



## “Xpro India Limited Q4 FY22 Earnings Conference Call”

June 10, 2022



**MANAGEMENT:**

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*Xpro India Limited  
June 10, 2022*

**Moderator:** Ladies and gentlemen, good day, and welcome to Xpro India Limited Q4 and FY22 Earnings Conference Call. This call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not the guarantees of future performance, and involve unforeseen risks and uncertainties. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. And I'll hand the conference over to Mr. C. Bhaskar, Managing Director and CEO. Thank you, and over to you, Mr. Bhaskar.

**C. Bhaskar:** Thank you. Good afternoon, everyone. I trust you and your families are keeping safe and healthy. I extend a very warm welcome to all participants to this Q4 and FY22 Financial Results Discussion. I am C. Bhaskar – the Managing Director of Xpro India Limited. Today, on this call I have with me, Mr. Vinay Agarwal – Chief Financial Officer; Mr. Amit Dhanuka – Company Secretary; and Mr. H. Bakshi – who heads our Technical and is our Chief Operating Officer.

I am particularly happy to have the attendance of our Chairman, Shri Sidharth Birla, who wishes to hear our interaction. Sir, thanks. Orient Capital, our Investor Relations partner is coordinating this session.

As you are currently aware, this is the first time that we at Xpro India Limited are hosting an earnings conference call for our investment community, of course, with an intent of keeping our investors and analysts familiar with and updated about developments in our businesses. We have had opportunity to meet some of you at our annual general meetings or otherwise, but we are interacting with many of you for the first time. To my mind thus it would be worthwhile to dwell a bit on our company, and brief you also about the products we manufacture and their applications. I trust this will be helpful to all participants. I must state that all discussions here will be within boundaries reasonably imposed by the company's strategic and competitive position. Xpro India Limited is a diversified, multi divisional, multi locational company with an abiding commitment to polymers processing, and with strong governance standards in its management and operations. Established as a separate entity via a corporate demerger in 1998, the unit comprising Xpro India Limited has long been in existence, giving us over 37 years' experience in the extrusion and coextrusion fields. The company is a family led and professionally managed arm of India's largest and very reputed industrial house, the Birla family and currently has its manufacturing facilities in greater Noida, in Uttar Pradesh, Ranjangaon near Pune in Maharashtra, and Barjora near Durgapur in West Bengal. Before I dwell into the business segments, it's important for me to mention that Xpro India is not a packaging materials company, as is often presumed, but is a specialist manufacturer of polymer beads, films and sheets, servicing niche areas, with two business verticals, namely our Biax and our Coex divisions. To answer an oft asked question, the word Xpro, it symbolizes extrusion process. And likewise, our 2 verticals are named on the technical processes, they excel in Biax division being an acronym for biaxially oriented and the Coex division standing for the coextrusion process. The 2 divisions

have built up special skills and competencies in the specialized field with coextrusion. With application in the manufacture of oriented films, multimedia plastic sheets, and multi layer cast plastic films. Thermoforming capabilities are supporting downstream processes for other films and sheets respectively. Our results for the financial year 2021-22 together with the quarterly results has already been uploaded on the stock exchange portal, and our annual reports have also been made available. I trust you have had an opportunity to go through these and our Investor deck and press release that we have uploaded on exchanges and on the company's website. I will now elaborate on each division in a little bit more detail. The Coex division. Our Coex division mainly manufactures coextruded sheets and liners for the consumer durables, basically the white goods industry. Our Coex manufacturing facilities are based in Greater Noida in UP and Ranjangaon in Maharashtra in strategic proximity to major refrigerator producing units. Within the Coex division, we also manufacture at Ranjangaon Speciality cast coextruded films, catering to the hygiene and auto industry. Very diverse industries. The Speciality films are tailor made for application in sanitary napkins, disposable diapers, adult incontinence products and in the tyre and tread industry.

**Moderator:** Ladies and gentlemen, please stay connected. Line for the management dropped. Participants please stay connected while we rejoin the management back to the call. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. Sir, you may continue.

