



COSMO FIRST LIMITED
Q4 and FY'23 Earnings Conference Call

May 30th, 2023

Management Participants:
Mr. Pankaj Poddar – Group CEO;
Mr. Neeraj Jain – Group CFO

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Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cosmo First Limited to discuss the Q4 FY23 Results. Today we have with us from the management Group CEO – Mr. Pankaj Poddar and Group CFO – Mr. Neeraj Jain. Starting off with the statutory declaration. Certain statements in the conference call may be forward looking. These statements are based on management’s 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 questions after the presentation concludes. Should you need assistance during the conference, please signal the 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 to the Q&A. Thank you and over to you, Mr. Jain.

Neeraj Jain: Thank you very much. Very Good afternoon, ladies and gentlemen. I am Neeraj Jain – Group CFO at Cosmo First along with my colleague Mr. Pankaj Poddar – Group CEO at Cosmo First. Both our financial results as well as the investor presentation are available on the company’s website. We hope you could go through the same. We will start the call with a brief on the performance of the company for Quarter 4 which may be followed by questions.

First talking about the flexible packaging business. Although Quarter 4 was a fairly challenging quarter primarily for the commodity part of the business, however, the company could still post 10% EBITDA on the back of the specialty film portfolio. The results are clearly outperforming the industry.

During the quarter, commodity films’ margins, both on the BOPP and BOPET witnessed a further decline compared to the previous quarter impairing the profitability of the entire industry. You would notice that from the last couple of quarters, the BOPP and BOPET industry faced excess supply scenario caused due to bunching of several new production lines. Although, the demand side continues to grow. The bunching of supply caused margin drop and impacted everyone in the industry. Cosmo with over two-third of its revenue coming from the specialty film could withstand the margin pressure and clearly outperformed the industry once again in Quarter 4. BOPP films’ margins have been running close to Rs. 10 per kg in March 2023 quarter compared to Rs. 17 per kg in December 2022 quarter and Rs. 50 per kg in March 2022

quarter. So there is a very significant gap in the commodity part of the business. You would also notice that this margin of Rs. 10 per kg is quite low compared to the average historical margins of Rs. 25 per kg that this industry has been earning.

It may also be noted that even in such a challenging market the company's specialty margins remained broadly intact in line with last year. While the commodity margins have gone down broadly to 1/5th from last year, specialty margins remained fairly firm. Semi-specialty margins are also down by almost 40% compared to last year. All of these details are available in our Investor presentation.

Coming to the BOPET line commissioned in FY23, we continued to focus on perfecting recipes, processes and quality parameters on various specialty and value-added films. This is in line with the company's larger strategy to enter into polyester films. There was about Rs. 5 Cr of EBITDA loss in BOPET during the quarter. The company is working on key specialty products on the BOPET line which are expected to deliver results within FY24.

With an objective to promote sustainability and rationalize costs, the company has entered into renewable power agreement to source 40% of power requirement for its largest plant through renewable sources. The power has already started from May 2023 end. Besides promoting sustainability, this will also rationalize cost in a material way. In medium term, the company is looking to source almost 50% of its power requirement through renewable sources which will serve twin purpose of sustainability as well as the cost rationalization.

Moving to flexible packaging outlook for the coming months and the quarter, the company expects the position to improve in the coming months bringing an end to the QoQ decline, which has been happening from last three quarters continuously in a row. So, there is already a marginal uptick we have seen in May 2023 month's margins. Besides specialty sales, the company shall clearly focus on cost rationalization measures in FY24. The company has launched several new specialty films including shrink for packaging and non-packaging applications. Few other specialty films from non-packaging applications are also in the pipeline which should hit the market in the coming quarters. All these would further strengthen the company's position in its specialty films business. We will continue to build on the specialty products portfolio to maintain the lead over the industry in the coming quarters as well.

