"Cosmo Films Limited
Q1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Cosmo Films Limited Q1 FY2022 earnings conference call. 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 this conference is being recorded. I now hand the conference over to Mr. Saurabh Bhave from S-Ancial Technologies. Thank you and over to you Sir!

Saurabh Bhave: Thank you Bilal. Good afternoon everyone. On behalf of S-Ancial Technologies, I welcome you all to Cosmo Films Limited Q1 FY2022 earnings conference call. From the management, we have CEO,0 Mr. Pankaj Poddar and CFO, Mr. Neeraj Jain. I request you all to refer to the investor presentation which is uploaded on the website which can throw much more light.

Starting off with the statutory declarations, certain statements in this conference call may be forward looking. 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 may I request Mr. Neeraj Jain to take us through his opening remarks subsequent to which we can open up the floor for the Q&A session. Thank you and over to you Neeraj Ji!

Neeraj Jain: Thank you Saurabh. Very good afternoon ladies and gentlemen. First talking about the June 2021 quarterly financial results the company has posted record consolidated EBITDA of Rs.142 Crores during the quarter. This is continuous uptick performance by the company from last nine quarters in a row which reaffirms that company's strategy was in the right direction. Consolidated sales for the quarter, is Rs. 688 crores which is higher by 43% from June 2020 quarter and there are couple of factors working behind this. Primarily higher specialty sale by 20%, better margins and raw material price increase which got passed on to the customers. The EBITDA has increased to Rs.142Crores during the quarter which is 53% higher from June 2020 quarter and the this was primarily on the back of three factors: First, higher speciality sales which has actually grown 20% year-on-year, better operating margins. BOPP from margin has been running at Rs. 38 per kg during June2021 quarter compared to Rs. 28 per kg during the June 2020 quarter and the third of course uptick performance by the subsidiary.

Subsidiaries taken together as performed Rs.22 Crores EBITDA during the June 2021 quarter compared to 1 Crores in similar quarter last year and this was largely on the back of higher sales, better margins, and improved operational efficiency in subsidiaries. The in held EBITDA together with the reduction in consolidated effective tax rate that increase impact by 85%. Even the EPS has increased by 96% higher than the PAT increase primarily because we did buyback of shares in December 2020. Within 12 months EPS now is Rs. 151 compared to Rs. 127 in FY2021. On balance sheet side, net debt to EBITDA and standard one time and net debt to equity at 0.5 times reaffirming strong financials.

Credit rating agency CRISIL has upgraded companies long term credit rating during the quarter to AA- and short-term credit rating has also improved to A1+ with a stable outlook. The upgrade encourage rating reflects a strong financial profile. The company is looking for close to 300 Crores to 330 Crores of capex during FY2022 and as we discussed in the past, this will be primarily on specialized BOPET lines, value add capex prefer the enhance speciality film portfolio and speciality chemical division. The financials are expected to remain fairly strong even after this capex. Of course, the bottomline impact for this capex will effectively come from the next year.

Talking about the specialty films which has actually grown 18% year-on-year during last three years for us and in fact FY2021 growth rate has surpassed 20% on a larger base. June 2021 quarter specialty has grown again more than 20% on a much wider base. The company's growth strategy with continuous investment in R&D, sales and marketing, employee practices, quality in customer satisfaction.

As announced earlier, we have increased R&D headcount to 30 numbers to further enhance company's focus on R&D. The company is enhancing its specialty films portfolio and has large multiple innovative products making the products pipeline even further stronger. Just to name few products, Shrink Label film, Direct thermal Printable film are the few other products, which got launched during couple of last previous quarters.

From growth perspective in coming years, we see growth coming largely from B2B segment as well B2C segment. Here B2B segment include Specialty Film, Packaging Films, Specialised BOPET line which will effectively at 20% capacity and Specialty Chemicals and on B2C segment side, Specialty Chemicals including Fabritizer and many more products to be launched and of course Petcare.

Cosmos Speciality Chemical, a 100% subsidiary of Cosmo Films during this quarter forayed into FMCG industry with the launch of a product called Fabritizer which assures 99.9% protection against viruses and bacteria on clothes. The company's R&D has successfully completed the development of 20 plus textile chemical products each with unique specific USPs.