**C. Bhaskar:** Thank you. Sorry for that call drop. Over the years, this division has established itself as the leading supplier of coextruded sheets and liners to the refrigerator industry and has evolved into the dominant player highly respected, having painstakingly built a high market share in OEM supplies to the refrigerator industry. Our client base encompasses leading Indian and multinational companies. The Indian refrigerator industry itself has been growing consistently and has attracted many global players to set up manufacturing facilities in India, aimed at the domestic and export markets. With large Indian companies also entering this field, India is emerging as a hub for refrigerator manufacturing due to increasing localization, compulsions and levels. The PLI schemes of the government are expected to give this segment a further boost. The policy of encouraging domestic manufacturing and a changing customer preference and channel proliferation are also positive for this industry and thus for our company. Xpro is also looking to leverage the relationship with white good manufacturer to expand this product portfolio under the Coex segment. Coming to the Biax division, the Biax division manufactures dielectric capacitor films with a nominal annual capacity of 4,000 tons located at Barjora, West Bengal. We were and continue to be the only manufacturer of dielectric films in India, meeting about 30% to 33% of domestic needs with the entire balance being met through imports. Capacitors are an essential component in conceivably all areas of electrical application, electricity transmission, distribution, all types of electrical and electronic appliances and consumer goods, computers, cars, industrial equipment, electrical equipment, etc. We believe that with the changing landscape and increasing power consumption and expansion of all kinds of electrical and electronic goods, the demand for capacitors will automatically grow

significantly, and the demand for the dielectric capacitor films should grow with it. We believe that it's a huge new opportunity in sunrise applications, particularly in the EV segment with multifold capacitor application in E-mobility, convenience and safety systems, including power control unit, inverter circuit, DC link power capacitors, sub systems, high intensity discharge xenon lamps, passive key entry systems, pressure monitoring systems, driver information and entertainment systems, climatization, airbag, braking systems, etc. And we are confident that the company has positioned itself to grab the emerging opportunity arising from the above changes. A further impetus from PLI schemes and import restrictions for the component ecosystem would enhance the market in this segment. India is evolving as a base for component manufacture for global markets and capacitors would be one of the early components in this segment. Besides this, Xpro exports to established customers in the developed markets. It will be interesting to understand that in any capacitor, an average of between 50% to 60% of their total cost breakup is the dielectric film that we would be supplying. So, you can see that we are critical to the capacitors existence. To address rising demand, our company has announced its intention to pursue material expansion of capacity by adding new manufacturing lines that dielectric and other technical grades of biaxially oriented PT films. The first phase of expansion would double the capacity at our existing facility in Barjora, West Bengal to be followed by a second phase either in Barjora or another appropriate location. This initiative would help us consolidate the company's domestic first mover advantage in this high tech segment and the position as a quality value add producer so as to achieve a globally worthy standing in supplying state of the art dielectric film products and intelligent solutions. Our technical expertise supported by excellent in-house R&D facility enables regular successful development of new range of films for specialized industrial applications. I would like to repeat that Xpro has the first mover advantage in the manufacture of dielectric capacitor films in the country. I would also add that around the time our operations first started, the government had been nurturing the electronics industry and thus reduce duties on imported dielectric films to almost negligible or zero. We were hit by a classic inverted duty structure where our potential customers could import dielectric films free of duty while we paid full import duties on our raw materials, and then competed against the zero duty imports. It took much time and effort for the government to address the issue, but then they did. And that's when Xpro India's inherent competitiveness could be brought into play. Before 2016-17 when this change happened, one could see the stressors reflected in our historic P&L accounts. Today, the playing field is far more level and we are strong competitors on merit. On the export front, the company is already exporting dielectric and specialized films to advanced and developed markets like the USA and Germany, which are markets with rigorous technical requirement. There are only a few manufacturers of thin dielectric films globally with capability to deliver superior product quality. Our products are well recognized, well accepted and approved by many customers globally. With the expansion of capacity, the company would be in a position to cater to the global markets, and the company is looking to target global markets with value added products. Incidentally, sheets for refrigerator applications and cast coextruded films are also exported to neighboring countries.

**Turning now to the fourth quarter performance**, the consolidated revenues for the quarter stood at Rs. 143 crore versus Rs. 148 crore in Q4 FY21, registering a prima facie degrowth of 3.2% on a Y-on-Y basis. It is important however to appreciate that our product mix is diverse and dynamic and therefore a simplistic view on the rupee value alone does not always reflect the volume of activity. Raw material increases during the quarter could generally be recovered through our pass through strategy coupled with an improved product customer mix and a value addition focused strategy, overall margins could be scaled up.