Now I am going to move to Q4FY23 financial results. So, the consolidated sales for the Q4FY23 is Rs. 715 Cr which is lower by about 2% compared to Q3FY23 although volume is higher by about 4%. This drop is mainly due to lower commodity margins and mix change. EBITDA for Q4FY23 is Rs. 74 Cr compared to Rs. 86 Cr in Q3FY23 and Rs. 165 Cr in Q4FY22. The EBITDA is lower because of the pressure on margins, which we already discussed. The results also include operating losses of the pet care division. Despite drop in the quarter earnings, our financials remain fairly strong with annualized ROCE of 16% and ROE of 20% which is leading in the entire industry.

You will notice specialty films' sales has been growing for us from last four years with 13% CAGR growth rate. Specialty growth broadly remained flat in FY23 and that too got slightly impacted in second half of FY23 mainly due to inventory correction in some export markets primarily in the Europe and the US. The company expects specialty to improve and recover in FY24 and we are targeting double digit specialty films' sales growth in FY24. On BOPET side, the company is in process of launching several new specialty products including Heat control film, security film and PET-G film. Heat control film is scheduled to be in the market in the second half of the current financial year. The film will go through various certification processes and parallelly the company shall create the distribution network of dealers and in the first year we will focus primarily on the Tier 1 cities.

On flexible packaging growth projects, as we discussed in the past, work on BOPP and CPP line is progressing in line with the plan. Both the lines are world's largest production capacity lines and will increase company's existing capacity by almost 45% in a phased manner by March 2025. With high-speed large width lines, it will rationalize cost of production by 3% to 5% depending on the product. So, CPP line and BOPP lines, besides adding the capacity significantly, it will also promote sustainability as it will offer mono-layered structure.

The company's subsidiary into Specialty Chemicals posted Rs. 35 Cr of sales during Q4FY23 which is 17% higher compared to similar quarter last year. During FY23, specialty chemicals subsidiary has done overall Rs. 159 Cr of sales which is 75% higher compared to last year. The company could reach almost 75% capacity utilization on its master batch line and of course besides this, the complementary adhesives business for packaging segment is all set to grow in current financial year.

Coming to pet care division. The company is direct to consumer vertical which was launched under brand Zigly in September 2021 is progressing in line with the plan. The company has already started 15 experience centers as on March 2023 end and this is besides the sales through online portal and online app. The current monthly GMV for the Zigly is close to Rs. 2 Cr which is targeted for 10 times growth in next couple of years. FY23 GMV for Zigly division is Rs. 13 Cr which is 9 times of last year sales. Zigly so far have served more than 23,000 customers already with one third of the repeat customers. The company's focus for Zigly shall be to grow it multiple times in the next couple of years. Besides organic growth, the company is also looking for inorganic growth for Zigly. So, an acquisition opportunity in the online pet care space is almost at the final stage and we expect it to close soon. This will further accelerate the company's growth in the Petcare vertical. We will be able to share more details about it once we freeze on the agreement in due course. Accordingly, Zigly is all set to make a substantial impact in India's pet care industry.

Now we will move to growth and debt level in the company. Company is looking for almost Rs. 500 to Rs. 550 Cr of CAPEX in a phased manner by March 2025, which will be largely value-add CAPEX on the BOPET line, CPP line and BOPP line. The current net debt of the company is Rs.

433 Cr as on March 2023, net debt/equity is at 0.3 times and 1 time of Net debt/EBITDA, thus fairly healthy financial.

Now of course in the last but not the least moving to corporate announcements. The Board of Directors had recommended a dividend of Rs. 5 per equity share for FY23. This is subject to approval of shareholders in upcoming annual general meeting. This dividend coupled with 1:2 bonus in June 2022 along with the buyback of shares done in February 2023 reaffirms Company's commitment to provide regular return and share prosperity with these stakeholders.

I think those were the updates for the quarter. Now we would like to open the call for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Subham Agarwal from Aequitas Investment Consultancy. Please go ahead.

Subham Agarwal: Sir, my first question is related to the spread you mentioned that last quarter it was Rs. 10, so I just wanted to understand what is the current trend, given that you mentioned that there is some recovery and how do we look at the spread for the rest of the year?

