Cosmo Films Company Limited
Q4 FY22 Investors Conference Call
May 10, 2022

Moderator: Good day and welcome to the Investor Call of Cosmo Films Limited to discuss the Q4 FY'2022 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 declarations certain statements in the Conference Call may be forward looking. These statements are based on the 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'slines will be in the listen-only mode and there will be an opportunity for you ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing'*' and then '0' on your touchtone phone. Please note that this conference is been recorded. Now may I request Mr. Neeraj Jain to take us through his opening remarks, subsequent to which we can open the floor to Q &A. Thank you and over to you, Neeraj sir.

Management: Thank you and very good afternoon ladies and gentleman, we will start the call with a brief performance of the Company which may be followed by the question. First, talking about the March 2022 quarter results. The Company has posted the core consolidated quarterly EBITDA of Rs. 165 crores during the March 2022 quarter. With this quarter result, in fact the Company has posted uptick EBITDA performance continuously in a row from last thirteen quarters now. Consolidated sales for the quarter are Rs.821 crores which is higher by 22% from their two last year similar quarter. EBITDA has increased to Rs.165 crores which is 31% higher compared to last year's similar quarter due to a couple of reasons. First, higher specialty sales which in fact has grown for us almost 17% on full-year basis and better-operating margin. BOPP film margins have been running close to Rs.45 per kg compared to previous quarter of Rs.43 per kg, when I say previous quarter, it means December 2021 quarter and Rs.36 per kg compared to March 2021 quarter and third of course the better performance by the overseas subsidiaries. The , subsidiaries taken together have contributed Rs.19 crores of EBITDA in March 2022 quarter as compared to Rs.14 crores in March 2021 quarter. Better performance by subsidiaries is primarily due to higher sales and higher specialty growth. Enhanced EBITDA along with the lower effective tax rate led to increase in PAT by 45% for the quarter.

Now moving to full-year results, The consolidated sale for the full year is Rs.3,038 crores which is 33% higher compared to last year. EBITDA has increased to Rs.628 crores for the full year, which is 44% higher compared to last year. The higher EBITDA is a result of primarily three factors, higher specialty sales by almost 17%, better BOPP film margin which for the full year has been average running at Rs. 40 per kg compared to Rs. 29 per kg, last full year and uptick performance by the subsidiaries which taken together for the full year contributed Rs.94 crores of EBITDA as against Rs.32 crores in FY2021. Better subsidiaries performance is primarily due to higher specialty sales and overall better volume. On trailing 12 month-basis, the Company's EPS has increased to Rs.222 per share compared to Rs.127 last year end. Again, based on trailing 12 month-basis, Company's ROCE stand at 29% and ROE stand at 39% which is one of the best in the industry.

Considering the Company's business activities have expanded beyond films to say specialty chemicals including masterbatches, coatings, textile chemicals and we are also going to soon launch adhesives and D2C Pet Care business and also, we are going to soon launch the consumer application films, the board of directors of the Company at its meeting on 9th of May has recommended change in the name of the Company from Cosmo Films Limited to Cosmo First Limited. This is subject to shareholder's approval.

If we consider flexible packing Industry, Cosmo Films is known more for industry-first niche solutions and more for the first to come with innovation. Accordingly Company's board of directors has recommended the name of the Company as Cosmo First Limited. The board of directors of the Company have also recommended for approval by shareholders bonus issues of 1 equity share of Rs. 10/- each for every 2 equity share of Rs. 10/- held by the shareholder as on the Record Date.

The bonus issue reflects management's confidence in business strategy and the growth prospects.

Coming to balance sheet side, the Company's net debt stands at Rs. 303 crores as of March 2022 which is less than 0.5x of net debt to EBITDA and 0.3 times of net debt to equity. And of course, with these financials it reaffirms the strong financials that is why the credit rating also during the year has been enhanced to AA-/CRISIL.The Company is looking for about Rs. 200 crores of CAPEX in next financial year which will largely be value-add CAPEX on the BOPET line, , CPP line and BOPP line which we have already announced earlier. The financials of the Company are expected to remain fairly robust even after this capex. CAPEX on BOPP, BOPET and CPP line will happen in parts over next three years and, cash generation from operations is strong.