**Biax division** reported a revenue growth of about 24% in Q4 compared to Q4 FY21. We continue to see sustained demand for Xpro Biax Dielectric films with our market share remaining over 30% with the balance being met by imports.

**Coex division** markets moderated somewhat in Q4 due to commodity price increases and shortages resulting from geopolitical considerations and the lockdowns in China, which pushed up consumer durable prices. This also reflected in the slight lull in consumer durable markets in mid February and March at 2022 even as the markets were reviving from the Omicron impact. Coex division revenue in the quarter was down by 12% Y-on-Y reflecting this scenario.

**Exports** during the quarter registered a significant growth of 70% and stood at a little over Rs. 5 crore against Rs. 3 crore in the corresponding quarter in the previous year. The consolidated EBITDA for Q4 FY22 at Rs. 17.2 crore was slightly higher than the EBITDA in Q4 FY2021, which stood at Rs. 17.5 crore translating into a higher EBITDA margin for Q4 '22 at 12.1% compared to the corresponding previous quarter of 11.9%. Profit after tax for the quarter stood at Rs. 17.5 crore versus Rs. 9.6 crore in Q4 FY21. PAT margins for the quarter were at 12.2%.

**Now considering the full year FY22 performance.** FY22 consolidated revenue stood Rs. 471.7 crore against Rs. 373.4 crore in the previous year, registering a Y-on-Y growth of 26.3%. Revenues from the Biax segment grew 42.6% to a little over Rs. 129 crore. Revenues from the Coex segment increased about 18% to Rs. 334 crore. Revenues from export increased to almost 2.5 times from Rs. 9.5 crore in FY21 to Rs. 22.6 crore in FY22. EBITDA saw a growth of 58.4% Y-on-Y and stood at 63.8 crore. Our EBITDA margin for FY22 was 13.5% compared to 10.8% in the previous year. Profit after tax stood at Rs. 44.9 crore versus Rs. 8.4 crore in FY21. PAT margins on FY22 was 9.5% as compared to 2.2% in the previous year. Debt reduction including prepayment during the year was 45.8 crore. For FY22, the net debt to equity stood at 0.4 and delivered a healthy ROE of 34.3% and a return on capital employed of 32.5%. The Board has recommended a dividend of Rs. 2 per equity share and also recommended issue of bonus equity shares in the ratio of 1:2. Record dates as required have been announced. With this, I open the floor for question and answers. Thank you very much.

**Moderator:**

We will now begin the question and answer session. First question is from the line of Sahil Sharma from SS Capital Services. Please go ahead.

**Sahil Sharma:**

Given that there are many players in these coextruded and biaxial divisions in India, we wanted to understand sort of the competitive intensity and how it is that we have managed to be the first dielectric film manufacturer in India and why competition has not been able to catch up with us? For example, from what we know, Jindal Poly has been sort of trying to work on this I think in 2018. They have announced that they were trying to work on it. And what are the barriers to entry here? Why can't our competitors also set up these dielectric film units?

**C. Bhaskar:**

Very, very relevant, very interesting question. And the competitive barriers and the competitive landscape is very different for the 2 businesses, so I will take them separately. In the first instance considering the Biax division, while there are manufacturers in India, they are all manufacturers of packaging grade BOPP film. Now fundamentally packaging grade BOPP films and dielectric capacity of BOPP films except for the similarity in the main BOPP and many loosely the technical process adopted are not really one and the same. The equipment is different, the raw material processes are different, the process parameters are different, so they're not really comparable. The thicknesses are different, the handling systems are different, the typical capacity sizes are different. And really speaking there is no direct linkage between a line that produces BOPP packaging film and a line that produces BOPP for capacitor application. So, that is your first point. And when I say this, I include things like the atmosphere in the plant, the equipment process, the way the materials are handled, every element is really speaking different. So, are the raw materials. Now, when you say polypropylene, it's a very, very broad term. And it covers a number of materials, which have very, very different properties, very, very different forcing, very, very different even manufacturing, even the day polypropylene is manufactured is different for certain applications, the polymerization process itself. Now, the barriers to entry are really speaking many. Of course, one of the major barriers is capital, which was not an issue for some of the people or for the people who remain, but very important are the skills, the technology, the process, the knowhow, the recipes, and importantly, an appropriate consolidation of each of these elements. Equally important also is the fact that the equipment needs to be specially designed, there are many technical parameters into it, which is not the right place to go into, but there are many technical parameters which are different. So, you will really see that the lines are different. So, there are extreme barriers to entry. Another important barrier to entry is the time it takes to introduce and launch a successful capacitor film for various applications. There are very, very few manufacturers in the world who have been able to really establish themselves over the years. And I'm happy to say that Xpro itself is probably among the top 5 in the world in the development and application of this field. Now, coming to the Coex application, the barriers there are different. The important issue in that business is the linkages that one has built up with the customers over time, through development of special products for them, processing of different materials to different specifications for them, and delivering products with a very, very high success rate and a very, very low rejection rate. I think these are important parameters. And we have built relationships with the white goods industry over time, which have actually stood the test of time and we have a significant market share in that area too. But I would also like to emphasize Sahil that really speaking the 2 businesses are different, the competitive strengths and advantages are