Management: Well, actually Subham since it is a forward-looking statement, all we can share is there is a marginal uptick we have seen in the May 2023 performance from the last quarter.

Subham Agarwal: But directionally how do you see it, given that this year there are two new lines and next year there are five more lines expected to come up given the current demand scenario, if you can just help us understand how do we look at this industry?

Management: So you see, I mean this is already an industry which has been growing close to 10% YoY. So in any case industry needs two production lines minimum each year just to sustain the new growth. So, from that perspective FY24 new 2 lines should not impact much, but if bunching of lines happens in FY25 this may create some temporary pressure for couple of quarters, other than this we see over a period of time a balanced demand supply scenario to come back.

Subham Agarwal: So given that the margins have remained so low, have you seen any closure of inefficient plant in India?

Management: Cosmo's all lines are running full, except the maintenance shut down, we have been able to run the all the lines fully during the Q4FY23.

Subham Agarwal: I am talking about industry level if you have any idea?

Management: There will be some closure at the end of the industry, but so far Cosmo has been able to run our lines fully.

Subham Agarwal: And secondly on the specialty sales, for FY23 we did some 62% in terms of specialty. Now this also includes semi specialty, so what is the percentage of actual specialty in this 62%?

Management: Very broadly it is one third specialty, one third semi specialty and one third commodity part of business.

Subham Agarwal: And would it be possible for you to share the semi specialty spread for the current quarter compared to last quarter?

Management: Yeah, that should be available in our Investor presentation.

Subham Agarwal: So, in the investor presentation it is given year wise, so it is close to 40 compared to last 50 I wanted to understand QoQ?

Management: We can share separately, but you know will be a little difficult to reconcile on the concall.

Subham Agarwal: And lastly on the demand side on specialty, how do you expect it to grow for the current year given that last year we were flattish?

Management: Well, there are very exciting products in the pipeline on the specialty side. So, company is quite optimistic about this specialty growth in current financial.

Subham Agarwal: So, double digit is something you are mentioning?

Management: Say again please.

Subham Agarwal: And lastly on the pet care business, on the acquisition side you said that something is on the pipeline, so what is the total amount earmarked for acquisition in the current year?

Management: It will not be a very substantial amount from the payout perspective, but what we are looking for more strategic fitment and that adds value. So, our acquisition strategy for Zigly, you will notice in alignment to these key parameters, but from the payout perspective it will not be very significant amount. We will share the much more in detail once we sign the final agreement.

Subham Agarwal: But what is the specific capability that we are trying to address with this acquisition?

Management: If you notice the channel which we are trying to create in this Zigly is through the retail distribution as well as the online sales. So, in either of these two, a good fitment which accelerate the overall growth with the higher kind of the volume. So, that is the primary strategy we are looking for Zigly growth.

Moderator: Thank you. The next question is from the line of Sagar Shah from Phillip Capital PCG. Please go ahead.

Sagar Shah: So basically can you give us the volume numbers for this quarter for specialty films and for the commodity films?

Management: In percentage terms, so that is also available in our Investors presentation. As I said, it is broadly one third, one third, one third kind of the portfolio. There may be some up or down in a specific quarter, but very broadly that's the breakup.

Sagar Shah: And just secondly, I wanted to understand on the demand front, is the demand right now improving especially from the FMCG sector?

Management: I mean seeing the large part of our sales goes to consumption driven kind of industries including FMCG tape sector, textile sector, etc, so, demand side we do not see any kind of issues. The whole of the commodity part of the business got impacted largely because the supply came within short time, so bunching happened over there. We see the demand side has been growing close to 10% YoY. So, we see that the temporary gap should get mitigated over the coming quarters of the year.

Moderator: Thank you. The next question is from the line of Amit Agarwal from Leeway Investments. Please go ahead.

Amit Agarwal: Sir, my first question is regarding specialty products since 60% of our products are specialty products and their price includes cost of raw material plus fixed margin, is it fair to assume that higher margins are only possible when oil prices rise of current levels.