Some recently developed products include low temperature soaping agent, soft fill silicon, eco clay which is environment friendly wetting agent. Many of these textile chemicals products have received prestigious GOTS approval as well as and of course customer approvals are already in process, and we expect in the coming quarter those should also come. Just to indicate Textile Chemical is more than 10,000 Crores market in India and currently been primarily dominated by some MNC players. Progress on specialised BOPET line is broadly running at is as per plan even with the significant COVID related challenges.

We are targeting compliment growth in specialised BOPET line which includes Shrink Label and other high-end speciality. This will partially substitute imports and is an opportunity to convert lone recyclable PVC film market in India which is close to 30,000 metric tonnes currently. We are also ready for Pilot launch of Petcare in Q2 FY2022 under the brand name Zigly which will be unique value proposition with omnichannel presence in an industry which is growing more than 25% today. Progress on Petcare is running very well. The portal resource building, brand strategy, first customer experience centre in South of Delhi, technology, manufacturing tie-up and other infrastructure are broadly in line. We are expecting pilot launch in NCR during Q2.

Moving to sustainability which is our key focus area in the last couple of decades, there have been broader challenges like the prominence of climate change discussions because of extreme weather events, the need for an affirmative action of social issues and a diverse range of governance issues impacting company's across the world. All these changes are driving the sustainability agenda across major economies of the world and emerging economies are more far behind. The sustainability evolution is immensely helpful for companies as more awareness and informed discussions can help in developing business resilience and long-term approach.

With the clear evidence that engagement with diverse shareholders or companies on sustainability issues can create more balanced outcomes. Understanding where they stand on sustainability is an exercise that has companies in identification of lined spots and then in figuring out to how to address these issues.

At Cosmo Films, we understand the utmost importance of sustainability and business resilience including business environment. We are carrying in debts sustainability review and working on Cosmo sustainability reporting. We want to ensure that all the stakeholders in the company such as employees, customers, suppliers, investors, analysts, stakeholders, regulatory bodies and of course communities around our plants and offices benefit from the growth and the growth together.

With this, now I will close my opening remarks. Floor may be open for the questions please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Good afternoon to the entire team of Cosmo Films. I have two set of questions, if I see your 2019 numbers and compare it with 2021, our operating profit on a standalone basis has almost doubled like from 164 Crores to 362 Crores and even in the current quarter if we see the run rate we are almost at 450 Crores runrate on a standalone basis, so if you can help us give us a broad understanding as how this incremental 200 Crores from 2019 to 2021 has come across, so if you can segregate into three parts like one, how increase in commodity margin, what is the contribution of increase in the commodity margins in rupees per kilo or some quantitative figure or in percentage would help? Second is increase in specialty film volumes as well as launch of new products because I was just seeing one of your slide in the presentation where packaging films contribution has gone from 41% to 55% in this two to three years, so if you can segregate in terms of the benefit from this segment and third is the cost savings, what cost savings in terms of the process innovation, we have achieved in last three years to four years, so if you can segregate the benefit of this 200 incremental EBITDA into this three broad parameters that would helpful? So this is question number one and my question number two is if I see your annual reports of last 12 years, I think cumulatively we have invested almost 72 Crores in R&D, so if you can segregate this R&D spend into two parts like how much we have spent in terms of introducing new products and b) process innovation like reducing raw material cost and reducing the water consumption etc? So these are two set of questions. Thank you.

Neeraj Jain: Thank you for your questions. Only standalone basis primarily this increase is from three factors; one is speciality things which actually we discussed has been growing 20% year-on-year for us and you know within speciality we are able to do even better because we are slightly moving towards the high end of speciality. In this commodity film margin has been running well compared to what it was two years back but of course is the occasional efficiency including post rationalization projects which we did. I am not sure whether we would be able to bifurcate total increase in EBITDA because of these three factors but broadly I mean primarily these factors continued to change.

Nirav Jimudia: But Sir if you can rank in terms of the order of benefits like A, B and C like how much, so if you want to rank in terms of the order of preference, what comes first, second and third, that would also helps if you are not able to quantify?

Neeraj Jain: Well, we do not have numbers behind this currently and considering more regulatory guidelines as well I am not sure whether it will be right to indicate those very specific numbers but this much, I can say that larger part of this would be speciality film increase and better BOPET Film margin.

Nirav Jimudia: Okay got it Sir and on the second question if you can give some understanding?