different, they are broadly linked only by the fact that both are coextrusion processes. Does that sort of answer your question?

**Sahil Sharma:** Sir, could you give some very rough idea about for example, specifically, since you mentioned the auto industry, we know that this IATF certification that is required itself takes a lot of effort. What I'm trying to understand is how much time does it take to develop these kind of supply chains where we have to become a part of some capacitor maker, which can then be provided to OEMs for their battery management system or motor control unit. What is the kind of lead time or development time, testing time that is required? That is for us to understand how easy or hard it is for any competitor to develop this film in the future.

**C. Bhaskar:** To develop this film, to make it acceptable particularly for rigorous application takes months, in fact, years. We have the advantage that we started developing these products years ago actually on a converted line where we could do the bottom end of the capacitor business and have over time improved ourselves. The testing application approval time takes long because A, the film has to be developed. It goes through very rigorous testing, often disruptive testing which is time consuming. Once the capacitor manufacturer approves the film, the capacitor itself has to go on to the end user automotive industry or whichever where there's a rigorous application and undergoes another time consuming process. So, yes, you're right, it takes very long and this is a significant barrier, it could take a couple of years, often times more. You must also remember that these are commercial producers who are not too amenable to stopping their production runs to take run for trials. So, a trial itself becomes a low priority even for the customer itself, adding to the time.

**Moderator:** The next question is from the line of Hemanshu Parmar, individual investor. Please go ahead.

**Hemanshu Parmar:** So, this material capacity expansion that we are doing in the dielectric capacitor films. So, I suppose it takes around 2 to 4 years that is what is mentioned in the annual report. So, has the process started yet? Because it doesn't seem to be reflected in our capital WIP. And what is the total CAPEX outlay and how it will be funded?

**C. Bhaskar:** Let me answer this question in a little bit of depth as to what our intent is. We had already announced our intent to pursue material expansion of capacity. We must follow that intent with action. Now, just 2 weeks ago, we had outlined in our annual report, the practical timeline and that there has been no occasion so far to revise this. At our end, effective steps towards the implementation are identified including layout, site preparation, some advanced payments and physical work will also begin soon right after the monsoon season. Management is fully aligned in trying to compact the schedules to the optimum level possible in an overall global circumstance. Now, as we had already said, we are intending to add manufacturing line for dielectric and other technical grades in phases. The first phase would double capacity at Barjora followed by a second phase either at Barjora or another location. Yes, and totally this will span between 2 to 4 years, fundamentally because of long equipment delivery period.