Management: Not actually because as you know for the commodity part of business also, there is a price reset mechanism available in the whole of the industry, each 15 days basis the raw material prices get reset and on the same day we also revise our selling price to the customers. So, in a normal balanced market there is already identified price passing mechanism available. The issue these days is more because of the excess supply in the industry but from the raw material commodity perspective it runs fairly in a mitigated way.

Amit Agarwal: If the oil prices are above USD 100 it will pass on to that raw material cost and that we have to pass on to our final product also and then this is higher turnover as well as higher margins.

Management: That is true for a balanced supply scenario. The passage of the raw material cost is possible and that has been happening.

Amit Agarwal: My second question is so last two months we have not opened a new Zigly store, so are we still planning to meet the target of 30 to 40 stores by the end of this year?

Management: So, we announced for FY23, and we should be having close to 15 stores which is the number we targeted, and we achieved. So, the current financial year of course we are looking for assertive growth again in terms of both the retail presence as well as the online sales. So, we should be able to almost double the number of stores in the current financial year.

Amit Agarwal: Earlier I think we were targeting around 40 stores if I am not wrong?

Management: That will happen over a period of time not for the current financial year.

Amit Agarwal: So how much has been the loss of pet care business in this last quarter?

Management: So if you refer to our segmental reporting all of it has quarter wise and year wise numbers. So, primarily the segment of others indicates in terms of the profitability the pet care deal.

Amit Agarwal: Last quarter you were able to give us the exact amount of how much we lost in the third quarter in pet care business, so, is possible to give it right now also?

Management: Number is available in segmental reporting. It should have been closer to Rs. 7 Cr.

Moderator: Thank you. The next question is from the line of Harsh Mulchandani from Kriss Portfolio. Please go ahead.

Harsh Mulchandani: I wanted to understand how we plan to utilize the upcoming CAPEX, for example, heat control films or for shrink Pet. I think there are already competitors who are into this stream already, so how do we plan to take market share from them and do we have any contracts in place or what strategy you will be going forward to make sure that your lines are able to run at optimum utilization that is my first question?

Management: Window films is a consumer product, and it does take time to scale it up. We have spent good three years to do a lot of research and make some very innovative films when it comes to window films, there are already 6-7 different categories of products. We are expected to launch this in Quarter 2 and as I said consumer products do take time. It is not about capacity utilization it is more about building sales. As we have said earlier, this is a high margin product category, but building sales is the main challenge along with building the right product. So, we have already surpassed the right product, important is to build up sales and educate consumers in terms of the benefit of window films.

Harsh Mulchandani: So, in a nutshell that your product is far or better than the competitors and then is it fair to assume couple of years to scale up the sales because it will be more on the retail side?

Management: Yeah, we do feel that every year there should be a ramp up in sales. See right now important thing is in a country like India very few customers take the advantage of window film, and it can reduce the room temperature anywhere between 4 degrees Celsius to 18 degrees Celsius

depending on the film that is being used. So, the first important task is to educate the customer so that they get aware, and they get interested in buying this kind of a product. Today, most homes or offices or factories in India do not use window film and the penetration is far lesser versus America. I mean America today we know is a much colder country than India and the way the Indian temperatures are there I feel every home, office or factory should have a window film which unfortunately is not the case. So, with proper education we feel that the market can expand many, many fold.

Harsh Mulchandani: And similarly, the other specialty products also which are building what I heard from the initial opening remarks was I think into shrink Pet products and shrink Films and I think one more product you mentioned. So, again similar strategies that even those will take some time to breakthrough and as of today there is no breakthrough as such in terms of getting sales, is that understanding, correct?

Management: For shrink, already sales have started coming and lot of our products which we were already having expertise in BOPP we are able to have sales for them in BOPET. We have also developed a very innovative product for microwave oven, that product also we have recently launched, and I mean as per our internal study it has come out very well. So, we continue to build new products to the market and build a specialty portfolio.

