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Sub: Transcript Analyst/Investor Earnings Call

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of Analyst/Investor Earning Call held on November 09, 2023. The same is also available on the website of the Company at the below mentioned link:

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

You are requested to take the same on your records.

Thanking You

Yours faithfully

For **Cosmo First Limited**
(Formerly *Cosmo Films Limited*)

Jyoti Dixit
Company Secretary & Compliance officer



COSMO FIRST LIMITED
Q2 & H1 FY24 Earnings Conference Call

November 09th, 2023

Management Participants:

Mr. Pankaj Poddar – Group CEO

Mr. Neeraj Jain – Group CFO

Cosmo First Limited Q2 & H1 FY24 Results Conference Call November 9th, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cosmo First Limited to discuss the Q2 and H1 FY24 results. Today we have with us from the management Group CEO Mr. Pankaj Poddar and Group CFO Mr. Neeraj Jain.

Starting off with the statement declaration, certain statements in the conference call may be forward-looking. The statements are based on management's current expectations and are subjected to uncertainties and changes in circumstances. The 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 call, please signal an operator by pressing *, then 0 on your touch tone phone. Please note that the conference is being recorded.

Now, may I request Mr. Neeraj Jain to take us through the opening remark subsequent to which we can open the floor for Q&A. Thank you and over to you, Neeraj ji.

Neeraj Jain: Thank you and very good afternoon, ladies and gentlemen. I'm Neeraj Jain, Group CFO at Cosmo First along with my colleague, Mr. Pankaj Poddar, Group CEO at Cosmo First. Our financial results for the September 2023 quarter as well as investors' presentations are available on company's website. We'll start today's call with a brief on the performance of the company, which may be followed by questions.

The improved Q2 FY24 EBITDA of Rs. 72 Cr is backed by a couple of factors i.e. enhanced BOPP film margins primarily due to festive season demand pickup, partial revival of export demand and the range bound movement of raw material prices, which was not the case in the previous quarter. Clearly, the company continues to outperform a large part of the industry.

With an objective to rationalize cost, the company is also in process of shifting the extrusion coating line from South Korea to India and has accordingly carried out operational restructuring in South Korea plant during Q2. Consequently, the consolidated results for Q2 are affected by one-time restructuring cost of about Rs.3 Cr.

The export market showed signs of improvement with the better quality of specialty orders. Overall specialty volume in Q2 FY24 was about 65% of the company's total BOPP volume. The corresponding figure last year was 62%. BOPP film margins have been running at close to Rs.18 per kg during the Q2 FY24 quarter versus Rs.10 per kg in Q1 FY24. The margins still remain low compared to the average historical margins.

It may be noted that even in such a challenging market, the company's specialty margins broadly remain intact, in line with last year except for some sales mix change impact and uneven orders from an export customer for a high margin specialty film. We expect this specialty order to flow back from next year.

Now coming to a brief about the September 2023 quarter financial results, the consolidated sales is Rs.654 Cr, which is higher by 1% from Q1 FY24, although volume was higher by 7% compared to previous quarter. As average raw material price in Q2 was lower compared to Q1, which gets passed on to the customers in terms of selling price, the Q2 sales growth in value terms is appearing as 1% despite 7% volume growth. The EBITDA for the quarter is Rs.72 Cr compared to Rs.55 Cr in Q1 FY24 and Rs.124 Cr in Q2 FY23.

Moving to little bit about the outlook for the coming period, more particularly on the margin and cost rationalization efforts. First, on the margins, in near to medium term BOPP and BOPET margins are expected to remain subdued, more so for BOPET film due to an industry wide supply overhang. There has been 58% capacity increase over December 21 capacity in BOPET and 23% increase in BOPP during the same period. Further an incremental 17% more capacity is expected by March 2026 in BOPET, and 40% capacity addition is expected in BOPP by March 2026. The company is working towards BOPET margin improvement over the next couple of quarters on the strength of specialty films which are being launched. Besides specialty sales, the company shall also focus on various cost rationalization initiatives during FY24 having close to Rs.50 Cr to Rs.60 Cr annualized impact, which broadly include renewable power and cost rationalization at Korea plant.