Neeraj Jain: R&D in Cosmo has been done in two parts broadly we look into two parts, one is in collaboration with the large brands we have been of course the R&D expenses been shared between this brand and the Cosmo films. The second of course there are couple of products where at each point of time, R&D team keeps on working on the new initiatives and these days going largely towards the sustainability products, so I think that answer your question because not all R&D cost is being borne by the Cosmo Films, the kind of the initiative which we are taking is much larger, not restricted to the numbers which is indicated.

Nirav Jimudia: Thank you for answering the questions. I will join back in the queue if any.

Moderator: Thank you very much. The next question is from the line of Shubham Agarwal from Aequitas. Please go ahead.

Shubham Agarwal: Thank you for the opportunity and once again I would like to congratulate team Cosmo for presenting such a phenomenal number. Sir firstly I would like to understand the differences so the numbers reported in our subsidiary, if we see Q-o-Q the total turnover reported has declined from 66 Crores to 40 Crores whereas on the other hand side, the PAT reported has gone up from 10 Crores to 20 Crores, so if you can just help me reconcile what transpired in our subsidiary division?

Neeraj Jain: Sure, difference which you see between the consolidated sale and standalone sale is not the subsidiary sale. There are some sales which each quarter happens from the standalone India to overseas subsidiaries as well as the India subsidiary now which gets eliminated actually at the consolidated level. When you look at the difference between these two, it will not actually reflect the subsidiary sale. It will reflect the subsidiary sale net of the intra group elimination. I hope I answered your question?

Shubham Agarwal: Right, so basically PAT would be the right number to see, correct, the difference 20 Crore?

Neeraj Jain: EBITDA and PAT.

Shubham Agarwal: Right, so now going ahead given that Q-o-Q we have grown almost by 100%, how do you think this will sustain going ahead and what was the key reason for such a phenomenal growth?

Neeraj Jain: As we discussed I mean the factors for the growth; you are talking about the subsidiary or the consolidated?

Shubham Agarwal: Subsidiary?

Neeraj Jain: Subsidiaries, there are two factors actually, a large part of this is because of higher sales particularly in the US subsidiary, we own couple of new contracts, and it is both on the specialised BOPP line, BOPP films as well as our key product in the US market, which is a thermal lamination print, so that part should sustain because generally these are the long-term sales arrangements. Second is the enhanced margins, part of the margin can be sustain to anyone, part of the margin medium-to-long term we note the sustainable but will not be a very large figure.

Shubham Agarwal: Right, that answers my question. Secondly, if you can elaborate on the current trend that you are looking at in BOPP prices, you did mention that the last quarter average spread was 38, so are we seeing this kind of spreads sustaining in the current quarter also and how is the current demand supply situation given we anticipate few more lines that will get added very soon?

Neeraj Jain: Again, I am not sure whether it will be right on our part to forecast margins for the coming quarters but having said so demand level remains really robust, and that can continue.

Shubham Agarwal: Alright and in your presentation you mentioned that based on the current capacity announced in India, new capacities may not be able to address the growing Indian demand and on the other hand side, we have not announced any BOPP lines since a long while given that we are operating at a very optimum level, so where do we see that a thought process playing out going ahead, are we looking at new capacity addition to be announce soon?

Pankaj Poddar: Right now, any new capacity cannot come before three and a half years to four years because of whatever is happening due to COVID and now these line supplies are also supplying newer technologies for battery and other stuff, so right now the lead time for a new line has become very long and as far as Cosmo's evaluation, we are continuously evaluating which area should we invest and as of now, there is no concrete plan, others certainly evaluated anytime.

Shubham Agarwal: Fair enough and coming onto the newer initiatives, so how is the response for our Fabritizer products in the market and secondly on the Master Batch line, where are we when it comes to the capacity utilisation currently, how it is progressing?