Harsh Mulchandani: Just last one question where do we see ourselves five years down the line with respect to specialty percentage of sales like right now it is around one third, so do we expect it to be more than half of our sales say five years down or that is challenging to achieve?

Management: If you always combine specialty and semi specialty because even in semi specialty, we earn more margins. See as we had earlier said that we intend to take this number to 80% on a run rate and 75% for the full year basis, what will really happen is in another two years' time we are adding a lot of capacity in terms of BOPP, CPP and again we will have to start building sales for that. So, it is an ongoing task we intend to bring every new line once the existing capacity largely moves to specialty products. So, five years from now it will be fair to say that we will be sitting somewhere close to 60%, 70% of overall specialty plus semi specialty sales.

Harsh Mulchandani: So mix would be more or less similar from your viewpoint as you will add capacities across.

Moderator: We have the next question from the line of Nirav Savai from Abakus Asset Management. Please go ahead.

Nirav Savai: Actually I just missed your initial remarks on the spread you said it is about Rs. 10 per kg for the quarter and what was it in the previous quarter and last year Q4?

Management: For the previous quarter it was Rs. 17.00 per kg and last year similar quarter it was Rs. 50 per kg.

Nirav Savai: So, with the kind of new capacities coming in you said there are two new lines which are going to come in FY24, so what is the base case which you are assuming internally, what can be the possible margins, any guidance if you can provide?

Management: So again first of all we do not provide any future guidance. All I can share here is Q4FY23 looks like bottomed out because margins have been running closer to the EBITDA break-even for the BOPP part of the business. For the BOPET part of the business, it was negative EBITDA. You might have noticed in some of the peer group results, there is very clear evidence to what we are saying. So, to sum up, we do see already it has bottomed out, there should be uptick in the margins which we witnessed very recently in the May 2023 results.

Nirav Savai: And the second thing you said, commodity margins were 1/5th of specialty margins this quarter, is that right or average margins?

Management: So, compared to last year similar quarter commodity margins were running 1/5th of the margins.

Nirav Savai: Sir shrink film any number if you can provide, what is the size of the opportunity in India and what can be the potential revenue which we can get in that business in next two, three years or maybe just the overall size of industry in India for shrink films?

Management: It has become a very large market. There is a market of 30,000 metric ton of PVC films which we feel shrink film over a period of time should largely replace because they are recyclability related issues in the PVC films which with high shrink Pet-G films should be able to address much more.

Nirav Savai: But any number if you can provide any what would be the current size right now which is addressable market?

Management: 1,50,000 tons for PET-G shrink films.

Nirav Savai: So about 150,000 tons and in terms of value if you can provide any date?

Management: If you largely multiply by about Rs. 300 - Rs. 350 we will get the market.

Moderator: Thank you. The next question is from the line of Harsh Sheth from HDFC Securities. Please go ahead.

Harsh Sheth: So, I just wanted to understand what is the current breakup of exports and domestic sales and which are the geographies are planning to expand in the next year that was my first question?

Management: So exports and domestic is close to 50-50. Our biggest target market is America.