Now moving to packaging growth projects. Under our new initiatives, the company has launched its rigid packaging business under the brand name Cosmo Plastech, which will manufacture thin wall containers and sheets for a wide range of FMCG products, particularly for food industry. This is a large market of about Rs.10,000 Cr in India. Cosmo's capacity in Phase 1 shall be 4,800 mtpa which should be able to generate between Rs.70 Cr to Rs.80 Cr of annual sales. The company has also started metallization of capacitor film recently which shall serve the rapidly growing electronics industry in India. The market size of capacitor films in India is about 15,000 metric tons. Cosmo's capacity in Phase 1 shall be 600 mtpa. Both of these businesses, which is rigid packaging as well as the metallization of capacitor film, are closely related to existing flexible packaging business which is company's strength area. There is a strong synergy for flexible packaging in several ways including raw materials, customer base etc.

Work on BOPP and CPP line is progressing in line with the plan. Both the lines will be world's largest production capacity lines and will increase Company's production capacity by close to 50% in a phased manner by March 2025. With high-speed large width line, the cost of

production will be rationalized between 3% to 5%, depending on the product. The CPP line and BOPET line will promote sustainability, as it will offer mono layered structure.

Now moving to the specialty chemical subsidiary, the specialty chemical subsidiary has got good initial response with its packaging and lamination adhesive, now we expect to scale up the same in second-half of FY24. Adhesives along with master batch and coating vertical will drive future growth for the company's subsidiary in specialty chemicals.

Moving to Pet Care Vertical named Zigly. The company's pet care vertical is expected to grow rapidly and now in fact, the monthly GMV of Rs.4 Cr has been clocked, largely on the back of expanding retail footprints with 19 stores and an increasing online presence. The company shall now look for consolidation in Zigly in the second half of FY24 before initiating the next round of growth in FY25. At macro level, Zigly is all set to make substantial impact to India's pet care industries.

Moving to balance sheet and debt levels. The company is looking for about Rs.490 Cr of CAPEX to be incurred over the next two years, which is mainly on BOPP and CPP lines. As at September, '23 the company's net debt is Rs.502 Cr which is 1.7x to EBITDA and 0.4x to equity, hence fairly healthy strong balance sheet.

With this, I would like to open the call for the questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jatin Damania from Swan Investment Manager. Please go ahead,

Jatin Damania: Thank you, sir, for the opportunity. So, I just wanted to understand from you on the industry perspective, now you indicated that about 58% of the new capacity has been added over December 21. In your press release, you also mentioned that probably another 40% and 17% of the new capacity will be added by March 26. Do you think that the demand will pick up substantially to cover the entire capacity because even if you assume that 10% improvement in the demand and 75% as an operating capacity, there will be substantial oversupply in the market for another three to four years and will pressurize on the overall margins? So, your call on that.

Management: See, if you talk about BOPET, then BOPET right now is struggling with a lot of extra capacity because of huge additions. And you know what we expect is that BOPET should get corrected in the next 2 - 2.5 years' time. Until then it will gradually improve. We do not expect any immediate improvement when it comes to BOPET margins. There will be some improvement happening over a period as the supply balance improves. As far as BOPP is concerned till December 2024, there's hardly any line getting added, if at all there will be any addition, it will happen in December 2024, but beyond that, in 2025 and middle of 2026 there are multiple

lines coming during that phase and that is the phase when we expect that there will be an excess supply and there will be pressure on the margins in the calendar year 2025 and 2026.

Jatin Damania:

Okay. So, I mean then probably at one end we are saying that if the demand is growing and we are moving into more of a specialty, the lower margin in the commodity will continue to drag and what are the cost initiatives? I mean definitely Q2 we did see some improvement in the margin. So, how much do we elude that to the cost initiatives that we have taken?