Neeraj Jain: As far as Fabritizer is concerned, let me first share with our investors that initially we made this anti-fungal viral bacterial, anti-COVID products for a B2B industry and it was for 50 washes, I mean these were giving that you wash clothes ones and for next 50 washes, the clothes will stay anti-viral bacterial and so on. So it was meant for government and processors and so on and so forth; however, we were also working to try and address the COVID issue to the extent possible and therefore when we made this product we liked it so much said we said this can become a very strong consumer product; however, the cost of the industrial product was very high and therefore we made another product where we gave a claim of seven days anti-viral bacterial up to 99.99% and the effect even goes much beyond but it is that the efficacy reduces some 99% gradually. So, to be honest we did not do as good a planning while we launched this as FMCG product. We did everything with our existing team because we took in a quick decision as far as this; however, since then we had moved really fast. We started to hire sales people, we have started doing some marketing around it and I am very happy to share that within less than two months, we have already sold 1500 bottles plus and you know now the product will be not just available on Amazon, Flipkart, many of the e-commerce companies have also shown their keen interest to display the product, so it will be soon available at Big Basket, Reliance portal and very soon we will start listing this product in the modern trade also. The first one will be Modern Bazaar in Delhi, NCR and we are talking to lot of other modern retail outlets. In fact you had agreed but given that sales people hiring was still in the pipeline that we said we will do it once the sales team is on board, so I think you will have to wait for at least three months to four months to do any sizeable scale up of this product. Having said that we continue to do marketing and product awareness so that consumers do get aware; I can tell you that the response is very good because there is no other product which is similar to this. Lot of other industrial houses also have shown interest to launch it in hospitals, hotels, and all that, we are evaluating all those things but I am sure because sales start flowing from let us say January 2022 onwards.

Shubham Agarwal: Okay and on the Master Batch part?

Neeraj Jain: On the Master Batch we have started selling from this quarter to the outside customers also, so month by month our sales are going up. Sales that we did last year in seven to eight months because we started the line in July or August last year and whatever sales we did from July – August last year till March, the first quarter sales we have already been clocked. So, that clearly shows that there is a growth in the Master Batches too. So, I would from our capacity utilization perspective we are close to now 50% -55% utilization and hopefully within next three months to six months we should running with 100% utilization and from next quarter onwards you will start seeing some small numbers for textile chemicals because the line will be commissioned in the month August and from October onwards you will see that also starting commercialization with multiple customers.

Shubham Agarwal: Fair enough. Sir, lastly one data point I wanted what is the percentage of speciality last quarter?

Neeraj Jain: In value terms it has exceeded 80%.

Shubham Agarwal: Sorry?

Neeraj Jain: Value it has exceeded 80% now.

Shubham Agarwal: Okay, got it and lastly on the BOPET line how are we progressing on the capex and when can we expect the commercial launch?

Neeraj Jain: At the end of Q1 next financial year and the construction has started now and end of first Q1 next year we will be up and running.

Shubham Agarwal: Great, that is it from my side. Thank you.

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

Vipul Shah: Congratulations for a very good set of numbers. My question relates to new BOPET line, what is the capacity of the BOPET line and in at full capacity what type of turnover we can expect per annum from this line?

Neeraj Jain: This is a multiproduct line and therefore very difficult to give you a capacity number. If we talk purely commodity product, we can do say 30000 ton – 35000 tons actual production more towards 35000 tons but given that it is multiproduct line it is very difficult to put any number to it. As far as the revenue is concerned, we can expect anywhere between Rs.300 Crores and Rs.350 Crores.

Vipul Shah: Per annum at full capacity?

Neeraj Jain: That is right. See that number will also continue to go up as we keep shifting our volumes to speciality. See, polyester line is not just a line beyond this we are adding lot of our assets towards it. So, once the line is very unique and special there is no line like this in the world as of now. But we are not just limiting to it. It has post this several other operations that we cannot share in this call which will result in speciality since we made from this side.

Vipul Shah: Sir you mentioned that Rs.38 is the spread so that is at the gross margin level, right?

Neeraj Jain: That is right.

Vipul Shah: Thanks and all the best for the future.

Moderator: Thank you very much. The next question is from the line of Shreyans Bhandari an Individual Investor. Please go ahead.

Shreyans Bhandari: Good afternoon Sir. I just have one question. If I am not wrong the company has an investment of around Rs.130 Crores in perpetual bonds, so do you think it is the best UK scenario of that money maybe this amount can be used to fund company's capital expenditure rather than on-loading more that?

Neeraj Jain: You can consider it as a war chest for us. We are looking at expansion into different areas and that is the reason you are seeing that your company has gone and invested into speciality chemicals, Master Batches, Petcare business. So, we are diversifying. We are in the film industry also and hopefully in the few years to come from one business it will become a multi-business strong business house.

Shreyans Bhandari: I am asking that if the money invested in perpetual bonds could be used elsewhere to expand the capital expenditure?

Neeraj Jain: Yes, we are evaluating it, right till the time we decide on another capital expenditure the idle money has to be parked somewhere we do not want keep before it has been for the time being invested into perpetual bond. The moment we go into another investment some of this money can be taken out of perpetual bond and invested in the capital expenditure.

