

Cosmo First Ltd

Q2 and H1 FY'25 Earnings Conference Call

14-Nov-2024

Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cosmo First Limited to discuss the Q2 and H1 FY '25 results.

Today, we have with us from the management Group CEO Mr. Pankaj Poddar and Group CFO Mr. Neeraj Jain.

Starting with the statutory declaration. Certain statements in the conference call may be forward-looking. These statements are based on the management's current expectations and are subject to uncertainties and changes in circumstances. These statements are not the guarantees of future results.

As a reminder, all participants lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the opening remarks conclude. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Neeraj Jain: Thank you. 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 September '24 quarter and investors presentation are available on the company's website.

We are first going to discuss a brief on the performance of the company for the September '24 quarter, which may be followed by the questions.

The consolidated sales for the September '24 quarter is Rs. 759 crores which is higher by 14% from September '23 quarter. Primarily sales increase is due to higher specialty sales which has grown by 12%, higher volumes, and better margins.

The EBITDA for the quarter is Rs. 107 crores compared to Rs. 72 crores in September '23 quarter. The improvement in EBITDA is backed by higher specialty sales, enhanced volumes, and better BOPP films margin. The specialty has increased by 12% in September '24 quarter compared to September '23 quarter. On YTD basis as well, specialty sales is running higher by about 13% compared to last year. The company has reached specialty sales of 70% of total volume in Q2 FY '25 as against 64% in FY '24. The Q2 EBITDA would have been even higher but was impacted by non-repetitive inventory loss due to drop in the raw material prices during the quarter.

BOPP films margin has been running at Rs. 25 per kg in September '24 quarter as against Rs. 19 per kg in June '24 quarter, and Rs. 18 per kg in September '23 quarter. The BOPP films margin has improved in Q2 due to better demand, partially due to pre-Diwali season.

Coming to BOPET vertical. BOPET vertical, which is about 9% of company sales during Q2FY '25 has also witnessed better margins and posted double-digit EBITDA for the first time since its commissioning in FY '22 -23. This is largely due to better demand.

I will move to outlook. The company is expecting improved sales of specialty as well as domestic BOPP films margins are expected to remain broadly range-bound in FY '25. First, rationalization on renewable power for Maharashtra plant has started from mid-Q1 FY '25 and is estimated to achieve estimated annual impact of Rs. 22 crores to Rs. 25 crores. The company is working on

some more power cost rationalization projects, impact of which should be visible from FY '26 onwards.

Moving to specialty chemicals subsidiary. The subsidiary has commercialized multiple chemistries, including for the adhesives, coatings and masterbatches, and is facilitating improvement in EBITDA and return on capital employed for FY '25. The specialty chemical subsidiary is advancing well to achieve high-teens EBITDA and 30% plus return on capital employed in FY '25.

I will move to growth projects related to packaging. We started rigid packaging vertical under brand name Plastech in second half of FY '24, which is related to packaging industry. The business vertical is growing well with addition of injection moulding from Q1FY '25. The vertical is moving in line with plan and is expected to achieve profitability as well as 90% plus capacity utilization from FY '26 onwards.

Work on CPP and BOPP lines is progressing well. We are expecting CPP line to start commercial production either from quarter three or quarter four of FY '25. The BOPP line is estimated to start commercial production from first half of FY '26. As indicated in past, 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 moment. With high-speed large line, it will rationalize production cost between 3% to 4%, depending on the product.

We will move to petcare division- Zigly. In Zigly, we have launched multiple private labels and enhanced our vet care services to improve gross margins, as well as optimize certain costs thereby reducing losses.

Capex and Met Debt Status - The company is looking for about Rs. 300 crores to Rs. 350 crores of Capex in the FY '25, mainly related to BOPP line and some projects to enhance specialty sales. The financials remain strong. The company's net debt at September '24 is Rs. 698 crore which is 2.2 times to EBITDA, and 0.5 times to equity.

With this, I will take a pause and would like to open the call for questions, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav from Anvil Corporation. Please go ahead.