Now, I will move to specialty films. Specialty films has grown on an average by 18% during last 3 years .The Company's specialty sales for FY'2022 now stand at 63% in volume terms and 70% in value terms. We are in process of ordering several value-add assets to further enhance growth in the specialty portfolio and we are looking for 80% run rate target for the specialty film by the end of the FY23. Some of the key products which will drive specialty sales growth include synthetic paper, coating films, technical film and thermal lamination. Of course, to add to it some new products are in pipeline like the Direct Thermal Printable film The Company is also going to launch to heat control film which will be typically used in offices and homes and we expect by the end of FY'23, we should have this film in place.

Now, I will move to growth projects. The coming year, B2B segment which include growth in the specialty sales, specialized BOPET line, world's largest BOPP and CPP line and the other vertical B2C segment which include Direct-to-Consumer pet care and various specific specialty chemicals. These are the business verticals which will drive the growth. Specialized BOPET line commissioning may start from Q2FY23, in fact in the later part of Q2, the line will add close to 20% capacity. The company is targeting complementary growth from the specialized BOPET line at the shink level, the other high-end specialty. This will partially substitute imports happening in India and is also an excellent opportunity to convert non-recyclable in the film market in India which is close 30,000 metric ton industry.

The Company has placed order for new BOPP line which will be world's largest production capacity line and will increase Company's production by close to one-third. The line is expected to commence commercial production by FY2025. Further, as announced earlier, the Company has also placed order for CPP line which will have close to 25,000 metric ton capacity and expecting to commence commercial production in about 2 years from now. The CPP film will promote sustainability as it will open mono-layer structure. The capacity addition now to summarize, BOPET, BOPP and CPP line will allow the Company to further expand its specialty film portfolio.

Moving to Zigly, as we know, pilot launch of the pet care division under the brand name Zigly has delivered better than forecasted result, and now the Company is in a phase to roll out its digital first omni-channel business model for Zigly. The Company now plans to enhance presence by increasing online sales by launching the app and the open stores between 15-20 stores in FY2023.

Moving to the specialty chemical, the masterbatch line has done fairly well. , In fact in the first year of operation, it's PAT positive.

The Company could use more than 50% of the capacity on the masterbatch line with exit quarter 4 run rate of 62% capacity utilization. In the first year of operation, it's PAT positive on the specialty chemicals. Textile chemical business, the commercial production has started from the quarter2 of FY2022 and we already commercialized more than 50 products which are getting supplied to 40 plus customers. The Company continues to conduct extensive trial with the customers and expect much more products and much more customers to add in the coming month. Now, for the specialty chemical, I would say FY2023 will be year for scaler.

I think these were the updates from the management side. Now; we would like to open the call for the questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question, may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentleman, we will wait for moment while the question queue assembles. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you very much to give me the opportunity.Sir when you have just mentioned in the highlights, when you demerge Zigly, when it came from decent topline or bottomline or just now?

Management: I think that is on cards, as we announced earlier So, currently, we are at the stage of scaling up the operation for the Zigly, practically current year FY2023 will be our first year of operation in terms of the scaling. So, definitely, it will be medium term, it will not be long-term but that is on card.

Ravi Naredi: So, we may think in financial year 2025, we will be able to demerge this?

Management: Frankly, there is board of directors to decide but as I mentioned, it will be medium term, it will not be long-term.

Ravi Naredi: Okay and Sir, secondly what is the purpose Korean plant we have established there, can you tell how much we have invested there? What is topline and bottomline?

Management: Actually, the Company has acquired JBC Commercial Printing business more than a decade back and with that acquisition; we inherited the Korean plant which actually is a very good plant to cater particularly to the Japanese market which is fairly sensitive market in terms of quality etc. We definitely see a value add from the Korea plant, so we continued operation in the Korean plant while some other plants we shifted we actually shifted over a period of time from overseas location to our SEZ plant in India.

Ravi Naredi: Okay, so what will the topline and bottomline in financial year 2022 for Korean plant?

Management: Broadly, the Korean plant cater to Japanese lead so it largely supplies to Japan but other than these third-party sale, I do not recall the exact number but it will be less than $10 million.