- Hemanshu Parmar:** So, the double capacity expansion, maybe it will be reflected in our numbers in FY25-26. Is my understanding correct?
- C. Bhaskar:** As we've said, it's 2 to 4 from when we made the announcement for 2 lines in stages.
- Hemanshu Parmar:** I just doubt with respect with what is the EBITDA margins for this 2 divisions, if you could just highlight for FY22, Biax and Coex.
- C. Bhaskar:** The Capexs for the 2 business are very different. Now the CAPEX is high in the case of the dielectric films business and the CAPEX is lower in the case of the Coex business. Therefore the EBITDA margins sort of reflect that. The EBITDA margins for the Biax division are far higher than what they are for the Coex division. Perhaps from a competitive and a market view point, it may not be correct for me to dwell onto that breakup in a call of this nature. But suffice it to say that the margins are working towards our ROCE targets. So, this should not be a concern.
- Moderator:** The next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.
- Suraj Nawandhar:** Sir, what is your current capacity utilization levels in both the divisions?
- C. Bhaskar:** It's again a little tricky question in the Coex division, but first let me answer the Biax division. In the Biax division, our capacity utilization is 100% plus. Now, we are sharpening our abilities through whatever rationalization we can do and whatever tweaking we can do to tweak out some more output. So, time wise, we had actually hit capacity utilization of 100% even in the previous year. Last year, scaled through tweaking and through some balancing changes at our end, we were able to produce 15% more, but the capacity utilization is 100%. So, I mean when I say that it means that whatever we can churn out extra is through intelligence and not through sheer machine capability. Now, if I take the Coex, it's a little tricky, because the Coex business by definition is subject to seasonal variances. I mean, you can imagine that refrigerators like ACs would sell more in certain seasons, less in certain seasons. And nowadays, with the refrigerator industry producing to immediate market demand, you will find that the production also has ups and downs through the year, fundamentally representing the seasonal variances. Now therefore and since we supply only for their direct usage, we are also subject to seasonal variances. But what does this mean? This means that we must have capacity to meet the peak requirement, so our built up capacity is to peak capacity, to peak requirement. And therefore if on an annual basis, we achieve something like 70%, 75%, I think we would have achieved 100% realistic capacity utilization. Besides this, the capacity of these kinds of lines depends on the thicknesses of the materials you produce. If we were to produce, for example, only bodies for a refrigerator, which is thicker than the door, the liner, you would see that we could produce much more, but you can't have a fridge with only a body and no door. So, since we have to supply in pairs, in sets, there is an automatic extrusion capability linkage because when you produce thinner, you produce less by weight. Does that answer your question?



- Suraj Nawandhar:** Yes, sir. And sir, going forward, are we going to only focus more on Biax division or are we planning CAPEX for Coex division as well?
- C. Bhaskar:** We would certainly be focusing on both divisions. Everybody is talking more about the Biax expansion simply because it's more capital intensive. Routine expansions happen almost every year in the Coex division too. In the last 2 years, they were restricted simply because of the COVID situation. But I think with the industry coming back to norm, we should very soon be working on expansion at Coex division also. And we will certainly come to you when we have concrete plan there in place and we will share the information.
- Suraj Nawandhar:** Sir, if I look at the revenue share of Biax division for last financial year, it reached Rs. 129 crore. It is roughly around 27%, 28%. So, is there any target that we have set that how much percentage of share should be from like 50:50 is our target 2 years down the line. Or is there any target that we have set individual divisions?
- C. Bhaskar:** We have already announced that we intend to add 2 more lines, right? Now if I add 2 more lines, you will see that when 2 massive lines come in, they actually give quantum jumps in turnover. So, even assuming that the same level, you will find within 4 to 5 years the turnover from the Biax division will triple, whereas the Coex division turnover would go at a more reasonable growth rate keeping in line with the growth in industry. So, you would see, yes, perhaps you're not very far off the mark, when you say that we would like to see them both at 50:50.
- Suraj Nawandhar:** And just one last question, sir. Sir, our raw material is crude derivative. Is it crude derivative, our raw materials?
- C. Bhaskar:** Yes. All polymers are ultimately petroleum derivatives. So, yes, whether it's our Coex division or our Biax division, our primary raw materials are petro products.
- Suraj Nawandhar:** So, how are we tackling the margin pressure because of the higher crude price?
- C. Bhaskar:** Your question is most valid. In the plastics process business, polymers business, it is the volatility in pricing, which is the most critical. Now we being an industrial producer in both our divisions have actually adopted a pass through pricing policy. So, barring minor time differences in implementing price changes, we are insulated because of our pass through policies.
- Suraj Nawandhar:** So, you're not expecting any margin pressures?
- C. Bhaskar:** Well, there are certainly margin pressures, but they're transferred on to the customer and our customer will transfer it on to his customers. So, certainly, if prices go roof high, somebody is going to hurt finally, the end customer will certainly pay the bill sometime, right?
- Suraj Nawandhar:** How much is the lag while passing it on to our customers?