Nirav Zimodiya: Yeah. Sir, my question is predominantly on the specialty volumes for BOPP, right. When we see our annual report, it is mentioned that we have launched close to 10 new innovative products in FY '24. So, if you can help us understand like out of our total volumes for exports of the BOPP, which of the major geographies are we currently exporting to?

Neeraj Jain: We are exporting to 80+ countries, but a large part of the specialty goes to US and Europe. And as you know, we have subsidiary operations in US, Japan, Korea. So all these places we sell specialty. If I have to sum up, broadly more than 80% of whatever we export is specialty today.

Nirav Zimodiya: So out of the 70% of the specialty volumes, close to 80% is in the exports, correct?

Neeraj Jain: Yes. As I said whatever we are exporting, more than 80% is specialty.

Nirav Zimodiya: And sir, when we compare ourselves with the local competition there in Europe and USA, how we are placed in terms of our products? So, just wanted to understand, when we say specialty, what sort of product differentiation we offer to the customers there so that we can have an edge over the local competition?

Neeraj Jain: You will notice the large part of our specialty; we are one of the top few players across the globe. If we have to indicate for our large speciality product basket, let us say thermal lamination where we are the market leader globally, we have highest production capability as well as the market share in the world for thermal lamination. Similarly for the coated level as well we are one of the top three players in the world. All major product categories where we operate in specialty, we are one of the top players.

Nirav Zimodiya: And sir, is it possible to quantify the market size for the specialty grade BOPP in India or let's say in the export markets where we operate?

- Neeraj Jain:** Our market share versus the competition?
- Nirav Zimodiya:** Correct. No, even if you can share the total market size of the specialty grade BOPP in India and in the export markets where we are currently operating in.
- Neeraj Jain:** You see, in India we practically dominate the BOPP based specialty products. So, we would be more than two-third of BOPP based specialty product which is getting sold in India. In overseas places, it depends on the geography. But for the large product basket, as I said, we will be having a reasonably good market share in major product categories in which we operate in specialty.
- Nirav Zimodiya:** And sir, generally when we introduce a new product, how much time it takes for the customer to approve our product and volumes to be at reasonable levels?
- Neeraj Jain:** It depends. So, we at times develop a particular product for a customer or the end user or the FMCG company. So in that case generally we take some kind of the softer commitment for the volume for the one year, two years, three years' period. Otherwise also, it depends on the product how you develop, but generally in our experience we have seen, if the product is good, you can easily ramp up.
- Nirav Zimodiya:** Sir, the second question is on the specialty chemicals. So, I think we have close to around 17,500 metric tonnes of capacity spread between masterbatches, adhesives and coating chemicals. So if you can help us understand, based on the current capacity what we have, at what level of utilization rates we have operated in Q2? And when can we see the full utilization of these capacities? And what sort of turnover we are expecting once we are fully utilizing this?
- Neeraj Jain:** So, you see, in quarter two we did close to Rs. 48 crores of top line in specialty chemicals. And as you know, one part of the growth is expected to come with the BOPP and CPP line getting commissioned, which we said, CPP line is expected to get commission by the end of this year, current financial year. And from next financial year, BOPP line is expected. So with both, of course, the volume will increase for the specialty chemical division. Besides this, third party sales is also ramping up in specialty chemical division. Our current capacity should be able to generate close to Rs. 300-350 crore of the top line at full capacity utilization depending upon the sales mix.
- Depending on the product I mean vertical, because within the specialty chemical we operate in masterbatches, coating chemicals and adhesives. We run in for masterbatches close to 70%, 75% of the capacity utilization. And for adhesives and coating chemicals, maybe between 50% to 60% of the capacity utilization, which we expect to increase from the next year.
- Pankaj Poddar:** At a very broad level, we are running at a run rate of Rs. 200 crores. And with the current capacity, we can touch anywhere between Rs. 325 crores to Rs. 350 crores.
- Nirav Zimodiya:** And sir, this quarter we have seen the jump in the profitability. So, was it because of a product mix change? Or because the numbers look very superb in terms of when we see last quarter versus this quarter. So if you can help us understand the improvement in the margins for specialty chemicals?
- Neeraj Jain:** Yeah. It has two parts, one is the operational EBITDA of the company, which in any case is ramping up, compared to last quarter there is an uptick in the quarter two operations EBITDA in specialty chemical. Beside this, during quarter two, there is one time income also related to government incentive in the specialty chemical which is non-repetitive in nature.
- Pankaj Poddar:** Yeah, I mean for the prior period it's non-repetitive, otherwise the incentive will be accruing on a yearly basis.
- Nirav Zimodiya:** Or is it possible to quantify that, sir?
- Pankaj Poddar:** Close to Rs. 7.5 crore non-repetitive in nature.
- Nirav Zimodiya:** And sir last bit from my side, if you can walk us through the current market size of BOPP in India, what are the imports coming to India? And how many new lines are scheduled to come up over next two years? Thank you.