Management:

See one is there's already a note by our CFO, Mr. Neeraj Jain, we are moving to more and more renewable power where the cost is coming down. We are doing a lot of other initiatives also. The second thing is the new line. We'll have a far better cost proposition versus the existing line. So, there are multiple initiatives happening when it comes to raw material, when it comes to power. These are two main areas where we are taking initiatives. So, there is cost coming down. But having said that, Cosmo will remain focused on expanding specialty sales where the margin stability is much better than the commodity products and obviously any new line that comes up has always got a lower cost than the older lines. So, to that extent, the new line that Cosmo is bringing will have some advantages. But we do see bunching up of capacity. Having said that, what we're also seeing is a lot of players are either trying to cancel their contracts. We've already seen at least three lines where, you know, companies have decided to either cancel their contracts or delay the lines. So, I'm sure some better sense will prevail in the industry where some more players will decide, you know, those who are coming up with their lines in 2025 and 2026, they will still have the opportunity to delay their line. I mean that decision obviously will have to be made by such players. And so those possibilities are also there, where some players can defer it. We have seen that in polyester as well. But that opportunity was not there as much but in BOPET that opportunity would be there but if it is not there then in 2025 - 2026 there could be softening of margins.

Jatin Damania:

Sure. And sir, on this facility front now last quarter we had indicated that there was a delay in a couple of customers order and we were expecting that customer to come back in the month of August and September. Now we are expecting that the new stability order or the customers to order to start flow from the next year onwards. So, how is the trend on this specialty front looking at from the near term perspective?

Management:

You see a lot of recovery has already happened in specialty. If you remember in a few quarters back had come down to 57% and one quarter, it is now stabilizing and has now touched 65%. There's one particular specialty category where the sales happened with one particular customer, that customer you know there is some sales revival expected in this year also. The majority of the sales they are saying that will happen only in the next year and we had a pretty detailed call with them, and they had their logical reasons for that. So, there we have no choice than to wait, but otherwise I would say that largely the demand is coming back in the majority

of the segments and even exports is now getting better because inflation is under control in Europe to a large extent.

Jatin Damania: Sure. That's all from my side.

Moderator: Thank you. The next question is from the line of Aditya Rathi from Aequitas Investment. Please go ahead.

Aditya Rathi: Thank you for taking my questions. Sir, as you mentioned that we already have oversupply in BOPP and BOPET and a lot of players are already deferring their projects. So, do we also see our project getting postponed because of the oversupply?

Management: As far as Cosmo is concerned, we are moving ahead as per the timelines as set. So, we've already moved quite a lot ahead on this. And Cosmo in fact is much better protected because of the specialties and a lot of other reasons. So, Cosmo is going ahead as per the plan itself, but we do see that I think this would apply more for the new entrants you know because they may not have enough experience to operate in this industry, but it's a call to be taken by every company. As far as Cosmos is concerned, we stick to our schedule, and we'll go ahead. What we really expect is that you know, right now BOPP is not so much of overcapacity, it's quite balanced position, I would say slight overcapacity. Polyester is in over capacity zone. Polyester would become more balanced as I said earlier, around two years from now, while BOPP will remain balanced in 2024 and 2025 onwards, there could be an oversupply in BOPP.

Aditya Rathi: So, continuing this, how confident are we on utilizing our specialized line versus commodity line?

Management: Cosmo, because of various reasons, what we have historically seen is that we are always able to utilize our capacity. We never had that challenge in the past.

Aditya Rathi: For specialty products, right?

Management: No, whether commodity or specialty, you know because the commodity content is very less. And many of our specialty customers do need commodity also. So, even now when we see that there are a dearth of orders, Cosmos lines normally remained occupied for next few days in any situation. So, I mean till now we've been comfortably placed, and the other thing is the new line that we are coming up, we will be one of the early ones to come up with the new line and that also should give us the advantage to fill up the line relatively faster than the competition, which would come a little later.

Aditya Rathi: Okay, Sir, I'm actually specifically asking about the new line that we are developing and how confident are we on utilizing it.

Management: You are saying rigid packaging?