- C. Bhaskar:** I missed that a bit. Can you repeat your question please?
- Suraj Nawandhar:** How much is the lag period? Like, do we pass it on quarterly, monthly?
- C. Bhaskar:** No, if it's small increases, it happens in weeks. If it's a massive increase, it happens in days.
- Moderator:** The next question is from the line of Aashish from InvesQ Investment Advisors. Please go ahead.
- Aashish Uppanlawar:** Sir, actually, I'm attending your call for the first time, so pardon my ignorance of your business. But sir, if I look at the profitability, I mean, this year has been exceptional if I look at the past so many years in terms of the net profits and EBITDA. So, in the initial remarks, you said actually there is some difference between your business and typical BOPP film manufacturers. So, how is that? Your business is not cyclical as such in terms of the profitability aspect of it.
- C. Bhaskar:** First point, it's certainly not your fault that you're listening, attending our call for the first time. It's our fault because this is the first time we're doing an earning. So, anyway, welcome to the call. And I hope we answer your questions. Now, the capacity of film business is not as cyclic a business as the packaging films. So, we are not susceptible to that cyclicity. Your question I think more was, what happened that profits are suddenly better than they were earlier.
- Aashish Uppanlawar:** Because since 2011, there is hardly any profit and suddenly I'm seeing '22, there is a drastic improvement.
- C. Bhaskar:** If I may amplify, it's not sudden. You will see that over the last 3, 4 years, there has been a gradual increase in profitability. It's steadily been going up. So, that is one point I would like to emphasize. Now, what is this? This is the result of various steps. One, of course, is the correction of the inverted duty structure, which I outlined when I was talking about our business. Of course, that was a monologue and probably it missed the point. So, there was an earlier inverted duty case which hurt us. And after that, it took us a couple of years to pull ourselves out of it, because in those initial years you built up losses which needed to get taken care off. So, that is one and that situation is now corrected. In this period, we have also improved our products. And I think we are now definitely in the top league, I won't say only world class, I would say we are in the top league of world class. So, we are also deriving the value addition from that account. We are also into more value added end of this business. So, that is also giving us a better profitability. And we believe this is sustainable, because we are still meeting less than 1/3 of the Indian market. And India really today needs 4 plants like us without looking at all those exciting new areas without even looking at natural growth. So, yes, there is a reason. There has also been a number of strategic initiatives which we have taken over the last 2, 3 years, one of which includes even getting rid of some of our non-productive assets, which actually you rightly stated. And I think we have more or less completed that exercise also. Does that answer your question, sir?
- Aashish Uppanlawar:** Yes. Just further to this, I mean so you're saying that the profitability that we've achieved more or less, despite whatever happens on the raw material side, whether it goes up or down, this will

be in a range basically, maybe the EBITDA margins of say 14 odd percent that you're making and ROCE target that you said you're having would be upwards of 20% ROCE in this business typically?

**C. Bhaskar:** Definitely, we are working to an ROCE target, improvement in ROCE has been a major target for our company. Over the last few years, we have had consistent improvement in operational performance and the strategic initiatives, which I told you towards legacy operations have resulted in ROCE improving to well over 22, and this is not in any one business, in both businesses, the ROCEs are well over 20%, which was our target at one point of time and naturally these targets are dynamic.

**Moderator:** The next question is from the line of Prakshal Jain from Lucky Investment Managers. Please go ahead.

**Prakshal Jain:** So, my question is if I look at your realizations per kg for the Biax division, it comes out to be about Rs. 340 per kg and for the Coex division, it is about Rs. 140 per kg. So, what kind of realizations are we having currently and how do you expect them to be in the future?

**C. Bhaskar:** Realizations, A, are something that I will not like to go into in specific details simply from a competitive issue, because you can imagine if I take the Coex division, we do supply to almost everybody in the refrigerator industry, and prices are obviously competitive and prices are something that our competitors would love to hear. One second, let me also just address the biax division. In the case of biax division also, these price increases that you have seen are that people are seeing over the last few couple of years is fundamentally because of two things. One is a bit of it is due to the polymer price increase, which gets reflected. And B, towards our sharpening and moving towards higher value-added mix then earlier. Now, therefore, the average price that you see depends on multiple things. It depends on the product itself. What is the product? It's very **(Inaudible) 44:07** division, but then there are different types of sheets. So, it depends on the materials that the sheet is made of. It depends on the customer mix. It depends on the thickness or the certification mix. So, I think that there are variances to it. But yes, remember 2 things, we follow a pass through pricing policy by and large, one. And two, we have as a strategy been working on higher value-add products. And that is a strategy which we plan to certainly continue to work to. Sir, actually does that answer your question?