- Neeraj Jain:** Yeah. So there's not much import coming into the country, unless there are certain films that do not get manufactured in the country. Overall, local demand is close to 50,000 tonnes a month. And India is exporting another 15,000 to 20,000 tonnes of film. And this largely matches with the supply situation. Over the next two years, some five to six new lines will come up. And we expect that, on our monthly basis, they should add close to 15,000 to 20,000 tonnes of new capacity. And India is growing at roughly 10% to 15% on its demand in terms of BOPP. So, we will have to really monitor the situation once these new lines are added up.
- Nirav Zimodiya:** So just to add here, sir, these five to six lines is including our line also which is coming up next year, right?
- Neeraj Jain:** Yes.
- Nirav Zimodiya:** If you can split between CY '25 and CY '26, out of the six lines how the scheduled commissioning of the lines would come up? That would be helpful.
- Neeraj Jain:** Yeah. Most of these lines will start from, I would say, majority of them are happening in next year, barring one or two lines. Majority of the additions will happen between April '25 till December '25.
- Moderator:** The next question is from the line of Aditya Vora from Share India Securities. Please go ahead.
- Aditya Vora:** Thank you so much for the opportunity and congratulations on a great set of numbers. Sir, I had a couple of questions. One is, in terms of your packaging of your rigid plastic, you highlighted the fact that you are going to start, I mean, you are going to achieve 90% utilization in FY '26 with profitability. Could you break up for me in FY '25, '26 and maybe '27 what could be the revenue and EBITDA potential?
- Neeraj Jain:** Yeah. Next year we should be close to Rs. 125 crores to Rs. 150 crores in revenue if we do not do any expansions. However, we are looking to add some more injection moulding given that we will be fully utilizing our injection moulding capacities. But yeah, right now it's looking between Rs. 125 to Rs. 150 crores.
- Aditya Vora:** Right. What EBITDA margins would you be doing on that, a ballpark number?
- Neeraj Jain:** Given that we will still be small in size, we expect to generate between 8% to 10% EBITDA. But as we continue to scale this vertical, the EBITDA margins should improve.
- Aditya Vora:** And in the rigid packaging space FY '25 is it fair to assume that it would be a loss?
- Neeraj Jain:** This year, yes, we will be making a loss.
- Aditya Vora:** And secondly, I wanted to know about the sun control films. How is that shaping up? And again, the revenue and EBITDA potential for the next couple of years? And how is our product being received in the market?
- Neeraj Jain:** Right now, we are doing sampling across different parts of the country and different parts of the world. We are getting very good responses on our samples. We continue to introduce new products, because in this business we need to have at least 80 to 100 SKUs, it could be even more. We continue to launch these new products, do research and launch these products. We are hoping within this year we will be able to commercialize the line. And once we commercialize the line, we should be having a good chunk of channel within India and globally. Obviously, the work will start from there. But yes, we will be launching close to 80 to 100 products by the end of this year, and ensure that right from beginning at least we have at least 50, 60 distributors in India and at least 15 distributors globally.
- Aditya Vora:** Right. So on the sun control films, how are we competitively placed, as I wanted to know the positioning we have. There is Garware and then there are imports from China and Korea, so where is Cosmo placed in that entire value chain in terms of pricing and strategy?
- Neeraj Jain:** See, what we have smartly done is we have come out with a product which competes with Chinese products quite well. And we have some very high range products also. So we have come out with products at different price points to take care of local competition and

international competition, including Korean competition. And obviously, it's not just about Indian market, at least in the initial years we will be focusing a lot on scaling up our exports. And the good thing about us is that we have our own presence in Europe, America, Canada, Japan, Korea. And we are also looking to have some small sales presence in Mexico in the times to come. We will have a lot of local presence which should help us scaling up this business faster.