Aditya Rathi: No sir, BOPP and CPP.

Management: We are quite confident at this stage. I mean with the brand name that Cosmo enjoys, obviously any new line comes up, it does take three four quarters to fill it up. But with the branding and with the product portfolio we have, we should be able to fill it up fairly fast.

Aditya Rathi: Okay, sir. And what will be our capacity utilization at this quarter?

Management: Other than the breakdowns we normally operate at full capacity. I mean, barring the breakdowns, if at all it happens in any quarter, we always operate on full capacity utilization.

Aditya Rathi: Okay. My last question is regarding the rigid packaging that Cosmo Plastech and metalized capacitor that you mentioned, you mentioned that we'll be able to touch an annual sale of Rs.60 Cr to 70 Cr in rigid packaging. So, when should we expect this to come up completely?

Management: It should take being a, I mean that's a related business, though it's a new business. So, we expect this should also take 12 to 18 months to fill it up completely. I mean the overall potential could be higher. I personally feel it can go even beyond Rs.70 Cr. But yes, it would take 12 to 18 months.

Aditya Rathi: And about capacitor.

Management: Capacitor should happen faster. We should be able to fill it up in Q4 of this year.

Aditya Rathi: And sir, what is the annualized sale that we are expecting from this 600 MTPA line? How much annual sales are we expecting from this?

Management: As far as capacity is concerned, the revenue should be close to full potential, close to Rs. 40 Cr to 50 Cr.

Aditya Rathi: And margins on rigid and capacitor?

Management: Then obviously we have to see as we move along, it's too early for us to predict anything, but both should have stable margins, that's for sure.

Aditya Rathi: Not in terms of guidance, in terms of what are we targeting?

Management: Guidance is not allowed as per the SEBI regulations, but I mean effectively you know what we've been saying is that we would like to maintain higher ROCE and ROE numbers?

Aditya Rathi: Okay. Thank you, sir. That's it from my end.

- Moderator:** Thank you. Next question is from the line of Mukesh Panjwani from WC Securities. Please go ahead.
- Mukesh Panjwani:** Yes sir, good afternoon. So, my question is like the products we have launched recently, this rigid packaging films and capacitor films. So, how should we categorize these like are these commodity films or the specialty films?
- Management:** See both have very stable margins. Capacitor, if you really look at it, there's a very high level of import happening in the country and therefore the margins are reasonable, I will say. And rigid packaging is again there's a cost-plus pricing with the brands directly. And see rigid packaging has a lot of synergies for us because you know, this gives us a direct entry into the brands without competing with our customers in the film business. And having a bigger entry in the brands helps you in many different ways even in the film business. So, both have a lot of similarities and benefits and that is what we expect. But both will have stable line of margins, unlike film where the margins fluctuate a lot, they should not fluctuate as much.
- Mukesh Panjwani:** Okay. What about this Zigly business? Like, by when we should, like, go for the demerger of this business.
- Management:** As you've said, two to three years so, most likely we'll do this in FY26, but it's too early to predict. I mean that's the planning that we have done initially and at this stage that is the timeframe we are looking at, but we will see more closer to that date that you know, when do we get profitable in this and accordingly, we'll decide, but tentative date is FY26 end basically.
- Mukesh Panjwani:** Okay. And sir, our target is to get 80% of the volume from specialty. So, when it happens, would we not face such pressure, pricing pressure which we are facing right now? Can you give a better scenario here?
- Management:** It would certainly reduce.
- Mukesh Panjwani:** Okay, up to what extent, can you give some percentage if possible, in the terms of OPM, EBITDA?
- Management:** See it will have an incremental impact of 2.5% to 3% to our EBITDA.
- Mukesh Panjwani:** Okay. That's great. That's all from my side, sir, thank you.
- Moderator:** Thank you. The next question is from the line of Jinal from Emkay Global Financial Services. Please go ahead.
- Jinal:** Good afternoon, sir, and thanks for the opportunity. So, I have a few questions. So, first is, how much is the revenue contribution from domestic market as well as exports?

