong. Recently, our credit rating was upgraded by CRISIL to AA (-) stable from AA+.

Q: What will be your top focus areas in the upcoming quarters?

First and foremost will be to increase our speciality business. We plan to have our 80 per cent of the sales through this line in the next two years. The second priority area will be to grow the two new businesses mentioned, speciality chemical and pet care.

Last and not least, will be to drive the company's comprehensive sustainability programme.

Cosmo has four plants, three in India and one abroad. We are increasingly focusing on water conservation, as well as on the use of solar or wind power at our plants. We are also installing noise reduction equipment, and rationalising container space by stuffing more material. Furthermore, Cosmo has plans of using a monolayer structure of packaging food, which is 100 per cent recycled. All these efforts can help us save Rs 30-40 crore on an annualised basis long-term.

At the same time, we have planted 5,000 trees. This would all help in benefiting the environment. So, overall it is a win-win situation for everyone.

Q: As an exporter, what has been your experience with the GST regime? It completed four years recently...

We have had a good experience with the GST law. Processes seem to have been streamlined now. As an exporter, we are receiving refunds on time. On the compliance side as well, our compliance has slightly decreased.