Ravi Naredi: $10 million and it is in profit?

Management: Yes. Korean operations are in profit.

Ravi Naredi: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.

Faisal Hawa: With so much deep globalization taking place would it not be better idea to the expanding in location abroad where more modern plants are needed and also with ongoing shipping crisis, also import tariff that countries are putting up, can we see at a more multi-locational manufacturing activity from your end?

Management: We believe that India has significant demand within the country and our cost is still very competitive in the world. Therefore, when it comes to film business production, we continue to expand within the country. However, when it comes to some of our other businesses, we are going to evaluatein the future, whether we should expand overseas and more so for Zigly.

Faisal Hawa: And secondly, Sir, I missed the answer on the value addition that we are enjoying at this point of time, that is one and one more question is that, how you are not been able to adjust the organization'sculture towards now B2C which is the pet care business and where the more startup kind of a mindset is required. So, have we developed any best practices to do that because that could be really good case study going forward also for most of the companies?

Management: As far as, all of our businesses are concerned, they are run by separate teams. It is not that everything is being run by the common team. Zigly has a separate team, Cosmo Specialty Chemicals have a separate team, heat control films have a separate team, films have a separate team and accordingly the culture is also designed in line with the needs of the business. However, as a group, we have a very progressive culture, we are employer of choice. We are first when it comes to our people and therefore, we do not see any issues around that.

Faisal Hawa: And about the value-additionSir, where does it stand at this point of time?

Management: Say again please, could you please repeat your question.

Faisal Hawa: What is the VA now that we are enjoying for BOPET and BOPP vehicle?

Management: Value-add**.** It will all depend on the type of the film, as we indicated at the beginning of the call. The gross margins were running close to Rs.35 per Kg and of course you know depending on the exact nature of the film, the variable cost components were ranged between Rs.15-25. So, that means if we add 45 plus other variable cost this will give a total value-add.

Faisal Hawa: Okay, I will come back in the queue for more questions.

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

NeeravJimudia: Good afternoon team and congratulation for excellent set of numbers. Sir, I have only one question, so in the last two years have been very eventful for the entire industry like in terms of the demand growth what we have seen and similar improvement in the margin. But if you can just help us, explain in terms of, what were the challenges being faced by the Company over last two years. Our learnings and lessons through these challenging times or the challenge is being faced by Company, and if you can explain this with respect to the new product launches as well as some of process improvements, what we have done over last 2-3 years that could be helpful Sir.

Management: We love challenges that make the life more interesting. Obviously, we are all living in a VUCA world where in the morning you plan for something and in the afternoon, you do not know what events will happen which is going to make changes to your planning. Having said that, we believe that businesses success is a lot about people. I would say that close to 90% is about the team that you have is equal to people dealing and so on and that remains our focus, if we have the right set of people, you can meet any of the challenges.When it comes to specific challenges, we have started many new businesses in last 2-3 years, building up the team, ensuring that we have the right set of culture, ensuring that the strategy is right. Those have been some of areas that we worked with vigorously in last 2-3 years. When it comes to films, we ensure that our customers take the benefit of BOPP being one of the most sustainable materials, so we help them in creating recyclable structures. We entered into specialty business with more vigor and every year we made sure that we have better growth than the previous year. As we all know that getting into value-added is a tough start, you need to have a portfolio of products, you need to have continuous innovation, and you need to have ongoing trials with the customers. So, Cosmo Film did very well in terms of not just growing year-on-year but making sure that every year's growth is better than last year's growth. So, I think the plate was full and Cosmo films really did very well to surpass those challenges and making Cosmo successful not just in our existing film business but launching a new business very nicely and we already have started seeing the benefits of it.

NeeravJimudia: Sir, if you can just correlate with the power cost or the wastage of what can happen out of the film production because ours is also a power intensive industry where on an annual basis, we may be incurring around Rs.130-150 crores of power or so. Have you done anything towards that side in terms of controlling some of the cost by entering into some contracts with the outside agencies, where we can get a power on a sustainable basis, which help us to run our plant also smoothly, so one upon that side and second on, have you been successful in reducing the wastages or in way improve our input/output ratios for the films?