- Management:** Very broadly, domestic has been close to 55% and export 45%.
- Jinal:** Okay. Second is how are we placed in terms of pricing in domestic as well as exports and what differentiates Cosmo First among the peers in the entire industry in terms of pricing?
- Management:** Yes, we have talked about this many times in the past. Our main differentiation is our specialty business, our innovation, our culture and our people. So, there are many differences, but by far all this results in better specialty and therefore more stable margins than many of our peers.
- Jinal:** Okay. So, third is in value added products, how much is the contribution of value added products to the entire business and again here how are we different from our peers in value addition products?
- Management:** You can look at that from the competition, but typically in a bad market depends on you know where exactly the commodity market is there. What we have seen is in a good market, we stay 2% - 3% above, when it comes to the margins and in a bad market, it can be even a 6% to 7% difference.
- Jinal:** I was reading somewhere that this quarter packaging business has not done that well. So, I just would like to know what is the long-term impact on this business going forward and how will the industry be going forward, packaging industry?
- Management:** See, it is an ever-shining industry. Obviously, every industry has its good tides and low tides. Right now, there is some bit of extra capacity, but if you really see even in these such trouble times, Cosmo results are quite decent, and yes, there are tough times and I mean these are some cycles which everyone has to go through. I mean, even in these bad times we have a double-digit EBITDA, quite a decent Return on Capital Employed (ROCE), so the differentiation we've been able to create in the business.
- Jinal:** Okay, that's good, that's it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.
- Vipul Kumar Shah:** Yes, thanks for the opportunity, Sir. Can you break the sales in tonnage and tonnage for commodities, semi-specialty and specialty because you give your capacity in tonnage, but in presentation sales is mentioned in rupees only. So, is it possible?
- Management:** This is something we never share.
- Vipul Kumar Shah:** For competitive reasons?

Management: Yes.

Vipul Kumar Shah: Okay. And sir what percentage of power comes from renewable sources right now and where do we see it two to three years down the line?

Management: Within the next six months, close to 40% to 50% of our power will be from renewables, more towards 50%.

Vipul Kumar Shah: And what type of impact it will have on the P&L?

Management: Some impact has already come, and some impact will come in the near future. Again from disclosure perspective we would like to stay away from sharing too much information about this. But it certainly has a good positive impact on our P&L. And you will see more of this from next quarter.

Vipul Kumar Shah: Sir, you mentioned that BOPET is facing glut these days and BOPP market is relatively protected. So, is it possible to break down our sales between BOPET and BOPP or that also you would not like to give for competitive reasons?

Management: That could be a good suggestion. We'll certainly consider that. Maybe we'll look at this from the next quarterly financial presentation.

Vipul Kumar Shah: Any ballpark figure you can share now?

Management: I would not remember off the cuff. We would certainly like to include this from the next quarter.

Vipul Kumar Shah: And sir, this Rs. 450 Cr expansion that is for BOPET and BOPP line combined. Right, Sir?

Management: It's a BOPP and CPP line.

Vipul Kumar Shah: Okay, so BOPET is completed, right?

Management: Yes, BOPET is completed. It's actually four assets, it's BOPP, CPP, metallizer and a PET sheet line. All four put together that is the CAPEX we've committed.

Vipul Kumar Shah: And out of Rs. 450 Cr, how much we have spent till date?

Management: This is over and above that we have already spent. So, some money has already been spent till date which has been excluded, this is over and above this.

Vipul Kumar Shah: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Agarwal and individual investor. Please go ahead.

Amit Agarwal: Good afternoon, this is regarding Zigly, Sir. Some stores are more than one year old. Can you give us same stores YoY sales growth?

Management: It is growing at quite a good pace from a percentage perspective, but given that the numbers are still small, we would not like to boast of it. I mean last when we had looked at you know, last year we had a 9 times growth from the year thereafter and this year itself we'll have a very substantial growth. But given that numbers are so small that there's no point in terms of talking about growth.

Amit Agarwal: I'm talking about Same Store Sales.