- Harsh Sheth:** Sir you did mention about working with certain FMCG companies on introducing certain kind of products, your R&D team has been working closely with large FMCG players, so just wanted to know where do we stand in product approval stage, what kind of products are we planning to come out with when can we expect that to roll out if you could throw some light on that?
- Management:** We have always been working with the largest FMCG player in the country. We have been very successful and signed the contract for next year. We have already developed 8 to 9 products for them and continue to develop more products, many of them are really very, very innovative done for the first time in the world. Similarly for another very large FMCG player we have again done a development and they are now expecting a next level of development which is also in the pipeline. Barring this again, for some of the very large brands 5 or 6 other brands there is a lot of work which has happened in the past and more work is still in the pipeline.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** So, this BOPP line and CPP line which we are planning to complete in 2025, what type of capacity addition will happen?
- Management:** Yeah, both put together should be 80,000 tons.
- Vipul Shah:** And what type of ROE and ROCE we can expect from that line sir?
- Management:** You see in a normal market the payback period should be close to four years.
- Vipul Shah:** And sir what will be the CAPEX for chemical business and pet care business for next two, three years?
- Management:** Zigly business will entail anywhere between Rs 100-150 Cr. As far as chemical business is concerned, we still can close to double the revenue from the existing CAPEX. So there may not be any major CAPEX involved until we achieve 80% utilization.
- Vipul Shah:** So only pet care division will have a CAPEX of Rs. 100 Cr around?
- Management:** Yeah, Rs. 100 -150 Cr includes operational losses as well.
- Vipul Shah:** So, put all three divisions together what should be our peak debt because right now our cash flows are impacted due to the market?
- Management:** Yeah, we are still sitting at a very healthy position of 1:1 Debt/ EBITDA position and that do not seem to be a concern for us now.

- Vipul Shah:** And sir your CAPEX for BOPET line is Rs. 100 Cr or Rs. 450 Cr because in two different slides two different figures are given, so please clarify?
- Management:** The balance CAPEX is already done. So, all put together it is Rs. 450 Cr.
- Vipul Shah:** For BOPET line?
- Management:** Yeah, BOPET line including all the value-added assets that we have put along with it.
- Moderator:** Thank you. The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.
- Jiten Parmar:** My question is, can you throw some light on what were the volumes because prices have been fluctuating, so we will be getting a better sense if we can get to know the volumes on all the three sides basically semi-specialty, specialty and commodity?
- Management:** Neeraj has already stated they were all in the ratio of around one third, one third, one third.
- Jiten Parmar:** So, but I am saying any volume change compared to last year, or if you can get the volume growth that would be great?
- Management:** Yes, volume growth is 7% Q4FY23 vs Q4FY22.
- Moderator:** Thank you. The next question is from the line of Anuj Salian an Individual Investor. Please go ahead.
- Anuj Salian:** I have few questions, first could you tell me what kind of revenue and margins we expect from the masterbatches segment and who are the competitors in this segment, as like there are a lot of small players in this, so could you tell me about the margins and revenue?
- Management:** Yeah, we are largely in a film related master batch as of now, where there are two multinational competitors and three local competitors, but largely the market is dominated by multinational competitors and out of our total revenue in CSC close to 70% revenue is coming from master batch.
- Anuj Salian:** Are we expecting anymore industry wise capacity additions for the next couple of years?
- Management:** In which business are you saying?
- Anuj Salian:** In the packaging business?
- Management:** See as far as polyester is concerned, there will be some lines which are coming up 2023 and 2024 and then after that there are no further announcements. In BOPP, there are not many

lines up till 2024 I think only two lines more are coming, but in 2025 there are I think at least 6 lines, but what we continue to hear is that lot of players are sensibly delaying their projects to 2026 and 2027.

Anuj Salian: And one last question on the heat control film, will this be a B2C product and like will it be an in-house brand could you like throw some light on this?

Management: Yeah, we have already kept the brand name of Cosmo Sunshield and it will be a consumer product for the Indian market and the exports we will treat it as a B2B product.

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

Varun Gupta: First, I have two small questions. The first question would be on the BOPET line right now we will be only producing commodity films, right?

Management: Yeah, our line is actually a shrink label and some specialty product lines. It has a feature to run commodity products, today you are right we are largely producing commodity products, but as we have said earlier that within three years, we intend to take roughly 60% of our sales from this line to specialty products.

Varun Gupta: And could you tell me the margins on the commodity BOPET line that we saw in Q4?

Management: They were in negative, at EBITDA Level it had made losses.

Varun Gupta: And one last question on the specialty side you mentioned that there was some inventory correction in H2 that happened, so are we done with the inventory correction or can we expect some more inventory correction to happen in Q1?

Management: Majority of the corrections happened in Q3, and remaining corrections happened in Q4. So, next quarter we do not foresee any inventory corrections.