**Moderator:** The next question is from the line of Vishal Prasad from VP Capital. Please go ahead.

**Vishal Prasad:** I have a couple of questions. If I look at the dielectric division, we don't have much revenue from exports. So, could you talk about the export opportunity that we see probably few years down the line?

**C. Bhaskar:** Sorry, you were saying something and I lost your voice, sir.

**Vishal Prasad:** So, what I was saying is, if I look at dielectric division, there is nothing much we get in terms of revenue from exports. But you have talked about, there is a lot of opportunity that we see in export. So, if you could just talk about the opportunity that we see in exports. And few years down the line, what percentage of our dielectric revenue we can expect from exports?

**C. Bhaskar:** Let me put it to you this way. Point number one is our product is certainly of world class and has been approved by a number of global customers as part of our strategic planning, point one. Point number two is we are already exporting a little bit, we have chosen to export to a customer in the US and a customer in Germany, fundamentally picking customers where there is a higher technical requirement. And actually, through that, we are also learning and we've learned together with our customers over the last couple of years. We are already exporting between 7% to 8% of our output from the Biax division, the dielectric films division. We would love to do more. And more importantly, there is great demand to do more. However, the country is a massive importer of these films. So, on one end, we are making a statement that the country today is importing almost 66% of its requirements, there is a lot of pressure for us to actually supply more to the domestic market rather than export. Notwithstanding that, we have chosen to export because we are sharpening our skills and honing our abilities by such exports and which pays off for itself. As we had said, we are working on capacity addition, and certainly with fresh capacity coming in, we would be exporting more and more. As I said, we already have customers who are very interested. And yes, we are also working on arrangements of longer terms with some of those customers. Sir, does that answer your question, Mr. Vishal?

**Vishal Prasad:** Yes, sure. So, you've mentioned that probably 67% of our country's demand is imports.

**C. Bhaskar:** Last year, it was a little bit more than 67% or so.

**Vishal Prasad:** So, let's say, we have the capacity ready today, just assuming that. So, I am assuming that out of 67%, not everything would be high grade. So, if we have the capacity, how much out of this 67% we would be able to capture instantly?

**C. Bhaskar:** Let's say, God came down and told me here is a plant running for you tomorrow morning, I think we should be able to sell every kilo that plant could produce tomorrow morning. This is a statement and based on the market position as it presents today. So, between the Indian markets and export markets, offtake is not a serious concern today.

**Moderator:** The next question is from the line of Srinath, individual investor. Please go ahead.

**Srinath Krishnan:** Sir, I have 2 questions. One is on your dielectric division expansion. Maybe in terms of, I guess you mentioned that it takes 2 to 4 years. Just to understand when does the first line come up next year? Would it be towards the second or third quarter next year? And considering the cash flows that that you enjoy, do you think there is scope for inorganic expansion as well? That's the first question. And the second question is on opportunities in the emerging areas. Does dielectric division get benefit with emerging sectors like electric vehicles?

**C. Bhaskar:** Srinath, I didn't get your second part of the question. What was that about? I didn't understand that.

**Srinath Krishnan:** Does dielectric division get benefited with more electrification in the automotive industry, newer features coming through. You would be getting directly benefitted because of that.

**C. Bhaskar:** So, let me first take up your question regarding the dielectric film capacity expansion. As we have already said that we're working on 2 lines, one of which will come in a year at Barjora rather than the other. You will appreciate that under global competitive circumstances, I'm not trying to put a date as to when we will start. Whenever we have sharper dates and we are ready to announce it, we will happily come forward and put it. But we are working to plans and I don't think we are behind on any of our plans as yet. That I guess competitive status allows me to state just that far. But that said, we are certainly open and in fact actively looking at inorganic growth. Now, unfortunately, the global situation today, whether we take the eastern part of the world or the western part of the world, the situation is not actually too conducive for us to pursue inorganic acquisition. You will appreciate that there is no material inorganic acquisition in the country itself that could help our position today, I mean, considering that we are the only producers of this product, material producers today, right? So, we are certainly active. I won't just say we are alive, I'll say we are active to inorganic growth. Appropriate time, let's see if something does come about, I think all of you, the investment community will be the first to hear.