Management: Yes, I mean, we are continuously opening new stores, right. So, it's very difficult to share numbers like that. But overall, if you would have seen QoQ, we are showing growth and what we are saying is that we will after opening 23 stores, we will give it a pause of roughly 3-4 months to see that whatever we are doing is it done nicely, are there areas for improvement, and then we'll again restart the next phase of growth from April of next year. As of last quarter, we have started to touch Rs. 4 Cr GMV.

Amit Agarwal: Okay, my next question is, like, oil prices are falling again for last one month. So, should we look at this as negative news because raw material gets cheaper?

Management: A lower raw material is always good for industry. It may have short term negative impact because when the raw material comes down at that time, the customer sentiment or everybody wants to defer the purchase. But a lower raw material in general is very positive. Once it stabilizes at a certain level, it's very positive for industry because the working capital comes down. And there are a lot of other hidden benefits.

Amit Agarwal: Okay, and my last question is, if I'm allowed to ask because I was late in joining the call, how much investment is made for rigid packaging?

Management: See that also, right now we've done close to Rs. 40 to 50 Cr investment, but this investment will continue to grow as we you know start to on revenues and on profits out of this, but the initial investment is somewhere around Rs. 40 to 50 Cr.

Amit Agarwal: Is it already done or is going to be done in phases?

Management: Large part of this is done, as I said earlier, that we are going ahead with another polyester sheet line which is under progress. That would happen in Q4.

- Amit Agarwal:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Neeraj Sharda from Solan Capital Management. Please go ahead.
- Neeraj Sharda:** Yes, hi thanks for the opportunity. Yes, pardon me if I repeat the question. I joined a bit late, but I had a couple of questions. I just wanted to ask that if you look at the competitive landscape in which you operate, most of the other players, they have a backward integration in terms of the reason for it And I don't see that with you. Is there a specific reason that that is there that you don't have a backward integration? What are your thoughts on this?
- Management:** Backward integration is a very large project when it comes to films. At this stage, we don't feel we are ready for this.
- Neeraj Sharda:** But, since most of the other people have it, do you think that it adds substantially to the bottom line as such insulated from you know, raw material input costs?
- Management:** Globally, we are one of the players which has maximum backward integration when it comes to backward integration of coating chemicals and masterbatches. But otherwise, I mean there are only one or two players in the world who also have, you know, the polypropylene resin being made. Those are very big projects. I mean, 1-2 may be less, maybe 4-5 players will be there globally, but doing a backward integration of polypropylene is a very large project. At least in India, nobody has done it till now.
- Neeraj Sharda:** Okay. My next question is that, uh, you know, over the last couple of years, there has been a projection of moving into 80% specialty chemicals, but that target seems to be moving ahead as we go forward. Is there a specific challenge that you're facing to reach a level of 80% specialty chemicals?
- Management:** Not really. It takes its own time, and we are working towards it. We did face a headwind in between when last year we realized that everybody had overstocked and therefore a lot of inventory corrections happened. And then inflation happened in Europe causing the demand to come down. But those factors are normalized now more or less. So, we are again seeing a revival of the growth when it comes to specialty products.
- Neeraj Sharda:** So, the current target that you have given 2025 is achievable for 80% specialty business. Am I correct in understanding that?
- Management:** Yes. Initially the target was FY25, and we feel that we should be by end of 25 we should be able to type those numbers. Obviously this last 8-9 months have really given us a jolt because by now we should have had started touching 70% plus and we are still at 65%, but now we are

seeing traction, lot of traction and hopefully things should be back on track in terms of our growth targets.

Neeraj Sharda:

Okay. I have 2 to 3 more questions, but I'll join back in the queue.

Moderator:

Thank you. Next question is from the line of Harsh Seth from HDFC Securities. Please go ahead.

Harsh Seth:

Congratulations on good numbers also, just wanted to get some understanding on Sun Shield films that we launched last quarter. If you could help us understand, what kind of response are we getting and what could be the revenue potential? Additionally, if you could throw some light on our innovation portfolio and pipeline?