Shreyans Bhandari: Can you tell what is the rate of return on these bonds, average rate of return?

Neeraj Jain: Yes, actually we invested at a very good time and the return is very good because just we got the interest on these perpetual bonds even, we also got the yield to maturity that number is clearly high because now post that the interest rates went down and therefore other valuation process is also there obviously that will come in the books only once these bonds are redeemed into the market until then these are parked into reserves.

Shreyans Bhandari: Thank you.

Moderator: Thank you very much. The next question is from the line of Ashish Kabra from Fairdeal Traders. Please go ahead.

Ashish Kabra: Sir, my question is firstly can you give some guidance on the FY2022 and FY2023 and are there any Brownfield capex also that you are looking at acquisition or something?

Pankaj Poddar: We cannot share as per the SEBI guidelines so I really apologize for that and only thing I can say is that we are tracking very well on all the businesses. The film business our main focus is to continuously grow on the speciality. Investors are very well aware how we have been growing in last three four years on that. The Petcare business will soon be launched next quarter, it will be in front of all of you. We have done phenomenally good job there where our consumers will be able to have lot of convenience because of this and I am not sure if you are aware that Petcare has been growing at phenomenally fast pace. Similarly, the textile chemicals and Master Batches are again very innovative industries, and we are happy that we are expanding in the right areas.

Ashish Kabra: Yes, Sir and one last question on the raw material side do you see any pressure on the prices of raw materials in future?

Pankaj Poddar: Yes, the raw materials in plastics have kind of stabilized now. It was fluctuating a lot in the first COVID wave but since then I would say it is reasonably stabilized for last few months.

Ashish Kabra: On Brownfield capex do you have any plans of acquiring any company or such in near future or looking at that prospect?

Pankaj Poddar: Yes, we are always evaluating if any good opportunity comes our way, we will certainly evaluate it. But right now, there is nothing on the horizon.

Ashish Kabra: Thank you. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Drishtant Chakraborty an Individual investor. Please go ahead.

Drishtant Chakraborty: Thank you. First of all, big congratulations on one more set of good numbers for the quarter now, we all know Cosmo Films as a great player in the plastic films business and that is your bread and butter, right. But as an investor I feel a little bit of increasing risk when I see your company expanding into say retail businesses, may that be Petcare or say the new Fabritizer business. So, I would just like a little lighter on what exactly are the plans that have been created in order to deal with all kinds of problems and increase the business analytics etc. and operations that need to be taken into consideration like in inventory management etc., while entering into a retail business and my second question or say a question in line with that would be, could you also give us a brief idea or timeline as to by when we can perhaps see all these retail aspects of the new businesses start to come aboard say may that be four years, three years something like that?

Pankaj Poddar: So, we have got specialist on the board. If I talk about Petcare business we have people from retail industry, we have people from e-commerce industry, we have people from service industry, so it is not that the same B2B team is doing there are people who understand this subject fairly well and I also review them once a month to make sure that we are taking all the correct decisions. As far as the revenue growth is concerned the first launch is happening next quarter. Once we test it for three months to six months you will start seeing us expanding it really fast and we may end up opening one stall every 30 days to 45 days until we reach some 40, 50 stores. I mean that is the broad plan obviously the success of the first few stores will really decide our fate as we move along.

Drishtant Chakraborty: Right, my next question would be again, a broad aspect question like understanding that there is so much happening and in such a quick time, as top managerial person in this company, I would like your view of where you would like to see Cosmo Films in say about five years to seven years considering they are expanding into chemicals and that too into Master Batches, Adhesives etc., as well as the new Petcare division. If you could just give us a brief idea as to where you would want to see Cosmo Films in long-term aspect of five year to seven years, that will be great for me?

Pankaj Poddar: All these segments will be top three in India.

Drishtant Chakraborty: That is great to hear Sir. Thank you. That is it from my side.

Moderator: Thank you very much. The next question is from the line of Akul Broachwala from IIFL. Please go ahead.

Akul Broachwala: Thank you so much Sir for the opportunity and congratulations on good set of results. Sir, just wanted to get some clarification on your employee costs and other expenses line. So, basically do we expand these two-line items to increase going forward on a quarterly basis considering that you are going to ramp up your textile chemicals as well as Master Batches and also Petcare so, just some clarification on that?