**Srinath Krishnan:** On electrification?

**C. Bhaskar:** Coming to the second part of your question, I think they are unrelated but nonetheless, yes, without doubt, the growth in the EV segment, the growth in other non-conventional energy pattern, the growth in infrastructure and power distribution, all indirectly flow down to us, because capacitors are needed for any of those growth areas. And the capacitor dye cannot make a capacitor without the capacitor film. I think I've mentioned earlier in passing that over 50% of the cost structure of a capacitor was the capacitor fill. So, you can see how critical we are to that. I would also like to emphasize that in a capacitor, we are not just there, we are not packing or something, we are the capacitor, I mean, we form a core part of the dielectric medium. So, there is no capacitor without a dielectric medium like ourselves. So, yes, directly whatsoever growth happens in the EV segment, in other kinds of storage applications, and as I said, non conventional solar growing up, all these segments will require massive distribution, massive transmission, massive storage, and all of which are going to ultimately boil down to more capacity requirements, and therefore more dielectric since. And also similarly, things like power factor capacitors and the like.

**Moderator:** The next question is from the line of Vaibhav Jain iThought PMS. Please go ahead.

**Vaibhav Jain:** Just pardon my ignorance. I just have 1 question. Since in the BOPP segment, we are the only producers in the country. So, why has no one else been able to replicate? Do we have some advantage in this segment? That's my question.

**C. Bhaskar:** Certainly, Vaibhav. We have built up skills and the knowledge base. And then ability, the process capability over time, not to say that nobody has looked at it, people have looked at it. I think the success parameters are very critical in this. It's not like making milk packaging film where you buy a line and tomorrow you're producing film. This is a very, very difficult process. It's a specialized process, the parameters, the recipes, everything takes time to develop. And I think those are one of the reasons why you don't see too many in the world. And I'll tell you, I mean, there are just a handful of good producers in the Western world. China put up a number of plants, and many of those operators are just there, they're not producing respectable quality films. So, there is a skill to it. It's not as simple to walk skill hill. And certainly on an investor call, I'm not going to decide the skill and make life easy for somebody. You will appreciate that, Vaibhav. It's very specialized. As I said, even globally, there aren't very, very many players despite the fact that and remember this, you cannot use electricity, you cannot think electricity, it's a famous line, which I'll like to repeat of, is that electricity in its current form cannot be used or distributed or transmitted without capacitors. So, when you think electricity, capacitors are there, which means the dielectric film is there.

**Vaibhav Jain:** I think that's good enough.

**C. Bhaskar:** I hope that answered your question.

**Vaibhav Jain:** Yes, that answered the question.

**Moderator:** Ladies and gentlemen, in the interest of time, we'll take that as the last question. And I'll hand the conference over to Mr. C. Bhaskar for closing comments.

**C. Bhaskar:** Thank you, everybody. It was a pleasure to talk to you all. I hope we could address your questions, your concerns, and what our plans are going forward. I would just like to add, and repeat what we keep saying in our annual report, which is very recently issued with the last one, going forward, one will expect reasonably good momentum in our market to continue. But in the prevailing macro environment situation, sudden volume or margin hiccups or disruptions cannot be ruled out. We would like to emphasize as we believe that the last 15 to 18 months, which a couple of you pointed, out have given us new benchmark for operating and financial parameters that we can reasonably expect under steady conditions. There have been no hiccups in the recent past. And so, that's what we sort of expect without making any forward-looking statements. If you require any further details, you may contact Orient Capital, our investor relations partners or any of us and to the extent we can answer your questions within the boundaries of competitive positions, we'll be only too happy to do so.

**C. Bhaskar:** Thank you, Irfan. Thank you, team.

**Moderator:** Thank you very much. In case of any further query, you may write to [irfan.raeen@linkintime.co.in](mailto:irfan.raeen@linkintime.co.in). On behalf of Xpro India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.