Moderator: Thank you. The next question is from the line of Navneet Bhaiyya an Individual Investor. Please go ahead.

Navneet Bhaiyya: In your BOPET line are you operating at full utilization now because I believe in Q3 you were going a little slow on the utilization given the poor market conditions, so are you operating 100% now on the BOPET line?

Management: Even in Quarter 4 we were not operating at full capacity. We were largely at 60%-65% because we are right now making lot of new products. So, we are taking them from lab level to commercial level. So, we utilized only 65% and even in Q1, we do not expect to utilize fully.

Navneet Bhaiyya: So, you intend to utilize it fully once your specialty BOPET films are ready so which may take a couple of years?

Management: Unless commodity margins really get much better, in this case we will evaluate running higher capacity, but our focus has been more of specialty products. So, as you rightly pointed out we may not use full capacity for some time.

Navneet Bhaiyya: Can you also tell me about your masterbatches, adhesives and your chemicals utilization, are you operating those businesses at full utilization right now or are they suboptimal or lower than 100%?

Management: I mean these are new businesses. We are just at 50% right now.

Navneet Bhaiyya: All three of them roughly at 50%.

Management: Yeah, you are right 50%.

Navneet Bhaiyya: So do you expect these two get to 100% this year, next year, when are we seeing the upside in these businesses in terms of utilization?

Management: I think earliest will be 24-25.

Navneet Bhaiyya: And my last question on Zigly so you mentioned you had a Rs. 7 Cr EBITDA loss this year and break-even is expected three years hence, so what is our peak loss expected from this business with annualized Rs. 7 Cr or it can go higher from here?

Management: It will still go higher from here and only once we have a larger pie then it will start coming down. So, next year it will continue to go higher. What we feel is that it can touch Rs. 10-12 Cr per quarter and then after that it will start coming down.

Navneet Bhaiyya: So, FY24 could be the peak loss year and then maybe FY25 it might get better?

Management: That is what we project as well.

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

Vipul Shah: Sir, just a little clarification you said your BOPET line CAPEX is Rs. 100 Cr, but in presentation you have mentioned it as Rs. 590 Cr, so can you clarify what I am missing here?

Management: So, the 590 number includes the remaining CAPEX on the BOPP line, CPP line and value-add assets on the BOPET line. So, all taken together is Rs. 590 Cr. You will also notice in Investor

presentation, there is a comment mentioned along with it that close to Rs. 100 Cr out of this we have already spent in March 23 balance sheet.

Vipul Shah: So, upon completion of this Rs. 590 Cr CAPEX that line will be 100% specialty line?

Management: So, I will repeat it for you. You see we had done close to Rs. 800 Cr of CAPEX. On BOPP line, BOPET line and the CPP line out of this BOPP line and CPP line major CAPEX is yet to be done which is largely representing in Rs. 590 Cr figure. On BOPET side, larger part of the CAPEX has already been done in March 23 balance sheet, only some part of value-add asset CAPEX is pending which is being done in the current quarter.

Vipul Shah: So, can you quantify what will be that remaining value-add CAPEX for BOPET line?

Management: Remaining CAPEX it should be closer to Rs. 50 Cr.

Vipul Shah: That is just for BOPET line?

Management: Value-add asset on the BOPET line.

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

Management: Thank you. We hope that we could address your questions appropriately. If I have to sum up the company's strong specialty films portfolio should continue to deliver superior return although in the near-term outlook for the BOPP and BOPET films may be little challenging. We are working parallelly on several cost rationalization and R&D projects. We should add value in coming quarters and year. Zigly is rapidly becoming well known among the pet parents benefiting all pet lovers and company's stakeholders. Cosmo's specialty chemical side the subsidiary should double its revenue in coming years with the launch of the new products.

Now at the end I would like to mention the statutory declaration once again. Certain statements in this concall may be forward-looking statements. These statements are based on management's current expectation and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results. Thank you very much for joining.

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.

Note: This Transcript has been slightly edited at few places for clarity and accuracy.