In the Indian market, nobody has educated the Indian customer about the benefits of putting this on their residential or official windows, because the payback period is simply awesome. And the way the global warming is going up, it is going to become a need for every household or every office to have these films. So, this education will obviously require more efforts and energy from us, which will happen in the second phase.

Aditya Vora: So you are talking about the architectural film which will happen in the second phase, but the first phase will not be that?

Neeraj Jain: Yeah, first phase is to acquire market share, both in India and globally. And the second phase, we will educate the local market, which would require a lot of marketing efforts. That is going to happen in the second phase as well where we will have to spend on the marketing side.

Aditya Vora: And lastly, just a bookkeeping question. You mentioned about the spreads for the September quarter, I think it was Rs. 25 if I am not wrong. What would be the current spreads or the average spreads in October and November? Has it gone down or how is the situation in the BOPP space?

Neeraj Jain: They have become a bit subdued because of Diwali. It always happens, because 10 days before Diwali and five days thereafter, the demand really takes a dip every year. So the prices had come down, but we have also seen a revival. Some price improvements have happened post-Diwali, and I feel another 15 days, 20 days it should further improve. Having said that, we continue to focus very nicely on the specialty which is tracking well for us. And we are not seeing any significant impact to Cosmo because of these swings into the commodity market.

Moderator: Thank you. The next question is from the line of Ayush Jhunjhunwala, an individual investor. Please go ahead.

Ayush Jhunjhunwala: Great set of numbers and thank you for the opportunity. My first question is around our target for specialty that we had set for 80% in FY '26. Could you maybe talk about, are you on target? And also, with 80% of our volumes, how should the revenue mix be?

Neeraj Jain: You see, average selling price for specialty is higher compared to commodity part of the business. So with 80% volume in specialty, more than 90% will be in terms of the value. We expect this year to be close to 70% of our volume coming from these specialty, I am referring FY '25. And as we indicated, our target exit rate for FY '26 is 80% of the existing volume. I think things are moving very well in that direction.

Ayush Jhunjhunwala: Sir, my second question is around this cyclicity of margin once we have this specialty coming in. So in commodity, we see the margin fluctuate quite a bit, right, from Rs 25, I mean to Rs 10 at the lowest. How should we think about the fluctuation in terms of margins when it comes to specialty? Some broad range in terms of movement.

Neeraj Jain: Sure. Specialty has two parts, as you will see from our investors presentation. One is, specialty and semi-specialty. For a specialty, it's largely insulated from the industry ups and down. Semi-specialty part of it will have a delta over the commodity margin. That delta always remains but it has some impact coming from the industry ups and down, but the impact is much lower compared to the commodity part of it.

Ayush Jhunjhunwala: Sir, my third question is, with 35% increase in BOPP capacity next year, how should we think about this specialty percentage for the new line over the coming years, if you could give some indication?

Neeraj Jain: So see, right now we often feel restrained because of capacities. So the new capacities will help to scale up specialty even faster. We are also adding assets to do more value addition in the

coming months. So, obviously, we will add a lot of capacity which is going to be very, very cost efficient because it will be one of the most cost efficient lines in the world. So we will add a lot of capacity. It definitely takes some time to scale up this specialty. But the good thing is in BOPP we have a very strong pipeline and that pipeline will help us scale these numbers much faster than a normal player will can do that.

Ayush Jhunjhunwala: Pankaj, this is a bit of a broad question. In terms of the industry and Cosmo in particular, any secular trend that you were seeing this year or maybe since last year, which makes you feel a lot more positive, excited about couple of years of our future in terms of Cosmo, some insights that we could provide overall would be very helpful.