Management:

We have multiple products getting launched and obviously we've also launched new business lines. So, a lot is happening in the company. When I talk about film products, we continue to add a new range to our synthetic paper. There's Teplor film that we had launched first time in the world. Then we launched the capacitor films. There's a lot that we continue to launch. There's a shrink film that we had launched, the window film that was launched. So, there's a whole range of products being launched and they're in different phases of its growth. And similarly, now we have new businesses, which is capacitor films and rigid packaging Zigly cosmos specialty chemical. Within Cosmos specialty chemical also the packaging adhesive and lamination adhesive has stabilized, but there also we have come out with just the vanilla products. There itself will have to have a much more detailed range. And as time progresses, we'll continue to invest in research and development and launch a bigger range of adhesives.

Harsh Seth:

Yes, glad to hear that. But, Sir, if you could put, you know, some numbers to it, you know what could be the potential, size, who are the competitors here? Are we the only ones? And you know, what could be the potential in general over the next 2-3-4 years?

Management:

See, potentially a feature of the product or product lines are pretty large. Obviously, what we're right now targeting is to take a specialty from 65% to 80%. That is the initial internal target that we've taken. But from a potential perspective right now in synthetic paper, we would hardly be 5% or less than 5% of the global market. So, there's a huge potential there. Shrink film we have just started, it's 150,000 tons plus. Similarly, window films is a couple of billion dollars market. So, a lot of these markets are fairly big. And we've just entered some of the areas where we're the first ones like Teplor is a film where we are the first player in the world. Lidding film again, very few players in the world do the entire set of end-to-end product on lidding, I would say the biggest competitor there is Dupont. These are some very innovative products and they will take its own time in terms of development.

Harsh Seth:

So, these products have good export potential as well. And how does that look on margin front I mean vis-à-vis domestic markets?

- Management:** Again, all of them have different margins, but it's very difficult to generalize anything.
- Harsh Seth:** Okay. That's it from my end. Thank you.
- Moderator:** The next question is from the line of Neeraj Sharda from Soyam Capital. Please go ahead.
- Neeraj Sharda:** Hi, thanks. Once again, I just wanted to ask that even when we look at the competitive landscape, most of the players in India, they have plants all across the world whereas Cosmo doesn't. So, is there a specific strategy to not go beyond? What's the thought on that? And the second is on the debt equity levels. Even if we compare the landscape the debt/ equity level of Cosmo is a little on the higher side, do you have a specific target in the next couple of years you want to bring it down to a certain level? Thanks.
- Management:** See as far as Debt/ EBITDA is concerned within our industry 4:1 Debt/EBITDA ratio is considered very strong while we continue to hover at 1.7 level. So, we are sitting at a very comfortable position. What was your second question?
- Neeraj Sharda:** It's regarding that other competitors in India, they have plants all across the world whereas Cosmo mostly is concentrated in India in terms of production capacity. So, is there a specific reason for that?
- Management:** You see, one is we are able to better manage costs if we are situated in one region and second is we are close to the port area and for us exports is a very important market unlike many of our competitors. Almost all our competitors are dependent on the local market, while we are always looking more at the export market. So, for us the western part of the country really serves us well.
- Neeraj Sharda:** So, do you think that people situated with their plants in other parts of the world, they are not going to be more competitive than you in terms of serving their customers?
- Management:** Yes. When it comes to export, definitely being in the West helps. It's quite obvious.
- Neeraj Sharda:** Okay. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today's conference. I now hand the conference over to the management for closing comments.
- Management:** So, to conclude, we think near to medium term outlook for the BOPP and BOPET film may remain challenging. The companies on those strong specialty film portfolios shall continue to help during this period, which in any case we are further expanding. We are working on several core specializations and R&D projects which obviously would help in the coming quarters.



*Cosmo First Ltd
November 09th 2023*

In the last, I would like to repeat the statutory declaration. Certain statements in this concall may be forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results. Thank you very much. Thank you everyone 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.