Management: I would talk about the larger subject who has been working on reviewing the carbon footprint by 50% by 2030 and we also want to eliminate some of the carbon that we emit by planting thousands of trees. Those are two very broad levels of gestures that we have set for our self, when it comes to power, we are increasing shifting to renewable power. All our plants are solar power, then our Baroda Plant also has wind power. We have done a very large agreement again for Baroda where we are going to shift almost 50% of our total power requirement into renewable sources which are going to be effective within next few months. One side it is going to make us more sustainable Company, at the same time, it will also reduce our variable cost because we all know that the cost of evaluation of renewable sources is very limited in terms of one-time CAPEX that we have to do. We are also evaluating various possibilities for both the Maharashtra plant. Maharashtra government's policy, I would say, it will need more improvement to encourage more and more renewable power. Having said that, we identify certain areas where, we can increase the renewable power access for us.Even when it comes to wastages, we are working on various fronts.Last year, we were able to reduce our wastages by close to 8-9% but more than reducing wastage, what we have also made sure that some of this wastage can be re-consumed in the factory again.So, we had increased the reprocessed annual consumption in the last year by more than 25% which was a pretty large achievement for us.We have also worked towards reducing the number of trucks that we used to reduce the carbon footprint and we were able to do that reduction by having better truck utilization and thereby reducing overall carbon footprint by 15% when it comes to usage of trucks. So, your Company has a taken lot of initiatives to be a more environmental friendly Company and at the same time be more sustainable with the cost.

NeeravJimudia: Got it Sir, yes it answers my question, thank you and all the best.

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

Shrinath M: Good afternoon, everyone and thanks for the opportunity. Congratulations on a great set of numbers.I have a couple of questions. The first one is, we are looking about Rs.900 crores expansion over the next three years in the films business. What kind of asset turn should we expect on this Rs.900 crores?

Management: Different business will have different turn. If we talk about our film business, it has a turn of close to 2.If we talk about our chemical business,it will have turn off may be 10.If we talk about Zigly business it will again have an excellent turn as we continue to scale up in revenue from online and offline goes up, it will also easily have a turn of may be 5.So, and these turns will continue to improve as we scale up the newer businesses. I do not know if it answers completely.

Shrinath M: Yeah, just that your presentation gives the detail break-up of the film's CAPEX but the chemical CAPEX is not very clear. How much are we likely to invest in chemicals over the next three years?

Management: About our chemical businesses, it is a specialty chemical, more of innovation business than putting too much CAPEX. So, it is very asset light business and with a very good ROCE.

Shrinath M: Right. So, tentative CAPEX number?

Management: So, just to add to our context with respect to specialty chemical CAPEX, predominately for a particular level of operation, we have done the CAPEX in FY2022. As I, indicated at the beginning of the call, FY2023 will be year for scale up for specialty chemical businesses. There is no significant CAPEX in FY2023.

Shrinath M: Right and my second question was a slightly broader question, is there an overall strategy in the Company on how to enhance shareholder values especially of minority shareholder, just want to get your thoughts on overall strategy for minority shareholders.

Management: Shareholder to us, are extremely important, they are also first in our priorities and if you really see, we have always been a very good dividend paying Company. If you see last 20 years' of history and also recently now in the last board meeting the board members have approved bonus shares. In the recent past, we have also done buybacks. So, these are some of the measures that we have taken and we will be very happy to hear if you have any specific suggestion which can make mutual sense for the industry and the Company both.

Shrinath M: Right, so couple of thoughts was that I think this year we declared about as Rs.35 as dividend overall, two interim dividends Rs.25 and Rs.10 and our full year EPS is about Rs.222 crores. So, the dividend payout ratio works about 15%. Can it be higher that is a question which we need to ask ourselves.Can it be to 20-25%, for example one of our competitors has an explicit dividend payout policy of 20% of consolidated profit. So, can our payout ratio be higher, and that is number one. Number two, we had significant reserves actually, so why this 1:2 bonus whenit could have been more liberal ratio. So, any thoughts on these two things payout and the bonus ratio?

Management: Well if you see, the competitors, you will have all kind of examples, you have kind of examples which may not be paying the dividend at all and of course one example you referred.