Pankaj Poddar: If you see a lot of things actually first thing is that many brands are moving towards recyclable structures which are possible with polyolefin, which basically means polypropylene and polyethylene. That is one thing. So, our market is shifting more and more towards BOPP globally, not just India. The second thing is that our US, which had become subdued for a year, year and a half, actually a local leader left, he has joined us back and the market was also very subdued during the last 18 months, that is ticking up and we feel that the political changes happening in America will also make that market much more robust. And the third thing is one of the local players have shut down the capacities over there. So, all those three factors are giving us a lot of robustness in US sales. That is the second thing. Third thing is that specialty chemical vertical is coming out very well for us. So, all the efforts that we've made in R&D are shaping up the chemical vertical and we are able to make quite a decent profitability. In Zigly, we have done many improvements in last few months weather improving our intake margins, whether launching private labels, focusing on vetcare in a very substantial way, cutting down cost. Zigly is also showing a very positive trend where month-on-month we are seeing a sales growth and also improved margins and reduced losses. So, Zigly again is very positive. We feel that we will be able to make profitability in this business much faster than anybody would have done this and now we are opening up many new centres. So, we were consolidating in the last 8-9 months to do all these improvement and now we are at a stage where we'll open many new centres over next 6 to 12 months. Sun Control is another business which will help us improve our EBITDA margins. It's generally a very profitable and technology-oriented business and we have done a very decent job in terms of making the right set of products in the first go. Obviously, this business will take couple of years to be properly profitable. But once it starts turning profitability, it will give very good results. So, we are in general quite optimistic with all the things that we have done in the business, even in the polyester, we are coming out with a couple of product lines where we feel very confident where there are hardly one or two players in the world, and there also will start tracking our Specialty Business in the years to come. We are also about to launch paint protection film in the market that's a beautiful addition to our window film. All these businesses are doing very well and even the Plastech business will have far more stable profitability unlike film, which in the past used to see lot of up and down. Plastech also is a business which goes directly to brands. It's a cost-plus business and should have much more stable things. So, we feel very optimistic about our future. Excellent.

Ayush Jhunjhunwala: Just a word of appreciation before I hand over the call to the next participant. I have some industry friends who are a buyer of Cosmo Films, and they always have very good things to say about. Especially the quality of Cosmo, which is far superior compared to any which is available in the market. So, great job on that. So, thank you so much for your positive answer.

Pankaj Poddar: Just to add there. Any customer which wants to do export. I've seen seven on ten customers are more comfortable with buying Cosmo and using film for their export operation. So, thank you for that appreciation.

Moderator: Thank you. Thank you. The next question is from the line of Arya from Maximal Capital. Please go ahead.

Arya: Thank you for the opportunity, Sir. My first question is there is an inventory write-off in the current quarter. Could you please quantify the amount if possible?

Pankaj Poddar: Inventory loss you are asking

Arya: One-off inventory loss which has happened this quarter.