Pankaj Poddar: The beauty is that the B2B business from Master Batches, in the first year itself it was profitable, and we expect textile chemicals also to be profitable right from the first year. However, the other thing is that the B2C business is especially the Fabritizer will be a part and parcel of Cosmo Speciality Chemical and we have to really see how we can tell our investors in terms of what are the marketing costs that have we spent on Fabritizer. So, as we attain scale, we will see how to report those numbers and similarly in the films business we have started this Petcare and as we have told earlier that once we start attaining some scale, we will put this into a separate subsidiary. But as you rightly pointed out in both film and chemical costs will go up in fact even in Q1 there are cost attributable to Fabritizer and for Petcare business which have been included and as we need to once start reporting segmental and other things, we will start doing that as per the legal compliance.

Akul Broachwala: Got it Sir, and secondly just wanted some highlights in terms of which are the specific end user applications which from where you are seeing such kind of high margin demand or maybe you can just throw some light on that. Is it in terms of packaging, is it in terms of lamination or is it across the border?

Pankaj Poddar: All the four verticals that we have within the film, they all have specialties. We have identified certain areas like five years back we said film has to move into sustainability's on. We were the first in the world to say that flexible packaging has to become recyclable and that is the time when we launched a product called heat resistant film, the first version of it and that had been a very good success till now. Similarly, we came with high barrier films, again, to promote recyclability and that again had been a huge success. Similarly, in synthetic paper we said paper has to be recyclable, we cannot keep cutting trees all the time and that has been a very good success. So, we have considered the needs of the consumer and the customers and accordingly have been launching products in last four five years and I would say that in every segment we have multiple speciality products but at a very broad level labels, lamination and industrial has much more speciality content while packaging to that extent does not have as much speciality content.

Akul Broachwala: Right Sir, got it and lastly like as you pointed out that, you won some contracts in the US do you expect such kind of trend to continue in terms of winning such contracts not only in US maybe in some other key market like Europe or other Asian markets?

Pankaj Poddar: We keep winning them every quarter that is the reason the speciality growth is happening. Most of the speciality sales are backed by contract.

Akul Broachwala: Right Sir got it. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. Sir, just I wanted to understand something on the industry perspective in terms of commodity margins versus margins in the specialized. So, what is the correlation just wanted to understand if the commodity margin reduces does that mean that your specialized product margin also reduces and to what extent. So, some understanding on those fronts would be helpful?

Pankaj Poddar: Speciality margins remain stable because they are linked to raw material pricing while the commodity margins change as per the demand and supply of the commodity films and normally speaking as we have told before also that speciality margins are 2 times to 2.5 times of commodity margins we cannot put a clear number there because it depends how the commodity margins are there in the market. For last few quarters commodity itself is generating a very good margin. But for the Cosmo investors we have been multiple times saying that investors should look more at speciality growth than anything else in Cosmo.

Deepak Poddar: Fair enough. So, one can expect the margin in speciality to be stable, right even if tomorrow BOPP prices or the commodity prices comes down our margin in specialized is quite protected in that way, that would be right way to understand?

Pankaj Poddar: Absolutely, we have made three categories commodity, semi-speciality, and speciality. Specialties are products which are absolutely remain stable over the period irrespective how commodity moves. Semi-speciality has some correlation to commodities but semi-speciality within the speciality is not that large, majority of what we do is speciality, and the rest is commodity which moves us to the market.

Deepak Poddar: Fair enough, I understand that is quite helpful. Sir, my second and last question is something on the sustainability of this quarter performance in terms of margins. So, do you see that as a sustainable thing or as a base that we can build upon in the coming quarter?

Pankaj Poddar: As we said we still are not a 100% speciality company, so I cannot say that the same margins are repeatable but in general our speciality growth is very, very strong and even in commodity at least in the export market we are normally able to command a significant premium because let us say in a container if 10 tons of speciality has to go and 5 tons of commodity has to grow, we are able to command premium because of speciality. Domestic we do not charge that much premium in commodity films but speciality obviously we have a premium there. So, in general our margins will stay healthy; however, if commodity margins go up or down whatever content we are doing in commodity business that can always get impacted by it.

Deepak Poddar: Understood, quite helpful. All the very best.

Moderator: Thank you very much. The next question is form the line of S K Patel from Shanti Patel Investment. Please go ahead.

S K Patel: Good evening, Sir. Now, what is our contribution of various verticals in terms of percentage and what is the plant utilizes and capacity in respect of all these four verticals?

Neeraj Jain: You can get that information from our investor's presentation.