Shrinath M: So, then look at companies who do not have dividend payouts, we should look at those who have. Because they enjoy higher multiples than our Company does. So, there must be some correlation between payouts and the PE multiples. So, that is something we may need to bear in mind.

Management: Broadly, if you look at last, when we gained history or so the Company has been paying between 15-20% of PAT in the form of dividend. FY2022 has seen a record performance and accordingly the dividend in terms of per rupee also, it has been at the record level. But of course, having said so it is up to the board of directors to finally decide on the dividend but it's in alignment to Company's further growth plan in CAPEX, accordingly dividend payout has been considered for the FY2022. But I will take your first part of question in little different way, not only about rewarding the shareholders, a large part of the reward may come in terms of the capital appreciation of the share and for that purpose Company is planning fairly effectively the growth. As you know, the diversification in films, like one of business will have very superior kind of the ROCE or expected to have fairly superior ROCE in that. One hand Company is trying to overall increase the ROCE performance for of course the capital appreciation in the value of the share and on other hand, another business where we are investing of course the Zigly, which is expected to generate fair amount of valuation for the shareholders. So, overall if you look at, I think one is the rewarding and second of course is the Company's continuous efforts in these directions.

Shrinath M: So, capital appreciation, we should look at two parts, one is the earnings per share and the other is the PE multiple. So, Company is in control of earnings per share but the PE multiple is the function of the market, what the market decide. So, market seems to favor companies with higher commitment to minority shareholder, that is what the number seems to suggest, like one of our competitor is enjoying a PE multiple in excess of 15 whereas ours is kind of sub 10 .So, we should may be think of how we can raise our PE multiple figure. The earnings will come for sure but the PE multiple will also decide the capital appreciation. So, I thought that a 1:1 bonus would have been the most common thing because we have ample reserve. So, what was the thinking behind 1:2?

Management: As I said, it is the board to decide finally. The board has to allocatevarious other factors behind this.

Shrinath M: If the Company proposes something there is a good chance that the board may approve that but the Company may have proposed 1:2 only .So, I was just wondering is there a thinking behind that.

Management: Yes, there are considerations behind it. Multiple things were discussed those were closed meetings and obviously you can expect lot of good stuff which happened in the board meeting but to be honest, yes, all these things are discussed in the board meeting. As you know, we have highly celebrated kind of a board with some respected members of the society and I am sure they have taken an informed decision.

Moderator: Thank you. The next question is from the line of Saurav Dutta from Minerva India. Please go ahead.

SauravDutta: Thanks for the opportunity .I just wanted to understand the reason for decline in the EBITDA margins sequentially fromQ3 FY2022 to Q4 FY2022.There is slight dip in the margins.

Management: Well actually, this is an industry as we said in the past, as in terms of the percentages may not be the best way to look at, so while in terms of the absolute value the margin has increased as I indicated at the beginning of the call. BOPP overall margin was Rs.45 per kg compared to Rs.43 per kg previous quarter and last year of course the number was much lower. But since the value of the sales depends to a large extent to only raw material price, the percentage term it may be up or down depending on the raw materials because ultimately, we all have to shift the large part of the raw material increase to the customer. So, that way in percentage form it may not be the best way to look at for the industry.

SauravDutta: Alright, thanks a lot. That's all from my side.

Moderator: Thank you. The next question is from the line of Shubham Aggarwal from Aequitas India. Please go ahead.

ShubhamAggarwal: Thank you for the opportunity and first of all congratulation Team Cosmo for the super set of number. Sir, my question was regarding the heat control film that you talked about, I just wanted to know a bit more like when are we planning, what is the timeline, what's the market size and what kind of a revenue and margins that we can do out of this.

Management: Heat control is a very under developed market in the country and we feel there is a very large potential to educate the customer how heat control can reduce their air-conditioning load, be sustainable and make their houses look better. So, it will require a lot of education to the consumers in India and the margins in this business should generally be quite strong. There area lot of imports happening in the country when it comes to heat control films, lot of Chinese low-quality, poor quality material is coming which eventually has to be stopped and be replaced by the right product which can actually make a difference to the shopping mall, or to commercial complexes, to the industry, to consumers at large and we ourselves have very strong aspiration, when it comes to this business.