- Pankaj Poddar:** 7 crores.
- Arya:** My second question is, as we can see the net debt is increasing quarter-on-quarter. So, could you please specify what is being used for and guidance for the net debt in the quarter?
- Pankaj Poddar:** So, see, we feel that we will peak our debt this year. Because next year we have not planned any substantial CAPEX. So, it will peak this year and from next year you should start see this coming down.
- Neeraj Jain:** At even at the March '25 also you will notice net debt to EBITDA close to 2x only. And of course, net debt to equity should be close to 0.4x or 0.5x even at the peak level.
- Pankaj Poddar:** Obviously you know we have done a lot of CAPEX in the last two years and many of these CAPEX will start delivering results. We expect Plastech to be break-even slightly profitable by Q4, Zigly, we have cut down losses, film profitability is getting better, chemical has started showing promising results. So, you know all these things will start playing out where all the CAPEX that we've done in last two years will bring returns and capital employed.
- Arya:** Sure. Thanks. And also largely the margins are also improving quarter-on-quarter, which is for both commodities and Specialty and so could you please guide me numbers for the current and for the H2?
- Pankaj Poddar:** We normally do not give guidance still, but in general we are quite positive about the way things are happening in our different businesses.
- Neeraj Jain:** And on the top of it, the order book for the Specialty is running one of the highest ever.
- Moderator:** Thank you. The next question is from the line of RajaKumar Vaidyanathan. An individual investor. Please go ahead.
- Rajakumar:** Sir. And all my questions have been answered. Just one question I just want to know what is the US sales that we are getting and out of that how much is done locally and how much is by way of exports?
- Pankaj Poddar:** Sales in US we basically shipped from here to us and then our US operations manage the local sales. Right now, this year, we expect close to \$40 million of sales, but the monthly run rate is constantly going up and more than likely we should end the year with a \$55 to \$60 million run rate. And you know I said earlier that US is looking very promising to us. We are also scaling up our efforts in Japan and Korea because Cosmo is really known as a top-quality player in the world and you know, Japan is normally the most difficult market, but we have recently now deployed two salespeople in Japan packaging market. Earlier we were just selling our lamination films and now we intend to also start exporting, packaging and label films to begin with. In the times to come, we should be able to start showing some growth in Japan. Japan is normally a bit slow market in the beginning, but once it starts scaling up, it scales up better. And obviously Japan has one of the highest margins in the world. So, that's the next target after US. The US looks very promising to us.
- Rajakumar:** Just continue on the same question. So, is there a risk of any potential tariff because of recent events in US So will there be any risk for our business?
- Pankaj Poddar:** You see, they are talking about a special tariff for China and a similar tariff for rest of the world. So, and you know US is a net importer, so that should not impact anything adversely if at all, it can have positive impact given that tariff on China will be exceptional.
- Moderator:** Thank you. The next follow up question is from the line of Aditya Vora from Share India Securities. Please go ahead.
- Aditya Vora:** So, my question was on Zigly. Could you just tell me what the first half GMV and net loss, the cash burn which you have?
- Pankaj Poddar:** You are asking first half GMV, the net. loss and the cash burn. Just a second. You know the GMV will be close to 17 - 18 crores. But as I said earlier that month-on-month we are going. And next

quarter is expected, every month is better than the last month. And net loss also between quarter one and quarter two, we have reduced our EBITDA losses quite significantly.

Aditya Vora: Secondly, the most structural perspective, if I look at your EBITDA margins in FY'21 and FY'22, they were obviously highest. But again, that was the COVID effect and we don't foresee the COVID pricing coming back. But going forward, considering we have the new segments in the form of Sun control, rigid plastic and also Zigly Pet Care losses will go down and also specialty chemicals is doing well along with the specialty films at 80% do we see structurally less dependence on commodity and also structurally margins going way higher to the 16% to 17%.

Pankaj Poddar: Absolutely, there is only one caveat to this that once we add new capacity initially some of these capacities will go into commodity. But if I give a two-year horizon, then yes, structurally we'll change the margins of this company forever and we'll be sitting in a very positive zone where we will be sitting a lot more on Speciality Films in the film business. Chemical continues to scale up, Zigly in 2-3 years we do expect start breaking-even, sunshield also start make money in a couple of years. So, yes, in 2-3 years the dynamics for the company will change quite dramatically irrespective and in the short term we expect a lot of good things because Speciality month-on-month is growing, Plastech will turn profitable within Quarter 4 of this year. So, yes, in the short-term also there are a lot of positive things and two years we feel that there will be quite a dramatic permanent change to the way we have operated in the past.

Aditya Vora: If you structurally improve your margins with less dependence on commodity, I'm sure your multiple will be rerated by leaps and bounds. You are going from former packaging company to a more of a consumer B2C company.

Pankaj Poddar: And as I said earlier, we are about to launch paint protection films also. And that market is also scaling up very fast in the country as well as globally. So, that is another consumer product that we have just launched along with window films, which gels very well with the window films.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan, an individual investor. Please go ahead.