S K Patel: Both?

Neeraj Jain: Yes.

S K Patel: Okay and what is near estimates, what will be earning on sale as on March 31, 2022, approximate. Internal working you must have done?

Neeraj Jain: We cannot disclose the projections as per SEBI guidelines. I am afraid I cannot share that.

S K Patel: Okay, what is our market in respect of various verticals today and who are our main competitors?

Neeraj Jain: We always try and compete with us internally rather than trying to follow others. We are a firm believer that you should never try and copy competition because then you will always be behind them. So, for us the competition is always internally.

S K Patel: Okay, what is our market fare in respect of various verticals in an organized sector?

Neeraj Jain: Yes, that information you can very well check on the internet. Textile chemicals I can say Huntsman is there I mean there are three four multinational players who are there in the textile chemicals, films you guys already know there is Jindal is there, there is Nahar is there.

S K Patel: I am talking about our market fare in respect of verticals in which we are?

Neeraj Jain: As far as labels, industrial film and lamination is concerned Cosmo has a very high market share worldwide not just in India. Packaging again in the speciality segment, we have a very good market share worldwide while in the commodity space there are so many players. Textile chemical again, we are trying to create niche of our own and just to let you know in textile chemicals we have made two products which have gone extremely well with the customers in fact in Q1 they wanted supplies but given that commercial production has not started, we could not supply them as yet. One is an eco-clay material that is a beautiful product and second is silicon; those two products have been appreciated very nicely by our customers.

S K Patel: Thank you very much Sir. Thank you.

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

Varun Gupta: Good afternoon Sir. I just wanted to ask besides Fabritizer do have plans to enter he retail segment?

Neeraj Jain: Yes, we will scale it up as a FMCG product. As far as the retail is concerned, we are looking more as pet care business to get into retails space.

Varun Gupta: So, just the pet care business and Fabritizer and no other products to be launched on the retail side?

Neeraj Jain: Yes, that is right.

Varun Gupta: Thank you Sir.

Neeraj Jain: Just to clarify on the previous investor question, as far as Petcare is concerned Petcare itself has many SKUs, there are more than 1500 SKUs which we can sell in retail for the pet care business and as far as Fabritizer is concerned, once we get some initial success we cannot limit ourselves only to Fabritizer, we need to have complementary products in our range those kind of things will be able to decide once we taste some initial success in that segment.

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

Vipul Shah: Sir, can you quantify the cost we have incurred in this quarter for retail business and Petcare business?

Neeraj Jain: I may not have all the numbers immediately with me

Vipul Shah: But any rough guesstimate?

Neeraj Jain: I do not have all the numbers handy because these are multiple businesses, but in the quarter, they will be less than Rs.1 Crore.

Vipul Shah: For the quarter ended June, right?

Neeraj Jain: Yes. That is right.

Vipul Shah: Thank you.

Moderator: Thank you very much. The next question is from the line of Shreyans Bhandari an Individual Investor. Please go ahead.

Shreyans Bhandari: Sir, can you please tell us on what basis the company increases the salaries of the key management personnel and second if you can explain in short, the Master Batch business?

Neeraj Jain: So, the KNP is decided by the board. I have no say there and therefore I may not be able to answer the question. At a very broad level, there is a fixed salary and there is a variable salary. Fixed salaries we mean fixed while variable is linked to the company performance. As far as the Master Batch is concerned, right now we are making Film Master Batches and there are selective companies in the world who are capable to make Film Master Batches. So, basically these Master Batches help improve the functional properties of the film at a very broad level.

Shreyans Bhandari: Thank you.

Moderator: Thank you very much. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments. Over to you Sir!

Neeraj Jain: Thank you. I think company is taking all right steps required to transform into speciality packaging and speciality chemical company, with B2B and B2C segments in years to come. A peak performance reaffirms the company strategies moving in the right direction. Going forward B2B segment where we would include speciality film, packaging film, specialized BOPET line and speciality chemical and B2C segment where would have speciality chemical and Petcare, both the segments will drive the growth. Companies focus shall continue on improving speciality films, R&D particularly on sustainability which should lead results in coming years. These actions would continue to improve margins and would contribute to long-term sustainable growth. At last, I would like to repeat the disclosure statement, certain statements in our today's concall maybe forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changing in circumstances. These statements are not guarantees of future results. Thank you very much for joining.

Moderator: Thank you very much. On behalf of S-Ancial Technologies, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.