ShubhamAggarwal: Any set of timeline that we have in mind for launching this product?

Management: It should be launched early next financial year.

ShubhamAggarwal: Okay so this will be post the BOPET line.

Management: Yeah, this will be value-addition to the BOPET; we have done lot of changes to our BOPET line. There will be lot of barrier to entry because we have modified our line, we have added lot of assets after this and given our strength to R&D, virtually everything will be done in-house and we feel that ecologically, we will have the best product in the world and the most cost effective both at the same time.

ShhubhamAggarwal: Nice to hear that and Sir, secondly my question would be forward looking to FY2023. So, obviously this year was very good and realizations and margins have been pretty good but for FY2023, how do we see the revenue growth or from where if you can break it up between specialty chemical BOPET line that is coming up and any other initiative that you are taking from the growth prospective and if you can break it up it would be helpful.

Management: We cannot give forward looking numbers to be honest, having said that the growth will come from polyester business, the growth will come from specialty chemical business and Zigly business. So, there are these three areas where growth will come. On an overall business, we expect minimum 15% growth to happen in the current year.

ShubhamAggarwal: Okay, so I was trying to understand out of this 15% growth how much would be contributed from specialty chemical as such?

Management: Sorry, just one rider there, this we are assuming that raw material price will remain same as last year and at times our EBITDA percentages and sales percentages growth numbers do get impacted. Last year, because of the commodity shortages worldwide raw materials were at all-time high. So, we have to sector in that but this 15% number that we have given, is assuming that we will have same set of raw material cost. Now coming to specialty chemical; specialty chemical will become a very important component of the business as we pass each year.Within one year, we have in the last year, have done Rs.90 crores sales, when it comes to specialty chemical and we will be more than doubling the sale in the next year.

ShubhamAggarwal: Fair enough, and lastly a book-keeping question, so our tax rate this quarter seems to be on the lower side. I think 19.6%.So, any specific reason and will this go back to 25%or so? The tax percentage?

Management: The tax willnow most likely will stay around 25% because if we do not take any exemption then it is expected to stay 25%. We are doing an evaluation whether, we should stay with the old regime or shift to 25% within next couple of quarters, three quarters we should be able to complete our set line whether we want to stay in old regime or the new regime. But irrespective our tax rates should be around 25%.

ShubhamAggarwal: Fair enough. Thank you, that is it from my side.

Moderator: The next question is from the line of Sanjay Shah from KSA securities. Please go ahead.

Sanjay Shah: Good afternoon, gentleman, thanks for the opportunity and congrats on good set of numbers. Sir, my question was regarding our subsidiary after taking over US subsidiary long back the ACCO brand, we have been struggling even in Korea and US to generate some profit. But in last few quarters, we are doing decent over there especially this quarter. So, can you highlight upon how that business is panning out and how do you see future of these subsidiaries, do this profit will grow from here on or its still challenging?

Management: See one of the difficult changes that we did to ourstrategy that these operations as a standalone were very small and as you understand that Japan, Korea, US are all high-cost countries and they were making losses. The simple thing, we did was to make best use of our assets, we spread them out and we ensured that we increase our sales of all our products and not limit ourselves to lamination films. This strategy has played very well for us, our sales in US has grown from $30 million to $65 million and we do expect that the sales will continue to grow from here and will generate decent margins to Cosmo.

Sanjay Shah: Sir, my second question was regarding our entry into this heat reduction film. So, what we understand correct me if we are wrong, this area is very crowded, there are many people and established branded players. So, how we will compete them. How do you see facing these challenges?

Management: Unfortunately, India does not have any branded player as I said earlier, India is importing films from US, China, Korea and some other country and we feel that there is clearly a space for one established player. We feel that the margins in this business are very nice. The important thing is to crack down on the technology part on which we have been working for more than two years and as we said that we will be first Company in the world who will have complete backward integration for everything that we are going to use in that film and therefore, we will be technically very superior and cost-wise we will be very superior and obviously any brand development takes time. It will not happen overnight but we feel that we are on a journey to make a very successful business in the times to come.