Bhavesh Chauhan: So, my question is on Zigly. So, as you were saying that it looks like it will be profitable far earlier than many other players. So, Sir, when can we see profits at EBITDA level in Zigly?

Pankaj Poddar: See, it's very difficult to put a number at this stage, but I definitely see two to three years it should start breaking even and make money. Having said that, this is a business also dependent on how much we are continuously investing because if you keep opening new centres, new centres take some time to make money. Online is again a very difficult business where churning out money is not that easy. So, we will be doing much better than others, but it is also dependent on those two factors that online how we can convert that business into profitable. We are much better position than what we were earlier, far better position, but then it is also dependent on how much CAPEX we continue doing it. But two to three years we feel that we should start doing break even and start making some money.

Bhavesh Chauhan: In FY'26 since we don't have any major CAPEX plan, should we expect actually debt to fall sharply or our management has something in the mind that they're not announcing now but they want to do some sort of a CAPEX.

Pankaj Poddar: So, see one is we are going to have, I would say close to 150 crore to 200 crore CAPEX next year on the value-added asset. So, that is one thing which is going to happen next year. Second is our working capital for BOPP and some of our new businesses will go up. So, next year, some rationalization of debt will happen, but we do not see a very significant change next year, but a year thereafter. Yes, you would see because we are not ordering any film lines at this stage and if we do not do that for couple of years so yes FY'27 you will see a significant reduction in the debt next year, I would say that we will reduce somewhere between 50 crores to 100 crores.

Moderator: Thank you. The next question is from the line of Sailesh Gupta from Saransh Investments. Please go ahead.

- Saransh Gupta:** Just wanted to understand your view on the sun control film. As you alluded in the earlier participant's question that it will be starting in the next financial year. So, have we done the trial production? Have we got any approval from the customers and how are the process on the SCF?
- Pankaj Poddar:** We are doing trial production. We've already got approvals for many SKUs and we want to build close to 80 to 100 SKUs before we commercially launched the business. So, yes, the progress is quite satisfactory till now.
- Saransh Gupta:** When can we expect the commercial productions to start for this year, next year?
- Pankaj Poddar:** By end of this Q4, we should be either Q4, we should be doing commercial launch or early Q1, we'll do the commercial launch.
- Saransh Gupta:** And Sir, in terms of capacity, can you explain us how big the capacity will be in SCF and your view on the paint protection after that how shall one look at the paint protection films?
- Pankaj Poddar:** So, as far as window film is concern is 250 million square feet and as far as the PPS is concerned, we have done the designing ourselves and getting it through an outsourced facility. So, there's no CAPEX involved in paint protection. It's an awesome product. I'll encourage investors to use paint protection in their car and give feedback to us. But we are just doing trials for that in the market this month and commercial launch will happen in the next one or two months.
- Saransh Gupta:** PPS will come first and then SCF will come, probably in FY'26. And in terms of the revenue, how big both this could be?
- Pankaj Poddar:** In the short term, it may not yield very quick revenues because it does take time for distributors to build confidence but within two years you should see a very significant movement in this vertical. So, I would say first one or two years will go in building customer confidence and taking a pie out of their share. But once it starts scaling up, it will scale up to very significant numbers.
- Sailesh Gupta:** Last question on Zigly, can you help us in understand what was the EBITDA loss during the one?
- Pankaj Poddar:** Last quarter I can share, I don't remember H1 numbers last quarter it is 5.5 crores.
- 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.
- Neeraj Jain:** We think company is expecting improved sales of Specialty during FY'25 and is running well above 13% higher Specialty sales on a YTD basis compared to last year. In a step-by-step manner, we are de-commoditizing the business model in principle. Sun Control film, paint protection film these will be valued additions. Among new business verticals, Cosmo Specialty Chemical is already making high-teens EBITDA. The other new verticals related to packaging, capacitor metallizer or rigid packaging are expecting positive EBITDA in FY'26. While Zigly may take some time to become profitable, however, it should be a significant value creator. Many thanks for joining. We really look forward.
- Moderator:** Thank you. On behalf for Cosmo First Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.