Sanjay Shah: Very helpful Sir. Thank you very much and good luck to you, Sir.

Moderator: Thank you**.** The next question is from the line of Manan Shah from MoneyBee Securities. Please go ahead.

Manan Shah: Thank you for the opportunity and congratulations on a good set of numbers. My question was pertaining to slide number3**,** where you mentioned each 1% shift in specialty adds to around Rs.4-5 crores to EBITDA. So, I just wanted to understand whether this still holds true in the current pricing scenario and if we are moving from 70-80% would that mean that it would add another Rs.40-50 crores to our EBITDA.

Management: You are right on both the questions.

Manan Shah: Okay, got it. Thank you. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Buoyant Capital. Please go ahead.

DipenSheth: Thanks for the opportunity. So, I was just taking a look at your balance sheet and while consolidated net debt to EBITDA or Equity continuously coming down that is not the case with gross debt and we continue to carry reasonable amounts of investments. So, is there a particular reason we are doing this, is there arbitrage in the cost of borrowing versus the yield on these investments is that behind this decision.

Management: There is arbitrage but we are not doing it for arbitrage but we want to have a very strong warchest as well money available for our future expansion plan.

DipenSheth: So, is it fair assumed that the entire composition of the treasury or the investments portfolio is liquid in nature?

Management: Yeah, it is liquid in different part, some is liquid at a very short notice, and some is liquid after some months or some quarter. So, depending on our needs, we have different guidelines for every investment.

DipenSheth: And the other thing is that we laid out a CAPEX plan of Rs. 800-900 crores, actually it will not happen in one particular year, it is going to be spread-out over a period of time. Now, while we continue to carry debt at a net level and in fact reasonable amounts at a gross level. When you look at the business and yes it has transformed over the last 3-4 years pretty dramatically but what used to be a single digit margin business now looks comfortably placed to do at least mid-teen margins. Is that a fair take or is there cyclicality which we must protect against and perhaps just spare down debt.

Management: There are two parts of our business when it comes to only films, obviously in the medium to long term we intend to become a large Indian conglomerate. However, when we talk about only film business, close to 65% of our business is already into specialty where the margins remain stable because we are linked with our raw material cost. 35% business is still cyclical and we intend to make it less cyclical while moving more towards specialty. We cannot give a 100% specialty Company because some of our customers continue to push, ask to supply from commodity and in many cases, let say, if you are exporting and customer wants 20 tons, they may have a demand to only 15 tons of specialty, so we end up giving them commodity. But we will move this number to 80% and then even with the new expansion our focus will be that at least on an overall basis 80% of our volume, we may in specialty.

DipenSheth: Right, I am hearing you loud and clear.Thanks.

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

Vipul Shah: Hi Sir, congratulations for a very good set of numbers. Sir, when you say 80% of sales, you acquire from specialty, so is it by value or is it by volume?

Management: It is by value. However, by volume also we intent to achieve.

Vipul Shah: Okay, Sir on your CAPEX plan, you have not given CAPEX plan for your specialty chemical business and your pet care business. So, can you give the figures what you want to spend for these two business over next two years?

Management: I have already stated that chemical business did Rs. 90 crores last year in the kind of the first year for the business and we intend to more than double in this current year.

Vipul Shah: No, I am talking about CAPEX.

Management: Yeah, both these businesses have very limited CAPEX, the chemical business is more about innovative products and does not involve too much CAPEX. I do not think so that next five years CAPEX will be more than Rs. 50-75 crores when it comes to chemical business. Though, obviously these things can change over a period of time, but irrespective specialty chemicals do not require huge CAPEX. Similarly, in Zigly, we are operating on a least model when it comes to stores or warehouses and also for online, as we all know that the CAPEX is very limited. So, both these businesses the CAPEX in a size is very insignificant versus for our film business where CAPEX continues to be much higher.

Vipul Shah: And Sir, lastly, on BOPET lines, what is the amount we have spent till date?

Management: Close to Rs.250 crores.

Vipul Shah: And BOPP where Rs.350 crores CAPEX is lined up, how much you spent till date?

Management: Well, we have already placed order for the line. So, advances have been paid and the remaining part of the CAPEX is to be done till FY2025.

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

Shrinath M: Yeah again, I have one question, is there a long term 5-year kind of a target from Rs.3000 crores currently. Is there a ballpark aspirational target for the management over five years out?

Management: See over the five years, although it is difficult at this stage to quantify exact number. Broadly, we are looking for $1 billion.

Shrinath M: $1 billion of revenue. Yeah perfect. Thanks a lot.

Moderator: Thank you. The next question is from the line of Kirti Tibrewal from Yashwi Securities. Please go ahead.

KirtiTibrewal: Thank you for the opportunity, I wanted to ask Sir can you please give production or sales volumes for the year or for the quarter.

Management: As we said, overall specialty chemical rate close to Rs. 90 crores of topline. Volume numbers, we are sorry we would not be able to share on the call.

KirtiTibrewal: Okay, and Sir, is there any outlook for the cost increased like is it going to increase or is it going to stabilize?

Management: See, if you are referring the film business as you can see in the quarter 4 results, the margins are little better in absolute value. So far whatever raw material cost has increased that has been passed on to the customer.

KirtiTibrewal: Okay, Sir, any price increase or realization which any price hike, you are going to take?

Management: That is something which is a continuous process. So, there is no specific date or plan for price increase that keeps on happening from time to time.

KirtiTibrewal: Sir, any definite timeline, like if you are going to take a price hike in the coming quarter or something like that?

Management: You asking the timeline for the price increase?

KirtiTibrewal: Yeah sir, any price hike, any percentage wise.

Management: We would not be able to indicate any timeline for the price increase. As I said, it is a very continuous process, it keeps on happening. It is a day-to-day business.

KirtiTibrewal: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.

Faisal Hawa: Sir, how you see the recycling business coming up in the future because Uflex has also announced something similar and even Polyplex has done it. So, you feel that it could almost pick up like an extension of each and every film Company's business. And second question is that do you see any opportunity in the Tetra Pak business because you want to be first in almost everywhere. So, the Tetra Pak is now being manufactured by **others also** and this could be a huge opportunity going forward and you feel that there are some other opportunity also in the recyclable space, where paper is replacing plastics or pallets and other material which are not very environmentally friendly.

Management: So, I understood your question has three parts, one is on the recycling, you see all our plants today also are equipped and have been doing recycling for the waste getting generated within the plant. And on the top of it in any case Company is looking for the recycling of post-consumer waste as well. So, I think, that is very much on the radar. We immediately have no plan to launch any kind of Tetra Pak kind of the product.But synthetic paper is an excellent product and which if you will touch it, it provides you a feel of a paper, although its plastic and the target is basically any durability which you need to provide like for example, the university certificates, school certificates, passports, maps, visiting cards, where you intend to provide the feel and touch of paper but with added advantage of durability, the synthetic paper is an excellent product to have. So, we are fairly optimist about the synthetic paper for the coming years.

Faisal Hawa: Sir used for capacitor manufacturing, because now electronics and mobile manufacturing will be big hub in India also, which Export is also doing in India.

Management: So, if you do recall, two quarters back or so we announced metallization capacity which is eligible in fact for the PLI incentive also. So, that is for the capacitor line.

Faisal Hawa: It will be a very good margin.

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

Management: So, I would say Cosmo First Limited stands for four-decade young Indian business conglomerate. The ties on innovation to unlock values in diverse sectorsincluding films, consumer care, specialty chemical and direct-to-consumer pet care business under Zigly brand. So, to sum up for the investors, the Company is taking all required steps to transform into a specialty packaging and its specialty chemical company with B2B and B2C segment in years to come. The specialty polyester line, BOPP line, CPP line, which are expected to get commissioned between FY2023 to FY2025, plus focus on enhanced specialty sales. Diversification includes specialty chemical and pet care. These are the sectors to drive growth in the coming year.The Company is focused very clearly and will continue on improving its specialty films, R&D and sustainability which should yield results in the coming years. At the end of the call, I will repeat a statutory declaration certain statements in this con call 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 us.

Moderator: Thank you very much Sir. Ladies and gentleman on behalf of Cosmo Films Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.